



(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2016 and 2015

**Unaudited**

(Expressed in Canadian dollars unless otherwise stated)

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**STRATTON RESOURCES INC.**

(the "Company")

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 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.

November 28, 2016

# STRATTON RESOURCES INC.

## Condensed Consolidated Interim Statements of Financial Position

Unaudited - (Expressed in Canadian dollars)

	As at September 30, 2016	As at December 31, 2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 6,377,017	\$ 215,521
Amounts receivable	6,528	1,097
Prepaid expenses and deposits	8,250	6,900
	6,391,795	223,518
<b>Non-current assets:</b>		
Deferred project acquisition costs	130,791	-
<b>Total assets</b>	<b>\$ 6,522,586</b>	<b>\$ 223,518</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 76,337	\$ 28,572
Note payable (note 6)	-	609,388
	76,337	637,960
<b>Equity</b>		
Share capital (note 4)	36,043,136	29,086,748
Equity reserves (note 5)	5,039,680	5,039,680
Deficit	(34,636,567)	(34,540,870)
	6,446,249	(414,442)
<b>Total liabilities and equity</b>	<b>\$ 6,522,586</b>	<b>\$ 223,518</b>

Going concern (note 2(d))

Subsequent events (note 9)

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 September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<b>Administration expenses:</b>				
Consulting fees, directors' fees, wages and benefits	\$ 8,646	\$ 10,632	\$ 24,717	\$ 32,540
Legal and professional fees	11,034	197	26,154	21,203
Regulatory, transfer agent and shareholder information	6,516	1,053	15,879	16,372
Office and administration	8,394	5,811	26,257	24,516
Travel, marketing and investor relations	217	422	622	865
Bank charges	610	264	1,268	833
	<u>35,417</u>	<u>18,379</u>	<u>94,897</u>	<u>96,329</u>
<b>Other expenses (income):</b>				
Interest and other income	(321)	(870)	(874)	(1,164)
Exploration and evaluation expenditures	-	-	-	3,690
Write-off of exploration and evaluation assets (note 3)	-	325,334	-	325,334
Foreign exchange loss (gain)	2	(500)	1,674	(984)
	<u>(319)</u>	<u>323,964</u>	<u>800</u>	<u>326,876</u>
<b>Net loss and comprehensive loss for the year</b>	<b>\$ 35,098</b>	<b>\$ 342,343</b>	<b>\$ 95,697</b>	<b>\$ 423,205</b>
Basic and diluted loss per share	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.01
Weighted average number of common shares outstanding (basic and diluted)	43,463,294	36,724,164	38,986,938	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	-	-	-	(423,205)	(423,205)
Balance at September 30, 2015	36,724,164	\$ 29,086,748	\$ 5,039,680	\$ (34,503,718)	\$ (377,290)
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	-	-	-	(95,697)	(95,697)
Proceeds from Private Placement, net of share issue costs (note 4)	20,000,000	6,956,388	-	-	6,956,388
Balance at September 30, 2016	56,724,164	\$ 36,043,136	\$ 5,039,680	\$ (34,636,567)	\$ 6,446,249

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 September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<b>Cash (used in) provided by:</b>				
<b>Operating activities:</b>				
Net loss and comprehensive loss for the year	\$ (35,098)	\$ (342,343)	\$ (95,697)	\$ (423,205)
Items not involving cash:				
Unrealized foreign exchange loss (gain)	(2,180)	(521)	(84)	(1,039)
Interest income	(321)	(870)	(874)	(1,164)
Write-off exploration and evaluation assets (note 3)	-	325,334	-	325,334
Changes in non-cash working capital:				
Amounts receivable	(4,283)	1,874	(5,431)	1,587
Prepaid expenses and deposits	11,373	1,833	(1,350)	(880)
Accounts payable and accrued liabilities	2,061	(11,724)	2,652	(10,357)
<b>Cash used in operating activities</b>	<b>(28,448)</b>	<b>(26,417)</b>	<b>(100,784)</b>	<b>(109,724)</b>
<b>Investing activities:</b>				
Exploration and evaluation expenditures	-	-	-	(10,035)
Deferred project acquisition costs	(85,716)	-	(85,716)	-
Interest received	321	870	874	1,164
<b>Cash provided by (used in) investing activities</b>	<b>(85,395)</b>	<b>870</b>	<b>(84,842)</b>	<b>(8,871)</b>
<b>Financing activities:</b>				
Repayment of note payable (note 6)	(609,388)	-	(609,388)	-
Shares issued for cash, net (note 4)	6,956,388	-	6,956,388	-
<b>Cash provided by financing activities</b>	<b>6,347,000</b>	<b>-</b>	<b>6,347,000</b>	<b>-</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>2,218</b>	<b>521</b>	<b>122</b>	<b>1,039</b>
<b>Decrease in cash</b>	<b>6,235,375</b>	<b>(25,026)</b>	<b>6,161,496</b>	<b>(117,556)</b>
<b>Cash, beginning of the period</b>	<b>141,642</b>	<b>256,910</b>	<b>215,521</b>	<b>349,440</b>
<b>Cash, end of period</b>	<b>\$ 6,377,017</b>	<b>\$ 231,884</b>	<b>\$ 6,377,017</b>	<b>\$ 231,884</b>

