



(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2016 and 2015

Unaudited

(Expressed in Canadian dollars unless otherwise stated)

STRATTON RESOURCES INC.

(the "Company")

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 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.

August 26, 2016

STRATTON RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position

Unaudited - (Expressed in Canadian dollars)

		As at June 30, 2016		As at December 31, 2015
Assets				
Current assets:				
Cash	\$	141,642	\$	215,521
Amounts receivable		2,245		1,097
Prepaid expenses and deposits		19,623		6,900
		163,510		223,518
Total assets	\$	163,510	\$	223,518
Liabilities and Equity				
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$	29,163	\$	28,572
Note payable (note 6)		609,388		609,388
		638,551		637,960
Equity				
Share capital (note 4)		29,086,748		29,086,748
Equity reserves (note 5)		5,039,680		5,039,680
Deficit		(34,601,469)		(34,540,870)
		(475,041)		(414,442)
Total liabilities and equity	\$	163,510	\$	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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Administration expenses:				
Consulting fees, directors' fees, wages and benefits	\$ 7,530	\$ 11,659	\$ 16,071	\$ 21,908
Legal and professional fees	9,266	9,116	15,120	21,006
Regulatory, transfer agent and shareholder information	7,186	9,339	9,363	15,319
Office and administration	8,796	9,690	17,863	18,705
Travel, marketing and investor relations	202	219	405	443
Bank charges	380	342	658	569
	<u>33,360</u>	<u>40,365</u>	<u>59,480</u>	<u>77,950</u>
Other expenses (income):				
Interest and other income	(57)	(294)	(553)	(294)
Exploration and evaluation expenditures	-	3,690	-	3,690
Foreign exchange loss (gain)	1,889	155	1,672	(484)
	<u>1,832</u>	<u>3,551</u>	<u>1,119</u>	<u>2,912</u>
Net loss and comprehensive loss for the year	\$ 35,192	\$ 43,916	\$ 60,599	\$ 80,862
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding (basic and diluted)	36,724,164	36,724,164	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
Balance at December 31, 2014	36,724,164	\$ 29,086,748	\$ 5,039,680	\$ (34,080,513)	\$ 45,915
Net loss and comprehensive loss for the period	-	-	-	(80,862)	(80,862)
Balance at June 30, 2015	36,724,164	\$ 29,086,748	\$ 5,039,680	\$ (34,161,375)	\$ (34,947)
Balance at December 31, 2015	36,724,164	\$ 29,086,748	\$ 5,039,680	\$ (34,540,870)	\$ (414,442)
Net loss and comprehensive loss for the period	-	-	-	(60,599)	(60,599)
Balance at June 30, 2016	36,724,164	\$ 29,086,748	\$ 5,039,680	\$ (34,601,469)	\$ (475,041)

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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cash (used in) provided by:				
Operating activities:				
Net loss and comprehensive loss for the year	\$ (35,192)	\$ (43,916)	\$ (60,599)	\$ (80,862)
Items not involving cash:				
Unrealized foreign exchange loss (gain)	2,188	124	2,096	(518)
Interest income classified as investing activity	(57)	(294)	(553)	(294)
Changes in non-cash working capital:				
Amounts receivable	107	45	(1,148)	(287)
Prepaid expenses and deposits	(8,814)	1,347	(12,723)	(2,713)
Accounts payable and accrued liabilities	(2,021)	(10,518)	591	1,367
Cash used in operating activities	(43,789)	(53,212)	(72,336)	(83,307)
Investing activities:				
Exploration and evaluation expenditures	-	-	-	(10,035)
Interest received	57	294	553	294
Cash provided by (used in) investing activities	57	294	553	(9,741)
Effect of foreign exchange rate changes on cash	(2,188)	(124)	(2,096)	518
Decrease in cash	(45,920)	(53,042)	(73,879)	(92,530)
Cash, beginning of the period	187,562	309,952	215,521	349,440
Cash, end of period	\$ 141,642	\$ 256,910	\$ 141,642	\$ 256,910

Supplemental cash flow information (note 8)

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

STRATTON RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements
Unaudited – (Expressed in Canadian Dollars, unless otherwise stated)

Three and six months ended June 30, 2016 and 2015

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 August 26, 2016.

(b) Basis of measurement and consolidation

These condensed consolidated interim 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 condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted.

These condensed consolidated interim 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.

STRATTON RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements
Unaudited – (Expressed in Canadian Dollars, unless otherwise stated)

Three and six months ended June 30, 2016 and 2015

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 June 30, 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 June 30, 2016, the Company has a net working capital deficit of \$475,041, has a deficit of \$34,601,469 and incurred a net loss of \$60,599 for the six months ended June 30, 2016.

The cash balance of \$141,642 at June 30, 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(a)) 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 Project	June 30, 2016	December 31, 2015
Balance at the beginning of the period	\$ -	\$ 325,334
Write-off evaluation and exploration assets	-	(325,334)
Balance at the end of the period	\$ -	\$ -

Lunar – Molybdenum Prospect

Effective September 30, 2015, the Company made the decision to 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 \$325,334 to write-off the capitalized acquisition, exploration and evaluation expenditures.

STRATTON RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements
Unaudited – (Expressed in Canadian Dollars, unless otherwise stated)

Three and six months ended June 30, 2016 and 2015

4. Share capital

During the three and six month periods ended June 30, 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 June 30, 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 June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Universal Mineral Services Ltd. ¹				
Included in the statement of loss and comprehensive loss:				
Consulting fees, directors' fees, wages and benefits	\$ 7,530	\$ 11,659	\$ 16,071	\$ 21,908
Office, rent and administration	8,797	9,707	17,864	18,707
Bank charges	149	123	291	266
Regulatory, transfer agent and shareholder information	840	1,611	840	1,611
Project evaluation costs	-	-	-	3,689
Total transactions for the periods	\$ 17,316	\$ 23,100	\$ 35,066	\$ 46,181

1) Universal Mineral Services Ltd. ("UMS") is a private company with directors and officers in common that, pursuant to an agreement dated March 30, 2012, provides geological, corporate development, administrative and management services to the Company on a cost recovery basis. As at June 30, 2016 the outstanding payable balance was \$6,802 (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.

STRATTON RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements
Unaudited – (Expressed in Canadian Dollars, unless otherwise stated)

Three and six months ended June 30, 2016 and 2015

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 June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Short-term benefits*	\$ -	\$ 4,520	\$ -	\$ 7,753

* An amount of \$nil is included in related party transactions with UMS for the three and six months ended June 30, 2016 (June 30, 2015 - \$4,520 and \$7,753, respectively).

7. Financial instruments

	Category	Carrying value	June 30, 2016	December 31, 2015
Financial assets				
Cash	FVTPL	Fair value	\$ 141,642	\$ 215,521
Amounts receivables	Loans and receivable	Amortized cost	2,245	1,097
			\$ 143,887	\$ 216,618

	Category	Carrying value	June 30, 2016	December 31, 2015
Financial liabilities				
Trade payables and other	Other liabilities	Amortized cost	\$ 29,163	\$ 28,572
Note payable	Other liabilities	Amortized cost	609,388	609,388
			\$ 638,551	\$ 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 June 30, 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 its 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.

STRATTON RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements
Unaudited – (Expressed in Canadian Dollars, unless otherwise stated)

Three and six months ended June 30, 2016 and 2015

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 June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 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 and within one jurisdiction being Canada.

10. Subsequent events

On August 12, 2016, the Company announced its intention to raise \$7.0 million through a non-brokered private placement (the "Offering"). The Offering is to consist of up to 20 million common shares at a price of \$0.35 per share.