

FAIRMONT RESOURCES INC.

Audited Financial Statements

**For the years ended
October 31, 2015 and 2014**

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fairmont Resources Inc.

We have audited the accompanying financial statements of Fairmont Resources Inc., which comprise the statements of financial position as at October 31, 2015 and 2014 and the statements of comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Fairmont Resources Inc. as at October 31, 2015 and 2014 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 financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Fairmont Resources Inc.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

February 9, 2016



FAIRMONT RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	October 31, 2015	October 31, 2014
ASSETS		
CURRENT		
Cash	\$ 14,555	\$ 155,065
Amounts receivable	974	21,576
Prepaid expenses	6,198	16,198
TOTAL CURRENT ASSETS	21,727	192,839
Exploration and evaluation assets (Note 4)	599,415	329,910
TOTAL ASSETS	\$ 621,142	\$ 522,749
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 308,585	\$ 70,635
Due to related parties (Note 6)	89,488	12,647
TOTAL CURRENT LIABILITIES	398,073	83,282
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	4,560,697	4,358,601
Equity reserves (Note 5)	757,269	696,935
Deficit	(5,094,897)	(4,616,069)
TOTAL SHAREHOLDERS' EQUITY	223,069	439,467
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 621,142	\$ 522,749

Nature and continuance of operations (Note 1)
Subsequent events (Note 4 and 5)

Approved on behalf of the Board February 9, 2016:

“Greg Ball”

Director

“Michael Dehn”

Director

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Years ended October 31,	
	2015	2014
EXPENSES		
Administration	\$ 38,000	\$ 38,000
Advertising and promotion	27,571	34,951
Audit and accounting	48,750	45,560
Consulting	105,999	148,308
Exploration	-	16,400
Investor relations	4,485	465
Legal	4,745	21,402
Management	102,000	40,500
Office and miscellaneous	5,786	17,550
Registration and transfer fees	19,936	25,254
Share-based payments (Note 5)	60,334	-
Travel	1,348	8,363
	(418,954)	(396,753)
Write down of exploration and evaluation asset (Note 4)	(59,874)	(876,856)
Comprehensive loss for the year	\$ (478,828)	\$ (1,273,609)
LOSS PER SHARE, basic and diluted	\$ (0.03)	\$ (0.10)
Weighted average number of shares outstanding	18,305,742	13,344,998

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years ended October 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (478,828)	\$ (1,273,609)
Adjustments		
Impairment of exploration and evaluation asset	59,874	876,856
Share-based payments	60,334	-
Shares issued for consulting	-	78,750
Changes in non-cash working capital items		
Amounts receivable	20,602	(19,117)
Prepaid expenses	10,000	(15,000)
Accounts payable and accrued liabilities	150,750	(43,563)
Due to related parties	76,841	(90,834)
Net cash used in operating activities	(100,427)	(486,517)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	-	828,900
Share issuance cost	-	(6,478)
Net cash from financing activities	-	822,422
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures	(86,811)	(184,407)
Quebec mineral tax credit received	46,728	-
Net cash used in investing activities	(40,083)	(184,407)
Change in cash during the year	(140,510)	151,498
Cash, beginning of the year	155,065	3,567
Cash, end of the year	\$ 14,555	155,065
SUPPLEMENTAL INFORMATION		
NON CASH TRANSACTIONS		
Shares issued for exploration and evaluation assets (Note 5)	\$ 202,096	\$ 136,750
Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ 138,297	\$ 51,097

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Equity Reserves	Deficit	Total Equity
Balance at October 31, 2013	5,106,360	\$ 3,320,679	\$ 696,935	\$ (3,342,460)	\$ 675,154
Private placement	9,581,667	907,650	-	-	907,650
Finder's fees for private placement	436,000	35,900	-	-	35,900
Share issuance cost		(42,378)	-	-	(42,378)
Shares issued for exploration and evaluation assets	2,225,000	124,750	-	-	124,750
Shares issued on cancellation of property commitments	100,000	12,000	-	-	12,000
Loss for the year	-	-	-	(1,273,609)	(1,273,609)
Balance at October 31, 2014	17,449,027	4,358,601	696,935	(4,616,069)	439,467
Shares issued for exploration and evaluation assets	1,243,120	202,096	-	-	202,096
Share-based payments	-	-	60,334	-	60,334
Loss for the year	-	-	-	(478,828)	(478,828)
Balance at October 31, 2015	18,692,147	\$ 4,560,697	\$757,269	\$ (5,094,897)	\$ 223,069

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.

Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

1. NATURE AND CONTINUANCE OF OPERATIONS

Fairmont Resources Inc. (the “Company”) was incorporated on May 25, 2007 under the British Columbia Business Corporations Act as Strike Explorations Corp. On April 23, 2009, the Company changed its name to Fairmont Resources Inc. The Company’s head office address is Suite 810 – 789 West Pender Street, Vancouver, BC V6C 1H2, Canada. The registered and records office address is Suite 704 – 595 Howe Street, Vancouver, BC V6C 2T5, Canada. The Company is listed on the TSX Venture Exchange under the symbol “FMR”. The Company is primarily engaged in the acquisition, exploration and development of exploration and evaluation assets. At October 31, 2015, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the exploration and evaluation assets or proceeds from the disposition of the exploration and evaluation asset.

At October 31, 2015 and 2014, the Company had an accumulated deficit of \$5,094,897 and \$4,616,069 respectively, which has been funded by the issuance of equity. The Company expects to incur further losses in the development of its business, all of which cast significant doubt on the Company’s ability to continue as a going concern. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

	October 31, 2015	October 31, 2014
Working capital (deficiency)	\$ (376,346)	\$ 109,557
Deficit	\$ (5,094,897)	\$ (4,616,069)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance and basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements of the Company are presented in Canadian dollars unless otherwise indicated, which is the functional currency of the Company.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the annual financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of exploration and evaluation assets and deferred exploration costs, share-based payments and deferred tax valuation allowance.

Significant assumptions about the future and other sources of estimated uncertainty that management has made at the financial position reporting date, 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:

- 1) the carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;
- 2) the inputs used in the accounting for the deferred tax assets / liabilities; and
- 3) the inputs used in the accounting for share-based payment expense included in profit or loss.

c) Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

e) Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provision for closure and reclamation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation as at October 31, 2015 and October 31, 2014.

g) Share-based payments

The Company applies the fair value method to share-based payments and all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in equity reserves. When the options are exercised, the exercise price proceeds together with the amount initially recorded in equity reserves are credited to share capital.

h) Basic and diluted loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses the exercise of outstanding options and warrants has not been included in this calculation as it would be anti-dilutive.

i) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

j) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments

Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide objective evidence of impairment, which are recognized in earnings. The Company's amounts receivable are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period or, where appropriate, a shorter period. The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties, which are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Impairment of financial assets:

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. ADOPTED AND FUTURE ACCOUNTING STANDARDS

New accounting policies adopted

The following accounting policies were adopted and effective November 1, 2014

IAS 32, Financial Instruments: Presentation

IAS 32 is amended to clarify requirements for offsetting of financial assets and financial liabilities.

IAS 36, Impairment of Assets

Amended to address the disclosures required regarding the recoverable amount of impaired assets or cash generating units (CGUs) for periods in which an impairment loss has been recognized or reversed.

The adoption of the above standards did not have an impact on the financial statements.

New standards, interpretations and amendments not yet effective

Effective for annual periods beginning on or after January 1, 2015:

IFRS 7, Financial Instruments – Disclosure

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

Effective for annual periods beginning on or after January 1, 2016:

IFRS 11, Joint arrangements

This standard was amended to provide specific guidance on accounting for the acquisition of an interest 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 and IFRS 1, First-time adoption of IFRS

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.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

3. ADOPTED AND FUTURE ACCOUNTING STANDARDS (continued)

New standards, interpretations and amendments not yet effective (continued)

IFRS 1 was amended to permit the use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter.

