

# **DECLAN RESOURCES INC.**

## **Consolidated Financial Statements**

(Expressed in Canadian dollars)

**Years Ended  
September 30, 2016 and 2015**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Declan Resources Inc.

We have audited the accompanying consolidated financial statements of Declan Resources Inc., which comprise the consolidated statements of financial position as at September 30, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Declan Resources Inc. as at September 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Declan Resources Inc.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

January 30, 2017

# Declan Resources Inc.

Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	September 30, 2016	September 30, 2015
	(\$)	(\$)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	19,558	512
Receivables (Note 5)	10,317	3,660
Short-term investments (Note 6)	368,545	200,000
Prepaid expenses	5,833	46,574
Deposits (Note 7)	25,620	32,413
	429,873	283,159
<b>Restricted deposits</b> (Note 8)	11,500	11,500
<b>Exploration and evaluation assets</b> (Note 9)	-	8,774
	441,373	303,433
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	762,505	1,130,860
Current portion of notes payable (Note 11)	-	374,204
	762,505	1,505,064
<b>Notes payable</b> (Note 11)	970,171	-
	1,732,676	1,505,064
<b>Shareholders' deficiency</b>		
Share capital (Note 12)	18,107,921	18,097,921
Share-based payments reserve (Note 12)	1,554,336	1,554,336
Deficit	(20,953,560)	(20,853,888)
	(1,291,303)	(1,201,631)
	441,373	303,433

## Nature of operations and going concern (Note 1)

## Commitments (Note 17)

These consolidated financial statements were authorized for issue by the Board of Directors on January 30, 2017. They are signed on behalf of the Board of Directors by:

"Michelle Gahagan"  
Director

"Wayne Tisdale"  
Director

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

## Declan Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)

	Year Ended September 30, 2016 (\$)	Year Ended September 30, 2015 (\$)
<b>EXPENSES</b>		
Consulting fees	19,075	38,202
Exploration and evaluation expenditures (recovery) (Note 9)	(25,620)	648,814
Foreign exchange loss	(3,758)	15,444
Insurance	6,598	6,287
Interest expense (Note 11 and 13)	81,411	27,639
Investor relations	711	65,078
Management fees (Note 13)	60,000	180,895
Office and miscellaneous	32,146	105,280
Professional fees (Note 13)	46,101	86,233
Share-based compensation (Note 12 and 13)	-	123,514
Transfer agent and filing fees	29,641	15,001
Travel	23,829	49,767
<b>Loss from operations</b>	<b>(270,134)</b>	<b>(1,362,154)</b>
Interest income	197	433
Gain (loss) on short-term investments (Note 6)	230,182	(80,000)
Gain on third party interest in exploration and evaluation assets (Note 9)	-	163,406
Loss on disposal of exploration and evaluation assets (Note 9)	-	(473,780)
Write-off of exploration and evaluation assets (Note 9)	(18,774)	(783,731)
Write-off prepaid expense	(41,143)	-
<b>Loss and comprehensive loss</b>	<b>(99,672)</b>	<b>(2,535,826)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Weighted average common shares outstanding:</b>		
Basic	176,903,952	174,396,168
Diluted	176,903,952	174,396,168

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

## Declan Resources Inc.

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Number of Shares	Amount (\$)	Share-based Payments Reserve (\$)	Deficit (\$)	Total Shareholders' Equity (Deficiency) (\$)
<b>Balance at September 30, 2014</b>	<b>173,482,709</b>	<b>18,065,671</b>	<b>1,430,822</b>	<b>(18,318,062)</b>	<b>1,178,431</b>
Shares issued for exploration and evaluation assets	1,500,000	30,000	-	-	30,000
Shares issued for finder's fee	112,500	2,250	-	-	2,250
Share-based compensation	-	-	123,514	-	123,514
Net loss for the year	-	-	-	(2,535,826)	(2,535,826)
<b>Balance at September 30, 2015</b>	<b>175,095,209</b>	<b>18,097,921</b>	<b>1,554,336</b>	<b>(20,853,888)</b>	<b>(1,201,631)</b>
Shares issued for exploration and evaluation assets	2,000,000	10,000	-	-	10,000
Net loss for the year	-	-	-	(99,672)	(99,672)
<b>Balance at September 30, 2016</b>	<b>177,095,209</b>	<b>18,107,921</b>	<b>1,554,336</b>	<b>(20,953,560)</b>	<b>(1,291,303)</b>

