STRATTON RESOURCES INC.

(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended March 31, 2016 and 2015

**Unaudited**

(Expressed in Canadian dollars unless otherwise stated)

# STRATTON RESOURCES INC.

(the "Company")

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended March 31, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW

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

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

May 30, 2016

## STRATTON RESOURCES INC.

**Condensed Consolidated Interim Statements of Financial Position**

Unaudited - (Expressed in Canadian dollars)

| | | As at March 31, 2016 | | As at December 31, 2015 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets:** | | | | |
| Cash | $ | 187,562 | $ | 215,521 |
| Amounts receivable | | 2,352 | | 1,097 |
| Prepaid expenses and deposits | | 10,809 | | 6,900 |
| | | 200,723 | | 223,518 |
| **Total assets** | **$** | **200,723** | **$** | **223,518** |
| **Liabilities and Equity** | | | | |
| **Liabilities** | | | | |
| **Current liabilities:** | | | | |
| Accounts payable and accrued liabilities | $ | 31,184 | $ | 28,572 |
| Note payable (note 6) | | 609,388 | | 609,388 |
| | | 640,572 | | 637,960 |
| **Equity** | | | | |
| Share capital (note 4) | | 29,086,748 | | 29,086,748 |
| Equity reserves (note 5) | | 5,039,680 | | 5,039,680 |
| Deficit | | (34,566,277) | | (34,540,870) |
| | | (439,849) | | (414,442) |
| **Total liabilities and equity** | **$** | **200,723** | **$** | **223,518** |

Going concern (note 2(d))

Approved on behalf of the Board of Directors:

*"Shawn Wallace"*
Director

*"Steve Cook"*
Director

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

## STRATTON RESOURCES INC.

### Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Unaudited - (Expressed in Canadian dollars, except share amounts)

| | Three months ended March 31, 2016 | Three months ended March 31, 2015 |
|---|---|---|
| **Administration expenses:** | | |
| Consulting fees, directors' fees, wages and benefits | $ 8,541 | $ 10,249 |
| Legal and professional fees | 5,854 | 11,890 |
| Regulatory, transfer agent and shareholder information | 2,177 | 5,980 |
| Office and administration | 9,067 | 9,015 |
| Travel, marketing and investor relations | 203 | 224 |
| Bank charges | 278 | 227 |
| | 26,120 | 37,585 |
| **Other income:** | | |
| Interest and other income | (496) | – |
| Foreign exchange gain | (217) | (639) |
| | (713) | (639) |
| **Net loss and comprehensive loss for the period** | **$ 25,407** | **$ 36,946** |
| Basic and diluted loss per share | $ 0.00 | $ 0.00 |
| Weighted average number of common shares outstanding (basic and diluted) | 36,724,164 | 36,724,164 |

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

## STRATTON RESOURCES INC.
**Condensed Consolidated Interim Statements of Changes in Equity**

Unaudited - (Expressed in Canadian dollars, except share amounts)

| | Number of shares | Share capital | Equity reserves | | | Deficit | Total |
|---|---|---|---|---|---|---|---|
| | | | Warrants | Share-based payments | Shares issuable | | |
| Balance at December 31, 2014 | 36,724,164 | $ 29,086,748 | $ 1,696,913 | $ 3,278,517 | $ 64,250 | $ (34,080,513) | $ 45,915 |
| Net loss and comprehensive loss for the period | – | – | – | – | – | (36,946) | (36,946) |
| Balance at March 31, 2015 | 36,724,164 | $ 29,086,748 | $ 1,696,913 | $ 3,278,517 | $ 64,250 | $ (34,117,459) | $ 8,969 |
| | | | | | | | |
| Balance at December, 2015 | 36,724,164 | $ 29,086,748 | $ 1,696,913 | $ 3,278,517 | $ 64,250 | $ (34,540,870) | $ (414,442) |
| Net loss and comprehensive loss for the period | – | – | – | – | – | (25,407) | (25,407) |
| Balance at March 31, 2016 | 36,724,164 | $ 29,086,748 | $ 1,696,913 | $ 3,278,517 | $ 64,250 | $ (34,566,277) | $ (439,849) |

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

## STRATTON RESOURCES INC.

**Condensed Consolidated Interim Statements of Cash Flows**

Unaudited - (Expressed in Canadian dollars)

| | Three months ended March 31, 2016 | Three months ended March 31, 2015 |
|---|---|---|
| **Cash (used in) provided by:** | | |
| **Operating activities:** | | |
| Net loss and comprehensive loss for the year | $ (25,407) | $ (36,946) |
| Items not involving cash: | | |
| Unrealized foreign exchange loss | (92) | (642) |
| Interest income classified as investing activity | (496) | – |
| Changes in non-cash working capital: | | |
| Amounts receivable | (1,255) | (332) |
| Prepaid expenses and deposits | (3,909) | (4,060) |
| Accounts payable and accrued liabilities | 2,612 | 11,885 |
| **Cash used in operating activities** | (28,547) | (30,095) |
| **Investing activities:** | | |
| Exploration and evaluation expenditures | – | (10,035) |
| Interest received | 496 | – |
| **Cash provided by (used in) investing activities** | 496 | (10,035) |
| **Effect of foreign exchange rate changes on cash** | 92 | 642 |
| **Decrease in cash** | (27,959) | (39,488) |
| **Cash, beginning of the period** | 215,521 | 349,440 |
| **Cash, end of period** | **$ 187,562** | **$ 309,952** |