Effective for annual periods beginning on or after January 1, 2018:

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.

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 Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

4. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets

Title to exploration and evaluation asset interests involve certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Lac Elan Property (Quebec)

On November 26, 2013, the Company entered into a letter agreement with an arm's length party (the "Optionor") to earn a 40% interest in certain mineral claims known as the Lac Elan property in the province of Quebec. To acquire the 40% interest, the Company agreed to issue a total of 1,000,000 common shares in the capital stock of the Company within five days of December 6, 2013 (issued at a value of \$50,000) and incur a total of \$100,000 in exploration expenditures before the second anniversary of the agreement, with \$25,000 of that being spent before the first anniversary.

On November 24, 2014, the Company and the optionor agreed to amend the agreement and the minimum expenditure requirement to be spent by the first anniversary was removed.

Subsequent to year end, the Company abandoned its Lac Elan mineral claims so that it could focus its resources on those properties that show more promising results. All capitalized costs were written-off as of October 31, 2015.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2015 and 2014

4. EXPLORATION AND EVALUATION ASSETS (continued)

Buttercup Property (Quebec)

On January 28, 2014 the Company entered into a purchase agreement with an arm's length party (the "Vendor") to earn a 100% interest in certain mineral claims known as the Buttercup property in the province of Quebec. To acquire the 100% interest, the Company agreed to:

- (i) pay \$50,000 (paid) to certain suppliers of the Vendor,
- (ii) issue a total of 1,000,000 common shares (issued at a value of \$50,000) and
- (iii) pay a total of \$150,000 to the Vendor.

The \$150,000 payment is to be paid in an installment of \$50,000 within 60 days of receiving final permits to commence commercial production on the property (issued 1,000,000 common shares at a price of \$0.05 subsequent to year end) and \$100,000 to be paid on commencement of commercial production. Further the net profits from production will be split 80% to the Vendor and 20% to the Company until the Vendor has received a total payment of \$3,000,000. Thereafter the Vendor will receive 5% of the net profits and the Company will receive 95%. The Company also issued 100,000 common shares in the capital stock of the Company (issued at a value of \$5,000) as a finder's fee for the property.

Hearth Property (Quebec)

On February 20, 2014, the Company announced that it staked 96 claims, the Hearth Property, for \$4,380, in the Buttercup area.

Lac Bouchette Property (Quebec)

On October 24, 2014, the Company entered into an agreement with an arm's length party (the "Optionor") to earn a 100% interest in certain mineral claims known as the Lac Bouchette property in the province of Quebec. Under the terms of the option agreement, the Company will be required to make the following payments to the Vendors in order to exercise its option:

- (i) \$50,000 (of which \$25,000 may be settled in shares of the Company) within five days of TSX Venture Exchange acceptance of the agreement (paid \$25,000 and issued 135,135 common shares at a price of \$0.175 per share),
- (ii) \$50,000 on or before December 31, 2014 (issued 344,827 shares at a price of \$0.155 per share),
- (iii) \$50,000 on or before June 1, 2015 (issued 263,158 shares at a price of \$0.19 per share), and
- (iv) \$50,000 on or before December 1, 2015. (issued 1,000,000 shares at a price of \$0.05 per share subsequent to year end)

At the election of the Company, the payments set out in paragraphs (ii) to (iv) may be settled by the issuance of common shares of the Company, subject to TSX Venture Exchange Acceptance. The Optionor will also receive a \$2 per tonne royalty for all ore currently stockpiled on the Lac Bouchette Quartz Property and a 2% production royalty for any new mined ore. The option agreement and the transactions contemplated therein are subject to the acceptance of the TSX Venture Exchange.

The Optionor agreed with the Company to extend the December 31, 2014 payment until January 2015. The obligation was settled in January 2015 through the issuance of shares.