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

## Declan Resources Inc.

Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

	Year Ended September 30, 2016	Year Ended September 30, 2015
	(\$)	(\$)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(99,672)	(2,535,826)
Items not affecting cash:		
Share-based compensation	-	123,514
Accrued interest	81,411	27,639
Change in fair value of short-term investments	(230,182)	80,000
Gain on third party interest in exploration and evaluation assets	-	(163,406)
Loss on disposal of exploration and evaluation assets	-	473,780
Write-off of exploration and evaluation assets	18,774	783,731
Write-off prepaid expense	41,143	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(6,657)	12,121
Decrease (increase) in deposits	6,793	(6,793)
Decrease (increase) in prepaid expenses	(402)	64,800
Increase in accounts payable and accrued liabilities	60,076	469,634
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(128,716)</b>	<b>(670,806)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of notes payable	(25,000)	-
Proceeds from notes payable	111,125	374,204
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>86,125</b>	<b>374,204</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of short-term investments	(61,702)	-
Option proceeds from exploration and evaluation asset	-	206,527
Proceeds from release of restricted deposit	-	11,500
Proceeds from the disposal of exploration and evaluation assets	-	75,000
Proceeds from the disposal of short-term investments	123,339	-
<b>CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>61,637</b>	<b>293,027</b>
<b>CHANGE IN CASH DURING THE YEAR</b>	<b>19,046</b>	<b>(3,575)</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>512</b>	<b>4,087</b>
<b>CASH - END OF YEAR</b>	<b>19,558</b>	<b>512</b>

### Supplemental Cash Flow Information (Note 19)

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

**DECLAN RESOURCES INC.**

Notes To The Consolidated Financial Statements

Year Ended September 30, 2016

(Expressed in Canadian dollars)

**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 8<sup>th</sup> Ave, Vancouver, BC, V6J 1V4, Canada. The Company is traded on the Canadian Securities Exchange ("CSE").

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

At the date of these 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.

These 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 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 the commodity prices and other developments in the natural resources market, 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. There can be no assurance that the Company will be successful in its future financing attempts. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

**2. BASIS OF PRESENTATION**

These consolidated financial statements, including comparatives, are prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors on January 30, 2017.

**Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as held for trading that have been measured at fair value. Cost is the fair value of consideration given in exchange for net assets.



**DECLAN RESOURCES INC.**

Notes To The Consolidated Financial Statements

Year Ended September 30, 2016

(Expressed in Canadian dollars)

**2. BASIS OF PRESENTATION** (continued)**Functional and presentation currency**

These 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 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 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

**Significant Accounting Judgments, Estimates and Assumptions**

In the application of the Company's accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses and are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and management's assessment of current events and other factors that are considered to be relevant. 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 future periods, if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in these consolidated financial statements include:

***Estimates:******Deferred Tax Assets***

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize any deferred tax assets could be impacted.

**DECLAN RESOURCES INC.**

Notes To The Consolidated Financial Statements

Year Ended September 30, 2016

(Expressed in Canadian dollars)

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**2. BASIS OF PRESENTATION** (continued)**Use of estimates and judgments** (continued)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.

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.

***Judgements:***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.

**3. SIGNIFICANT ACCOUNTING POLICIES****Exploration and Evaluation Assets**

Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through profit or loss.

Costs related to exploration costs of exploration and evaluation assets, incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to operations as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit-of-production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

**DECLAN RESOURCES INC.**

Notes To The Consolidated Financial Statements

Year Ended September 30, 2016

(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Exploration and Evaluation Assets (continued)**

Any option payments received by the Company from third parties are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Foreign Currency Translation**

The Company's functional and reporting currency is the Canadian dollar.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated.

**Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described below. The Company does not have any derivative financial instruments.

**Financial Assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

## DECLAN RESOURCES INC.

Notes To The Consolidated Financial Statements

Year Ended September 30, 2016

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments (continued)

##### Financial Assets

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- **Financial assets at fair value through profit or loss** – Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company's cash and short-term investments fall into this category of financial instruments.
- **Loans and receivables** – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company currently includes receivables and deposits in this category.
- **Held-to-maturity investments** – Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold financial assets in this category.
- **Available-for-sale financial assets** – Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company currently does not hold financial assets in this category.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred.

## DECLAN RESOURCES INC.

Notes To The Consolidated Financial Statements

Year Ended September 30, 2016

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments (continued)

##### Financial Liabilities

For the purpose of subsequent measurement, financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities upon initial recognition.

- **Financial liabilities at fair value through profit or loss** – Financial liabilities at fair value through profit or loss include financial liabilities that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Liabilities in this category are measured at fair value with gains or losses recognized in profit or loss. The Company currently does not hold financial liabilities in this category.
- **Other financial liabilities** – Other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process. The Company's accounts payable, accrued liabilities and notes payable fall into this category of financial instruments.

A financial liability is derecognized when it is extinguished, discharged, cancelled, or expired.

#### Impairment

At the end of each reporting period, the carrying value of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### Provision for Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as related assets.

**DECLAN RESOURCES INC.**

Notes To The Consolidated Financial Statements

Year Ended September 30, 2016

(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Provision for Environmental Rehabilitation (continued)**

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss.

**Share-based Payment Transactions**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants pursuant to a stock option plan. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model. It is recognized over the vesting period, using the graded vesting method, as an expense, with a corresponding increase to reserves in shareholders' equity. Expected volatility is based on historical volatility (based on the expected life of the options), adjusted for any expected changes due to publicly available information. No expense is recognized for awards that ultimately do not vest. If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital.

Share-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of equity instruments issued, whichever is more reliably measurable. The fair value of stock-based payments to nonemployees is periodically re-measured until counterparty performance is complete and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of share-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

**Share Capital**

The Company records proceeds from share issuances, net of commissions and issuance costs, as share capital.

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. The equity financings may involve the issuance of common shares or units. Warrants that are a part of units are assigned a value based on the residual value, if any, and included in reserves.

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**Loss Per Share**

Basic loss per share is calculated using the weighted average number of shares issued and outstanding during the period. Diluted loss per share is the same as basic loss per share as the issuance of shares on the exercise of share purchase options and warrants is anti-dilutive.

**DECLAN RESOURCES INC.**

Notes To The Consolidated Financial Statements

Year Ended September 30, 2016

(Expressed in Canadian dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Income Taxes**

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity.

**Current Income Tax**

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

**Deferred Income Tax**

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

**Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**Newly Adopted Accounting Standards And Interpretations**

During the year ended September 30, 2016, the Company adopted the following new and amended IFRS pronouncements:

*IFRS 7, Financial Instruments – Disclosure*

Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

The adoption of this new standard did not have a material effect on these consolidated financial statements.

**DECLAN RESOURCES INC.**

Notes To The Consolidated Financial Statements

Year Ended September 30, 2016

(Expressed in Canadian dollars)

**4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The pronouncements are being assessed to determine their impact on the Company's results and financial position.

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

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2016 but are not yet effective:

*IFRS 11, Joint arrangements*

This standard was amended to provide specific guidance on accounting for the acquisition of an interesting in a joint operation that is a business.

*IAS 16, Property, plant and equipment and IAS 38, Intangible assets*

These standards were amended to prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets.

*IAS 27, Separate financial statements*

IAS 27 was amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The following amendments to an existing standard has been issued for annual periods beginning on or after January 1, 2017 but is not yet effective:

*IAS 12, Income Taxes*

Amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2018 but are not yet effective:

*IFRS 9, Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.