Supplemental cash flow information (note 8)

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

## 1. Corporate information

Stratton Resources Inc. ("the Company") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange ("the Exchange") as a Tier 2 mining issuer, and its shares trade under the symbol SI.V.

The Company and its subsidiaries are principally engaged in the acquisition, exploration, and development of mineral property interests in North America. The Company has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, obtaining the necessary mining permits, and on future profitable production or the proceeds from the disposition of the exploration and evaluation assets.

The head office and principal address of the Company is located at 1199 Hastings Street, Suite 600, Vancouver, British Columbia, V6E 3T5, Canada.

## 2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent 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"). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the year ended December 31, 2015 and 2014. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors of the Company on May 30, 2016.

(b) Basis of measurement and consolidation

The consolidated financial statements have been prepared on a historical cost basis.

The Company's functional currency is the Canadian dollar, which is also the Company's presentation currency. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries as follows:

| Subsidiary | Jurisdiction | Ownership |
|---|---|---|
| Stratton Resources (Canada) Inc. | Canada | 100% |
| Stratton Resources Holdings Corp. (inactive) | Canada | 100% |

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

Intercompany balances and transactions have been eliminated on consolidation.

**2. Basis of presentation (continued)**

(c) Critical estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the condensed consolidated interim financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company's critical accounting judgments and estimates were presented in Note 2 of the audited annual consolidated financial statements for the year ended December 31, 2015 and have been consistently applied in the preparation of these condensed consolidated interim financial statements. No new judgements were applied for the periods ended March 31, 2016 and 2015.

(d) Going concern of operations

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue to realize its assets and meet its liabilities in the normal course of business as a 'going concern'. The Company has incurred losses since inception and has no source of operating revenue. As at March 31, 2016, the Company had a net working capital deficit of $439,849, had a deficit of $34,566,277 and incurred a net loss of $25,407 for the three months ended March 31, 2016.

The cash balance of $187,562 at March 31, 2016 is sufficient to meet the cash requirements for the Company's administrative overhead for at least the next twelve months as long as the note payable (note 6) is not called. The holder of the note payable, a related party, has indicated in writing that they will not call the note payable within the next twelve months.

Management considers that the current economic environment is difficult and the outlook for junior exploration companies presents significant challenges in terms of raising funds through issuance of shares. The Company has been and remains dependent on its capacity to raise funds via equity issuances, under terms that are consistent with the best interests of shareholders, in order to finance its operations. The Company has been successful in raising equity financing in previous years, however, there can be no assurance the Company will continue to be. Management have instituted measures to preserve cash through significantly decreasing its corporate costs and exploration expenditures, and in addition, it has negotiated with related parties extended payment terms on outstanding payables. Management is also pursuing alternative sources of funding.

Management has concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. Nevertheless, Management has a reasonable expectation that the Company has adequate resources to continue its current operations for the foreseeable future.

These condensed consolidated interim financial statements contain no provisions for adjustments, which may become necessary if the Company becomes unable to continue on a 'going concern' basis. Such adjustments could be material.

**3. Evaluation and exploration assets**

Lunar – Molybdenum Prospect

On August 17, 2011, the Company entered into an agreement with Homegold Resources Ltd ("Homegold"), a British Columbia company, to acquire 30 claims (12,509 hectares) known as the Lunar property ("Lunar"), in British Columbia for $70,000 and a number of contingently issuable shares as described below. The $70,000 was paid to Homegold against transfer of the claims to the Company. Subsequent to that, the Company staked additional 9 claims adjacent to Lunar.

Under the terms of the agreement, in the event the Company spends $2,000,000 on exploring the Lunar claims, it will issue 50,000 common shares to Homegold and 50,000 to Xstract Resources Inc. ("Xstract"), a British Columbia company, as consideration for Xtracts's previous legal rights to the Lunar property. If the Company spends an additional $3,000,000 it will issue an additional 150,000 shares to Xstract and upon spending a further $5,000,000 ($10,000,000 total), the Company will issue Xstract a further 250,000 shares. In the event of a commercial production decision another $500,000 will be paid to Homegold and after 6 years a minimum $72,000 per year will have to be paid in advance royalties to Homegold. Homegold also holds a 2% net smelter returns royalty ("NSR") on the property.