Forestville – Baie Comeau Property (Quebec)

On January 21, 2015 the Company acquired a 100% interest in the Forestville and Baie Comeau Quartzite properties (the "Properties"). The Forestville Quartzite property is located 20 kilometres north-northwest of the town of Forestville, Quebec. The Baie Comeau Quartzite property is 8 kilometres northwest of Baie Comeau, Quebec, and partially crosses highway 389. The properties have been optioned for the purpose of testing the chemical and physical properties of the quartzite as a potential raw material for various products such as: high purity glass, fibre optics, countertops, ferrosilicon and silica metal.

4. EXPLORATION AND EVALUATION ASSETS (continued)

Forestville – Baie Comeau Property (Quebec) (continued)

To acquire 100% of the Properties, the Company will:

- i) pay to the Optionor 500,000 shares on the date of acceptance of the TSX Venture Exchange (the “Exchange Approval Date”) (paid),
- ii) pay \$6,000 on the Exchange Approval Date (by mutual consent the \$6,000 payment has been delayed indefinitely),
- iii) pay \$100,000 in shares on or before January 21, 2016, (issued 2,000,000 shares at a price of \$0.05 per share subsequent to year end)
- iv) pay \$50,000 in shares on or before July 21, 2016, and
- v) incur \$60,000 of exploration expenditures on the Forestville Quartzite Property on or before December 31, 2015 (incurred).

The Optionee shall be responsible for keeping the Properties in good standing including the filing of required assessment work and completing regulatory work expenditures or making cash payments in lieu of work 120 days before required under the rules of the jurisdiction. Also, the Optionee will pay a 2% production royalty in connection with the sale of produced minerals on the Properties, and may repurchase the royalty at a price equal to \$0.25 per tonne.

Clay and Powell Properties (Ontario)

On September 14, 2010, the Company entered into a Letter of Intent with Rainy Mountain Royalty Corp. and Mega Uranium Ltd. (the “Optionors”) for an option to purchase a 70% undivided interest in certain mineral tenures comprising the Powell property and the Clay property (the “Properties”) located near Thunder Bay, Ontario.

Under the original agreement the Company may exercise the option by the issuance to the Optionors of 100,000 common shares in the capital stock of the Company, and by incurring a total of \$1,000,000 in exploration and development expenditures on the properties. On March 31, 2014 the Company agreed to issue an additional 100,000 shares to extend the option to purchase the property to December 31, 2014. Minimum expenditure obligations for the year ended October 31, 2013 were extended by the optionors to December 31, 2014.

In the event that the Company decides to abandon the Option and the Properties, the Company will provide thirty days prior written notice and will provide payment of rental fees for a period of at least six months from the effective date of such abandonment.

Pursuant to the Letter of Intent, the Clay and Powell properties are subject to a 2% net smelter return (“NSR”) royalty of which 1% can be purchased for \$500,000 and the other 1% for \$1,000,000. The Company and the Optionors will pay the amount in proportion to their respective interest in the Properties.

On July 31, 2014 the property was written down to a value of \$1,000 pursuant to an agreement with the Optionors that the option on the property could be bought back by them for \$1,000 if they find a bona fide third party offer for the property.

On November 28, 2014 the Company terminated its option for the Clay Powell property in order to focus on its Quebec properties. All remaining capitalized costs were written-off as of October 31, 2014.

Houghton Creek Property (Ontario)

On July 25, 2012, the Company entered into a letter agreement with an arm’s length party (the “Optionor”) to earn a 100% interest in certain mineral claims known as the Houghton Creek property. The property is located in the Patricia Mining Division, Ontario. To acquire the 100% interest, the Company agreed to pay \$22,000, issue a total of 56,250 common shares and incur a total of \$150,000 in exploration expenditures.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

4. EXPLORATION AND EVALUATION ASSETS (continued)**Houghton Creek Property (Ontario) (continued)**

On July 31, 2014 the Company abandoned its mineral claims of the Houghton Creek Property so that it can focus its resources on those properties that show more promising results. All capitalized costs were written-off.