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**4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE** (continued)*IFRS 15, Revenue from Contracts with Customers*

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2019 but are not yet effective:

*IFRS 16, Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

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

**5. RECEIVABLES**

As at September 30, 2016, receivables consist of the following:

	<b>2016</b>	<b>2015</b>
	<b>(\$)</b>	<b>(\$)</b>
GST receivable	1,745	2,681
Other receivables	697	719
Interest receivable	375	260
Related party receivable	7,500	-
	<u>10,317</u>	<u>3,660</u>

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**6. SHORT-TERM INVESTMENTS**

Name	2016		2015	
	Number of Shares	Amount (\$)	Number of Shares	Amount (\$)
Versus Systems Inc. (formerly Opal Energy Corp.)	1,595,000	342,925	2,000,000	200,000
Moovly Media Inc.	122,000	25,620	-	-
		368,545		200,000

The Company has classified its short-term investments as fair value through profit or loss.

During the year ended September 30, 2016, the Company realized net proceeds of \$123,339 (2015 - \$Nil) and recorded a gain of \$230,182 (2015 - \$80,000 loss).

**7. DEPOSITS**

As at September 30, 2016, deposits consisted of \$25,620 (2015 - \$32,413) held by the Government of Saskatchewan with respect to outstanding exploration work commitments on the Davidson River property.

**8. RESTRICTED DEPOSITS**

As at September 30, 2016, restricted deposits consisted of \$11,500 (2015 - \$11,500) held in a guaranteed investment certificate as collateral for a corporate credit card.

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**9. EXPLORATION AND EVALUATION ASSETS**

A schedule of exploration and evaluation asset acquisition costs during the year ended September 30, 2016 is as follows:

<b>Property</b>	<b>As at September 30, 2015</b>	<b>Other</b>	<b>Shares</b>	<b>Option Payments</b>	<b>Write-offs and Disposals</b>	<b>As at September 30, 2016</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Firebag River	-	-	10,000	-	(10,000)	-
Other	8,774	-	-	-	(8,774)	-
<b>Total</b>	<b>8,774</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>(18,774)</b>	<b>-</b>

A schedule of exploration and evaluation asset acquisition costs during the year ended September 30, 2015 is as follows:

<b>Property</b>	<b>As at September 30, 2014</b>	<b>Other</b>	<b>Shares</b>	<b>Option Payments</b>	<b>Write-offs and Disposals</b>	<b>As at September 30, 2015</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Firebag River	290,871	2,250	30,000	(323,121)	-	-
Patterson Lake NE	548,780	-	-	-	(548,780)	-
North Star	202,923	-	-	-	(202,923)	-
Thorburn Lake	44,827	-	-	-	(44,827)	-
Jackfish Creek	44,827	-	-	-	(44,827)	-
Maurice Creek	86,385	-	-	-	(86,385)	-
Maybelle North	131,210	-	-	-	(131,210)	-
Archer Lake	148,885	-	-	-	(148,885)	-
Davidson River	41,558	-	-	-	(41,558)	-
Big Sandy Lake	41,558	-	-	-	(41,558)	-
Beatty River	41,558	-	-	-	(41,558)	-
Other	8,774	-	-	-	-	8,774
<b>Total</b>	<b>1,632,156</b>	<b>2,250</b>	<b>30,000</b>	<b>(323,121)</b>	<b>(1,332,511)</b>	<b>8,774</b>

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**9. EXPLORATION AND EVALUATION ASSETS (continued)**

The Company did not incur any exploration and evaluation expenditures during the year ended September 30, 2016.