Unaudited – (*Expressed in Canadian Dollars, unless otherwise stated)*

## 3. Evaluation and exploration assets (continued)

| **Lunar Project** | **Three months ended March 31, 2016** | **Year ended December 31, 2015** |
|---|---|---|
| Balance at the beginning of the period | $ - | $ 325,344 |
| Write-off evaluation and exploration assets | - | (325,344) |
| Balance at the end of the period | $ - | $ - |

Effective September 30, 2015, the Company let lapse the claims of its 100% owned Lunar project, since it was determined that the technical results obtained do not warrant further additional investment in the project in context of the current economic environment. As a result, included in the results of the year ended December 31, 2015 there is an impairment charge of $325,344 to write-off the capitalized acquisition and exploration and evaluation expenditures.

## 4. Share capital

During the period ended March 31, 2016 and 2015, the Company did not issue common shares.

## 5. Equity reserves

Share-based payments

The Company maintains a Rolling Share-based Option Plan providing for the issuance of stock options up to 10% of the Company's issued and outstanding common shares. The Company may grant from time to time stock options to its directors, officers, employees and other service providers. The stock options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

As at March 31, 2016 and 2015, the Company did not grant any stock options and has no outstanding or exercisable stock options.

## 6. Related party transactions

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

| | **Three months ended March 31, 2016** | **Three months ended March 31, 2015** |
|---|---|---|
| Universal Mineral Services Ltd. [1] | | |
| Included in the statement of loss and comprehensive loss: | | |
| Consulting fees, directors' fees, wages and benefits | $ 8,541 | $ 10,249 |
| Office, rent and administration | 9,067 | 8,999 |
| Bank charges | 142 | 144 |
| Project evaluation costs | - | 3,689 |
| Total transaction for the periods | $ 17,750 | $ 23,081 |

1) Universal Mineral Services Ltd. ("UMS") is a private company with directors and officers in common that, pursuant to an agreement dated December 30, 2015, provides office space and administrative services to the Company on a cost recovery basis. As at March 31, 2016 the outstanding payable balance was $5,231 (December 31, 2015 - $7,871) and prepaid expenses and deposits balance was $6,000 (December 31, 2015 - $6,000).

   Effective June 30, 2013, UMS agreed to settle historic payable balances totaling $609,388 with a note payable for an equivalent value. The note payable bears no interest, has a maturity of December 31, 2016 and is extendable for an additional twelve months at the mutual agreement. The note payable is due on demand.

Unaudited – (*Expressed in Canadian Dollars, unless otherwise stated)*

## 6. Related party transactions (continued)

Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members:

| | Three months ended March 31, 2016 | Three months ended March 31, 2015 |
|---|---|---|
| Short-term benefits* | $ - | $ 3,233 |

* An amount of $nil is included in related party transactions with UMS (Three months ended March 31, 2015 - $3,233).

## 7. Financial instruments

| | Category | Carrying value | March 31, 2016 | December 31, 2015 |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash | FVTPL | Fair value | $ 187,562 | $ 215,521 |
| Amounts receivable | Loans and receivable | Amortized cost | 2,352 | 1,097 |
| | | | **$ 187,914** | **$ 216,618** |

| | Category | Carrying value | March 31, 2016 | December 31, 2015 |
|---|---|---|---|---|
| Financial liabilities | | | | |
| Trade payables and other | Other liabilities | Amortized cost | $ 31,184 | $ 28,572 |
| Note payable | Other liabilities | Amortized cost | 609,388 | 609,388 |
| | | | **$ 640,572** | **$ 637,960** |

Fair Value

Financial instruments are evaluated under a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (market prices) or indirectly (derived from market prices);
Level 3 – inputs for the asset or liability that are not based upon observable market data.

As at March 31, 2016 and 2015, the Company does not have any financial instruments measured at fair value on the statement of financial position. The Company's cash, receivables, accounts payable and note payable approximate fair value due to their short term nature.

The Company is exposed to the potential loss from various risks as outlined below.

(a) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital to meet short-term obligations. The Company estimates that is contractual obligations pertaining to accounts payable and accrued liabilities will be satisfied within one year. As outlined in note 2(d) the Company's liquidity position is dependent on the note payable not being called or, in the event it was, raising additional funds through issuance of equity.

Unaudited – (*Expressed in Canadian Dollars, unless otherwise stated)*

**7. Financial instruments (continued)**

(b) Capital risk management

The Company manages its cash, share capital and equity reserves 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 acquisition and exploration of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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 new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to externally imposed capital requirements.

**8. Supplemental cash flow information**

| | **Three months ended March 31, 2016** | **Three months ended March 31, 2015** |
|---|---|---|
| Change in accounts payable included in exploration and evaluation assets. | $ - | $ 10,035 |

**9. Segmented information**

The Company operates as one operating segment being acquisition, exploration and development of mineral resource properties. As at March 31, 2016 and December 31, 2015, all of the Company's non-current assets are located in Canada.

During the three months period ended March 31, 2016 and 2015, the net losses were incurred in Canada.