Total exploration and evaluation assets

The following acquisition and deferred exploration costs were incurred on the Company's exploration and evaluation assets:

Current year	Lac Elan	Buttercup	Hearth
Acquisition costs, October 31, 2014	\$ 50,000	\$ 107,672	\$ 4,380
Impairment during the year	(56,500)	-	-
Additions during the year	<u>6,500</u>	<u>-</u>	<u>-</u>
Acquisition costs, October 31, 2015	<u>-</u>	<u>107,672</u>	<u>4,380</u>
Deferred exploration costs, October 31, 2014	-	167,858	-
Impairment during the year	(3,374)	-	-
Additions during the year	<u>3,374</u>	<u>(36,014)</u>	<u>-</u>
Deferred exploration cost October 31, 2015	<u>-</u>	<u>131,844</u>	<u>-</u>
Total exploration and evaluation assets, October 31, 2015	\$ -	\$ 239,516	\$ 4,380

Current year (continued)	Lac Bouchette	Forestville	Baie Comeau	Total
Acquisition costs, October 31, 2014	\$ -	\$ -	\$ -	\$ 162,052
Impairment during the year	-	-	-	(56,500)
Additions during the year	<u>152,097</u>	<u>59,526</u>	<u>21,474</u>	<u>239,597</u>
Acquisition costs, October 31, 2015	<u>152,097</u>	<u>59,526</u>	<u>21,474</u>	<u>345,149</u>
Deferred exploration costs, October 31, 2014	-	-	-	167,858
Impairment during the year	-	-	-	(3,374)
Additions during the year	-	399,167	13,255	89,782
Recovery of services in kind	<u>-</u>	<u>(290,000)</u>	<u>-</u>	<u>(290,000)</u>
Deferred exploration costs, October 31, 2015	<u>-</u>	<u>109,167</u>	<u>13,255</u>	<u>254,266</u>
Total exploration and evaluation assets, October 31, 2015	\$ 152,097	\$ 168,693	\$ 34,729	\$ 599,415

Recovery (services in kind)

During the year ended October 31, 2015 an estimated \$360,000 in drilling and road building was done on the Forestville property. \$70,000 of this amount was for materials and will be charged to the Company by the supplier, a local college. The remaining \$290,000 was done without charge to the Company and was therefore included as a recovery of services in kind.

FAIRMONT RESOURCES INC.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

4. EXPLORATION AND EVALUATION ASSETS (continued)

Prior year	Lac Elan	Buttercup	Hearth
Acquisition costs, October 31, 2013	\$ -	\$ -	\$ -
Additions during the year	<u>50,000</u>	<u>107,672</u>	<u>4,380</u>
Acquisition costs, October 31, 2014	<u>50,000</u>	<u>107,672</u>	<u>4,380</u>
Deferred exploration costs, October 31, 2013	-	-	-
Additions during the year	<u>-</u>	<u>167,858</u>	<u>-</u>
Deferred exploration cost October 31, 2014	<u>-</u>	<u>167,858</u>	<u>-</u>
Total exploration and evaluation assets, October 31, 2014	\$ 50,000	\$ 275,530	\$ 4,380

Prior year (continued)	Clay and Powell	Houghton Creek	Total
Acquisition costs, October 31, 2013	\$ 52,000	\$ 13,036	\$ 65,036
Impairment during the year	(71,750)	(13,036)	(84,786)
Additions during the year	<u>19,750</u>	<u>-</u>	<u>181,802</u>
Acquisition costs, October 31, 2014	<u>-</u>	<u>-</u>	<u>162,052</u>
Deferred exploration costs, October 31, 2013	729,042	51,028	780,070
Impairment during the year	(729,042)	(51,028)	(780,070)
Additions during the year	<u>-</u>	<u>-</u>	<u>167,858</u>
Deferred exploration costs, October 31, 2014	<u>-</u>	<u>-</u>	<u>167,858</u>
Total exploration and evaluation assets, October 31, 2014	\$ -	\$ -	\$ 329,910

5. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares without par value.

Share issuances

Year ended October 31, 2015

On November 6, 2014 the Company issued a total of 135,135 common shares at a price of \$0.175 as the first payment for a 100% interest in the Lac Bouchette property (Note 4).