A schedule of exploration and evaluation expenditures during the year ended September 30, 2015 is as follows:

<b>Expenditures</b>	<b>Patterson Lake</b>	<b>Maybelle North</b>	<b>Thorburn Creek</b>	<b>Maurice Creek</b>	<b>Davidson River</b>	<b>Big Sandy</b>	<b>Other</b>	<b>Total</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Field work	-	-	-	-	461,232	-	-	461,232
Geological	5,909	2,544	29,279	14,846	34,377	3,659	19,185	109,799
Geophysics	-	-	-	69,901	-	-	-	69,901
Licenses and permits	-	625	-	1,250	1,250	-	-	3,125
Travel	-	-	-	-	4,757	-	-	4,757
	<b>5,909</b>	<b>3,169</b>	<b>29,279</b>	<b>85,997</b>	<b>501,616</b>	<b>3,659</b>	<b>19,185</b>	<b>648,814</b>

**DECLAN RESOURCES INC.**

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**9. EXPLORATION AND EVALUATION ASSETS (continued)**

## a) Firebag River Property

On October 24, 2013 the Company entered into a property option agreement, subsequently amended, to acquire a 100% interest in the Firebag River Property located in Alberta, Canada. To acquire the property, the Company is required to make cash payments of \$85,000, issue 5,000,000 common shares and complete an exploration work commitment of \$300,000 as follows:

	<b>Acquisition in Cash</b>	<b>Acquisition in Shares</b>	<b>Exploration Work Commitments</b>
	<b>(\$)</b>		<b>(\$)</b>
On signing of agreement (completed)	45,000	-	-
On approval of agreement by the TSX-V (completed)	40,000	1,500,000	-
November 22, 2014 (completed)	-	1,500,000	150,000
November 5, 2015 (completed)	-	2,000,000	-
November 22, 2016	-	-	150,000
<b>Total</b>	<b>85,000</b>	<b>5,000,000</b>	<b>300,000</b>

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. On November 5, 2015, 2,000,000 common shares, valued at \$10,000, were issued pursuant to the property option agreement.

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

Finder's fees of nil (2015 - 112,500) common shares valued at \$Nil (2015 - \$2,250) were issued in connection with the acquisition. Since inception, a total of 738,750 common shares, valued at \$58,613, have been issued as a finder's fees.

During the year ended September 30, 2014, the Company entered into an option agreement to allow for Versus Systems Inc. ("Versus")(formerly Opal Energy Corp.), a corporation that shares management in common with the Company, to earn up to a 70% interest in the property by assuming the exploration work commitments. In addition, Versus was to 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.

During the year ended September 30, 2015, the Company received cash payments of \$206,527 and 2,000,000 common shares of Versus valued at \$280,000 (Note 6). A total \$323,121 was recorded as a recovery of exploration and evaluation assets against the capitalized acquisition cost of Firebag River and the remaining amount of \$163,406 was recorded as a gain.

Versus subsequently withdrew from the option agreement and, accordingly, the Company is responsible for the remaining expenditure obligations in order to maintain its earn-in rights under the option agreement.

**DECLAN RESOURCES INC.**

Notes To The Consolidated Financial Statements

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**9. EXPLORATION AND EVALUATION ASSETS (continued)**

## a) Firebag River Property (continued)

During the year ended September 30, 2016, the Company decided to discontinue exploration of the Firebag River Property and, accordingly, recorded a write-off of \$10,000.

## 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.

The Company issued 4,000,000 common shares, valued at \$300,000, and paid \$185,000 in acquisition costs pursuant to the property option agreement. A total of 734,211 common shares, valued at \$55,066, were issued as a finder's fee in connection with the acquisition. The Company also incurred \$8,714 in miscellaneous acquisition costs capitalized to the property.

In June 2015, the Company sold 100% of its rights to the Patterson Lake Property to an unrelated third party for cash proceeds of \$75,000. A loss on disposal of \$473,780 was recorded during the year ended September 30, 2015.

## c) North Star Property

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. A total of 162,500 common shares, valued at \$17,875, were issued as a finder's fee in connection with the acquisition. The Company also incurred \$5,048 in miscellaneous acquisition costs capitalized to the property.

During the year ended September 30, 2015, the Company decided to discontinue exploration on the remainder of the North Star property, relinquished its rights to the property and, accordingly, recorded a write-off of \$202,923.

## 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 North, Richardson River (grouped with Maybelle North), 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.