On January 14 2015 the Company issued a total of 344,827 common shares at a price of \$0.155 as the second payment for a 100% interest in the Lac Bouchette property (Note 4).

On February 17, 2015 the Company issued a total of 500,000 common shares at a price of \$0.15 as the first payment for a 100% interest in the Forestville and Baie Comeau properties (Note 4).

On June 17, 2015 the Company issued 263,158 common shares at a value of \$0.19 per share as the third payment for a 100% interest in the Lac Bouchette property (Note 4).

FAIRMONT RESOURCES INC.

Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

5. SHARE CAPITAL (continued)

Year ended October 31, 2014

On November 21, 2013 5,290,000 common shares were issued in a private placement at a price of \$0.05 per common share for gross proceeds of \$264,500. In conjunction with the private placement 295,000 shares at a price of \$0.05 per common share were issued as a finder's fee.

On December 6, 2013, the Company issued a total of 1,000,000 common shares at a price of \$0.05 in payment for a 40% option on the Lac Elan property (Note 4).

On December 13, 2013, the Company issued a total of 100,000 common shares at a price of \$0.05 as a finder's fee for the Lac Elan property (Note 4).

On January 28, 2014, the Company issued a total of 1,000,000 common shares at a price of \$0.05 in payment for a 100% option on the Buttercup property (Note 4).

On February 26, 2014 the Company issued 100,000 common shares at a price of \$0.12, to the optionors of the Marmion South Contact property (Note 4).

On May 2, 2014, the Company issued a total of 25,000 common shares at a price of \$0.15 in payment for a 70% option on the Clay and Powell properties (Note 4).

On June 17, 2014, the Company issued a total of 100,000 common shares at a price of \$0.16 in payment for an extension of the option on the Clay and Powell properties (Note 4).

On June 23, 2014, the Company issued in a private placement a total of 1,291,667 units at a price of \$0.15 per unit, 766,667 units were issued for gross proceeds of \$115,000, and 525,000 units were issued in payment for consulting fees. Each unit consists of one common share and one half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at \$0.25 before the expiry date of June 23, 2015.

On September 5, 2014, 3,000,000 common shares were issued in a private placement at a price of \$0.15 per common share for gross proceeds of \$449,400. In conjunction with the private placement 141,000 shares at a price of \$0.15 were issued as a finder's fee.

Stock options

The Company has a rolling stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements
 (Expressed in Canadian Dollars)
 Years ended October 31, 2015 and 2014

5. SHARE CAPITAL (continued)**Stock Options (continued)**

The following table summarizes the stock option activity:

	Number of Stock Options	Weighted Average Exercise Price
Balance at October 31, 2013 and October 31, 2014	362,500	\$ 0.60
Expired	(75,000)	0.51
Granted	1,000,000	0.25
Balance at October 31, 2015	1,287,500	0.33
Exercisable at October 31, 2015	1,037,500	\$ 0.35

As at October 31, 2015, the following incentive stock options are outstanding:

Number of Stock Options	Exercise Price	Expiry Date
12,500	\$ 1.24	November 3, 2015 *
262,500	0.60	February 8, 2017
12,500	0.60	February 14, 2017
1,000,000	0.25	February 6, 2017
1,287,500		

* Expired unexercised subsequent to year end.

Share-based payments

For the year ended October 31, 2015 the total share-based payments calculated for stock options granted under the fair value method using the Black-Scholes option pricing model was \$60,334 (2014 - \$Nil).

The fair values of the share based payments and adjustments were determined using the Black-Scholes option pricing model at the grant date using the following assumptions:

	2015	2014
Expected option life (in years)	2	-
Risk-free interest rate	1.00%	-
Expected dividend yield	Nil	-
Expected stock price volatility	100%	-
Expected forfeiture rate	0%	-

The stock options issued on February 17, 2015 are subject to a 9 month vesting schedule pursuant to which 25% vest as at the date of grant and a further 25% vest every three months thereafter until fully vested.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

5. SHARE CAPITAL (continued)**Warrants**

The following table summarizes the warrants and agent warrants activity.

	Number of Warrants	Weighted Average Exercise Price
Balance at October 31, 2013	945,666	\$ 0.80
Expired	(945,666)	0.80
Issued	2,145,833	0.25
Balance at October 31, 2014	2,145,833	0.25
Expired	(2,145,833)	0.25
Balance at October 31, 2015	-	\$ -

On June 23, 2015 645,833 warrants at \$0.25 per warrant expired.

On September 5, 2015 1,500,000 warrants at \$0.25 per warrant expired.

As at October 31, 2015 there are no warrants outstanding.

6. RELATED PARTY TRANSACTIONS

In the year ended October 31, 2015 and 2014 the following amounts were paid or accrued to related parties:

- Paid or accrued \$90,000 (2014 – \$28,500) in management fees and \$12,000 (2014 - \$10,000) in administrative fees to a company controlled by the CEO and president of the Company.
- Paid or accrued \$12,000 (2014 – \$12,000) in management fees to a director of the Company.
- Share based payments include 575,000 (October 31, 2014 – nil) stock options granted to directors and officers recorded at a fair value of \$34,692 (October 31, 2014 – \$nil)

At October 31, 2015, the following amounts were outstanding to related parties:

- \$nil (October 31, 2014 – \$1,052) in due to related parties was outstanding to a director of the Company.
- \$71,400 (October 31, 2014 – \$nil) in due to related parties was outstanding to a company controlled by a director of the Company. The amounts owing are unsecured, bear interest at 2% per month and have no stated payment date.
- \$5,000 (October 31, 2014 – \$1,000) in due to related parties was outstanding to a director of the Company. The amounts owing are unsecured, non-interest bearing and have no stated payment date.
- \$10,594 (October 31, 2014 – \$10,594) in due to related parties was outstanding to a company controlled by two directors of the Company. The amounts owing are unsecured, non-interest bearing and have no stated payment date.

FAIRMONT RESOURCES INC.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

7. CAPITAL MANAGEMENT

The Company considers its capital to be a component of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

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

8. FINANCIAL INSTRUMENTS

a) Fair Values

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments:

	October 31, 2015	October 31, 2014
Fair value through profit or loss (i)	\$ 14,555	\$ 155,065
Loans and receivables (ii)	\$ 974	\$ 21,576
Other financial liabilities (iii)	\$ 398,073	\$ 83,282

(i) Cash

(ii) Amounts receivable

(iii) Accounts payable and accrued liabilities and due to related parties

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 14,555	-	-	\$ 14,555

b) Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

FAIRMONT RESOURCES INC.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

8. FINANCIAL INSTRUMENTS (continued)

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

d) Foreign Exchange Risk

The Company does not have significant foreign exchange risk as most of its transactions are in Canadian dollars.

e) Interest Rate Risk

The Company is not exposed to significant interest rate risk.

f) Price risk

The Company is exposed to price risk with respect to commodity prices. 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 the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

9. SEGMENT INFORMATION

The Company conducts all of its business activities in Canada, in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets.

10. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2015	2014
Loss for the year	\$ (478,828)	\$ (1,273,609)
Expected income tax (recovery)	\$ (124,000)	\$ (331,000)
Change in statutory rates and other	(15,000)	(2,000)
Permanent Difference	16,000	-
Share issue cost	-	(2,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	3,000	-
Change in unrecognized deductible temporary differences	120,000	335,000
Total income tax expense (recovery)	\$ -	\$ -

FAIRMONT RESOURCES INC.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
Years ended October 31, 2015 and 2014

10. INCOME TAX (continued)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2015	2014
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	\$ 201,000	\$ 176,000
Share issue costs	4,000	16,000
Non-capital losses	765,000	658,000
Net deferred income tax assets	\$ 970,000	\$ 850,000

No net deferred tax asset has been recognized in respect of the above for the years ended October 31, 2015 and 2014 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately \$2,944,000 (2014 - \$2,532,000) which may be carried forward and applied against taxable income in the future. These losses, if not utilized, will expire starting in 2029 through 2035.