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**9. EXPLORATION AND EVALUATION ASSETS (continued)**

## d) Six Pack Properties (continued)

The Company issued 1,500,000 common shares, valued at \$112,500, and paid \$75,000 in acquisition costs pursuant to the property option agreement. The Company also incurred \$3,963 in miscellaneous acquisition costs capitalized to the property.

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.

The Company issued 1,000,000 common shares, valued at \$75,000, and paid \$25,000 in acquisition costs pursuant to the property option agreement. A total of 340,909 common shares, valued at \$39,205, were issued as a finder's fee in connection with this acquisition. The Company also incurred \$792 in miscellaneous acquisition costs capitalized to the property.

During the year ended September 30, 2015, management decided to discontinue exploration on the Six Pack properties, relinquished its rights to the properties and, accordingly, recorded a write-off of \$331,460.

During the year ended September 30, 2016, the Company received reimbursement of a deposit from the Saskatchewan government in connection with expenditure requirements on the Thorburn Lake property. The refund has been recorded as a recovery of exploration and evaluation expenditures.

## 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.

The Company issued 2,500,000 common shares, valued at \$150,000, and paid \$50,000 in acquisition costs pursuant to the property option agreement. A total of 616,071 common shares, valued at \$36,964, were issued as a finder's fee in connection with the acquisition. The Company also incurred \$12,384 in miscellaneous acquisition costs capitalized to the property.

During the year ended September 30, 2015, management decided to discontinue exploration on the Davidson Group properties, relinquished its rights to the properties and, accordingly, recorded a write-off of \$249,348.

## f) Other

The Company acquired properties in Saskatchewan by staking six claims at a cost of \$8,774. No work was performed on these claims during the years ended September 30, 2016 and 2015.

During the year ended September 30, 2016, management decided to discontinue exploration on the Saskatchewan claims, relinquished its rights to the properties and, accordingly, recorded a write-off of \$8,774.

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**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at September 30, 2016, the Company's accounts payable and accrued liabilities is comprised of the following:

	<b>2016</b>	<b>2015</b>
	<b>(\$)</b>	<b>(\$)</b>
Accounts payable	305,532	407,276
Related party payable (Note 13)	331,693	675,945
Accrued liabilities	16,230	20,000
Interest payable (Note 13)	109,050	27,639
	<b>762,505</b>	<b>1,130,860</b>

**11. NOTES PAYABLE**

During the year ended September 30, 2015, the Company issued notes payable for total proceeds of \$374,204. The notes bear interest at 10% per annum, payable quarterly, and mature one year from the date of issuance. On October 15, 2015, the Company extended the maturity date of each of the notes to three years from the original issuance date.

During the year ended September 30, 2016, the Company repaid \$25,000 of existing notes payable and issued additional notes payable that bear interest at 10% per annum, payable quarterly, and mature three years from the date of issuance on proceeds of \$111,125. Furthermore, the Company issued a three year note payable for \$510,000 under the same terms to settle an existing non-interest bearing, unsecured demand loan previously classified as accounts payable.

During the year ended September 30, 2016, the Company accrued \$81,411 (2015 - \$27,639) in interest expense.

At September 30, 2016, a total of \$109,050 (2015 - \$27,639) in accrued interest remains outstanding to be paid and is included in accounts payable and accrued liabilities.

**12. SHARE CAPITAL AND RESERVES****a) Authorized share capital**

An unlimited number of common shares without par value.



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**12. SHARE CAPITAL AND RESERVES (continued)****b) Issued share capital**

During the year ended September 30, 2016, the Company issued 2,000,000 common shares with a value of \$10,000 (\$0.005 per share) as an option payment pursuant to the Firebag River option agreement (Note 9(a)).

During the year ended September 30, 2015, 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 9(a)).
- 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 9(a)).

**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 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.

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – September 30, 2014	11,300,000	0.11
Expired	(1,000,000)	0.15
Forfeited	(750,000)	0.15
Balance – September 30, 2015	9,550,000	0.10
Expired	(2,600,000)	0.10
Balance – September 30, 2016	6,950,000	0.10

As at September 30, 2016, the Company had incentive stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Options Outstanding	Options Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life (years)
September 11, 2017	950,000	950,000	0.16	0.95
October 7, 2018	5,000,000	5,000,000	0.09	2.02
November 22, 2018	1,000,000	1,000,000	0.09	2.15
	6,950,000	6,950,000	0.10	1.89

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**12. SHARE CAPITAL AND RESERVES (continued)****d) Share purchase warrants**

A continuity schedule of outstanding share purchase warrants is as follows:

	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price</b>
		<b>(\$)</b>
Balance – September 30, 2014	49,008,886	0.13
Expired	(19,932,308)	0.15
Balance – September 30, 2015	29,076,578	0.11
Expired	(29,076,578)	0.11
Balance – September 30, 2016	-	-

As at September 30, 2016, the Company had no share purchase warrants outstanding.

**13. RELATED PARTY TRANSACTIONS**

The Company's key management personnel consist of directors, officers and companies owned or controlled in whole or in part by officers and directors. The following summarizes the Company's related party transactions during the years ended September 30, 2016 and 2015:

Key Management Compensation

	<b>2016</b>	<b>2015</b>
	<b>(\$)</b>	<b>(\$)</b>
Management fees paid or accrued to a corporation controlled by the former Chief Executive Officer ("CEO") of the Company.	-	120,895
Consulting fees paid or accrued to a director of the Company.	18,250	38,625
Share-based compensation vested for incentive stock options issued to certain officers and directors of the Company.	-	83,570
Professional fees paid or accrued to a corporation controlled by the Chief Financial Officer ("CFO") of the Company.	5,000	1,000
Professional fees paid or accrued to the former CFO of the Company.	-	49,500
<b>Total</b>	<b>23,250</b>	<b>293,590</b>

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**13. RELATED PARTY TRANSACTIONS (continued)**Other Related Party Transactions

	<b>2016</b>	<b>2015</b>
	<b>(\$)</b>	<b>(\$)</b>
Office sharing and occupancy costs paid or accrued to a corporation that shares management in common with the Company. (Note 17)	30,000	-
Interest expense accrued to two corporations controlled by the CEO of the Company.	55,423	5,518
Interest expense accrued to a corporation that shares management in common with the Company.	5,382	-
<b>Total</b>	<b>90,805</b>	<b>5,518</b>

- a) As at September 30, 2016, a total of \$125,592 (2015 - \$128,634) was included in accounts payable and accrued liabilities owing to a corporation controlled by the former CEO of the Company for management fees.
- b) As at September 30, 2016, a total of \$6,250 (2015 - \$1,050) was included in accounts payable and accrued liabilities owing to a corporation controlled by the CFO of the Company for professional fees.
- c) As at September 30, 2016, a total of \$5,643 (2015 - \$5,643) was included in accounts payable and accrued liabilities owing to a corporation controlled by a former director of the Company for consulting fees.
- d) As at September 30, 2016, a total of \$40,688 (2015 - \$21,525) was included in accounts payable and accrued liabilities owing to a director of the Company for consulting fees.
- e) As at September 30, 2016, a total of \$30,765 (2015 - \$516,936) was included in accounts payable and accrued liabilities owing to two corporations controlled by the CEO of the Company for management fees, interest free loan advances and reimbursable expenses.
- f) As at September 30, 2016, a total of \$2,157 (2015 - \$2,157) was included in accounts payable and accrued liabilities owing to a former director of the Company for reimbursable expenses.
- g) As at September 30, 2016, a total of \$3,650 (2015 - \$Nil) was included in accounts payable and accrued liabilities owing to a corporation that shares management in common with the Company for office sharing and occupancy costs.
- h) As at September 30, 2016, a total of \$116,948 (2015 - \$Nil) was included in accounts payable and accrued liabilities owing to a corporation that shares management in common with the Company for exploration expenditures.
- i) As at September 30, 2016, a total of \$783,566 (2015 - \$107,018) of notes payable and accrued interest, which is included in accounts payable and accrued liabilities, was owing to two corporations controlled by the CEO of the Company (Note 11).
- j) As at September 30, 2016, a total of 52,151 (2015 - \$Nil) of notes payable and accrued interest, which is included in accounts payable and accrued liabilities, was owing to a corporation that shares management in common with the Company (Note 11).

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Notes To The Consolidated Financial Statements

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**13. RELATED PARTY TRANSACTIONS (continued)**

- k) As at September 30, 2016, a total of \$7,500 (2015 - \$Nil) was included in accounts receivable owing to the Company from a corporation controlled by the CEO of the Company.

**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, short-term investments, receivables, restricted deposits, accounts payable and notes payable.

The Company classified its cash and short-term investments as fair value through profit or loss; receivables and restricted deposits as loans and receivables; and accounts payable and notes payable as other financial liabilities. The fair values of cash and short-term investments are measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, restricted deposits and accounts 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 September 30, 2016. The Company does not believe it has a material exposure to credit risk.

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**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***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 notes payable. The Company is exposed to liquidity risk. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will seek to secure additional funds through long term debt and equity transactions.

*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 variable interest bearing liabilities that are tied into market rates.

*Foreign exchange risk*

The Company is not exposed to any significant foreign currency risk.

*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.

**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.

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**15. MANAGEMENT OF CAPITAL** (continued)

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 year ended September 30, 2016.

**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 and are all located in Canada.

**17. COMMITMENTS**

On August 1, 2015, the Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. Under the terms of the agreement, the Company will pay \$2,500 plus GST per month commencing on September 1, 2015 and continuing until the expiration of the underlying head lease on July 31, 2018.

<b>Fiscal Year</b>	<b>Amount</b>
	<b>(\$)</b>
2017	30,000
2018	25,000

**DECLAN RESOURCES INC.**

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(Expressed in Canadian dollars)

**18. INCOME TAXES****a) Provision for Income Taxes**

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

	<b>2016</b>	<b>2015</b>
	<b>(\$)</b>	<b>(\$)</b>
Loss for the year	(99,672)	(2,535,826)
Expected income tax recovery	(26,000)	(659,000)
Permanent differences	(30,000)	43,000
Change in statutory, foreign tax, foreign exchange rates and other	(11,000)	(1,000)
Adjustment to prior year provision versus statutory tax return	2,000	-
Expiry of non-capital losses	14,000	-
Change in unrecognized tax benefits of non-capital losses	51,000	617,000
Income tax expense	-	-

**b) Deferred Income Taxes**

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

	<b>2016</b>	<b>2015</b>
	<b>(\$)</b>	<b>(\$)</b>
Non-capital losses carry-forward	1,642,000	1,526,000
Exploration and evaluation assets	1,868,000	1,869,000
Share issuance costs	14,000	53,000
Marketable securities	(15,000)	10,000
Canadian eligible capital	3,000	3,000
	3,512,000	3,461,000
Unrecognized deferred tax assets	(3,512,000)	(3,461,000)
	-	-

**DECLAN RESOURCES INC.**

Notes To The Consolidated Financial Statements

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**18. INCOME TAXES (continued)****b) Deferred Income Taxes (continued)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

<b>Temporary Differences</b>	<b>2016</b>	<b>Expiry Date</b>
	<b>(\$)</b>	<b>Range</b>
Canadian eligible capital	13,000	No expiry date
Share issuance costs	54,000	2017 to 2018
Exploration and evaluation assets	7,183,000	No expiry date
Marketable	(112,000)	No expiry date
Non-capital losses available for future periods	6,315,000	2017 to 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**19. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>2016</b>	<b>2015</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Shares issued for exploration and evaluation assets	10,000	30,000
Shares issued for finders' fees for acquisition of exploration and evaluation assets	-	2,250
Shares received from option agreement on exploration and evaluation asset	-	280,000
Note payable issued to settle accounts payable	510,000	-
Transfer of current note payable to note payable upon extension	374,204	-