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 nine months ended September 30, 2016 and 2015

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## 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 and Europe. 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 November 28, 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 subsidiary as follows:

Subsidiary	Jurisdiction	Ownership
Stratton Resources (Canada) Inc.	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 nine months ended September 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 September 30, 2016 and 2015.

### (d) Going concern of operations

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The ability of the Company to meet its commitments as they become due, including completion of the acquisition of an interest in and exploration and development of mineral properties, is dependent upon the existence of economically recoverable reserves, the Company's ability to obtain the necessary financing to complete exploration and development and upon future profitable production or proceeds from disposition of these properties. The outcome of these matters cannot be predicted at this time. These condensed interim consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

## 3. Evaluation and exploration assets

Lunar Project	September 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. As a result, included in the results of the nine months ended September 30, 2015, there is an impairment charge of \$325,334 to write-off the capitalized acquisition, exploration and evaluation expenditures associated with the project.

## 4. Share capital

On August 30, 2016, the Company closed a private placement for gross proceeds of \$7,000,000 (the "Private Placement") pursuant to which the Company issued an aggregate of 20,000,000 common shares at a price of \$0.35 per common share. Share issue costs related to the Private Placement, which included professional and regulatory fees, totaled \$43,612. There were no commissions or brokerage fees paid in connection with the Private Placement. A reconciliation of the impact of the Private Placement on share capital is as follows:

	Number of common shares issued	Impact on share capital
Common shares issued at \$0.35 per share	20,000,000	\$ 7,000,000
Cash share issue costs		(43,612)
	20,000,000	\$ 6,956,388

During the three and nine month periods ended September 30, 2015, the Company did not issue common shares.



# STRATTON RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements  
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Three and nine months ended September 30, 2016 and 2015

## 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.

During the three and nine month periods ended September 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 September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Universal Mineral Services Ltd. <sup>1</sup>				
Included in the statement of loss and comprehensive loss:				
Consulting fees, directors' fees, wages and benefits	\$ 8,647	\$ 10,632	\$ 24,718	\$ 32,540
Office, rent and administration	8,392	8,038	26,257	26,745
Bank charges	159	123	450	389
Regulatory, transfer agent and shareholder information	-	(28)	840	1,583
Project evaluation costs	-	-	-	3,689
Total transactions for the periods	\$ 17,198	\$ 18,765	\$ 52,265	\$ 64,946

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. The outstanding balance owing at September 30, 2016 was \$9,867 (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 was repaid in full effective August 30, 2016, with funds from the Private Placement (note 4).

### Key management compensation

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

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Short-term benefits*	\$ -	\$ 4,375	\$ -	\$ 12,128

\* An amount of \$nil is included in related party transactions with UMS for the three and nine months ended September 30, 2016 (September 30, 2015 - \$4,375 and \$12,128, respectively).

# STRATTON RESOURCES INC.

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

Three and nine months ended September 30, 2016 and 2015

## 7. Financial instruments

The Company's financial instruments consist of cash, amounts receivables, accounts payable and accrued liabilities. Due to their short-term nature, the fair values of these financial instruments approximate their carrying values.

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.

### (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 September 30, 2016	Three months ended September 30,	Nine months ended September 30,	Nine months ended September 30,
Change in accounts payable included in exploration and evaluation assets.	\$ -	\$ -	\$ -	\$ 10,035
Change in accounts payable included in deferred project acquisition costs.	\$ 45,141	\$ -	\$ 45,141	\$ -

## 9. Subsequent events

On November 3, 2016, the Company announced that it has entered into an option agreement with Wildwood Exploration Inc. to acquire the rights to approximately 119,000 hectares in Newfoundland, Canada (the "Option"). Under the terms of the Option, the Company may acquire a 100% interest, subject to a NSR royalty, in 4,777 mineral claims through a combination of work expenditures and cash and share payments as listed in the table below:

Due dates	Cash Payments	Stratton Common Shares Issuable	Work Expenditures
Upon approval of the TSX Venture Exchange	\$ 75,000	100,000	\$ -
Within 12 months of the effective date	150,000	200,000	250,000
Within 24 months of the effective date	200,000	250,000	500,000
Within 36 months of the effective date	250,000	400,000	500,000
Within 48 months of the effective date	175,000	500,000	1,000,000
Within 60 months of the effective date	-	1,750,000	-
Total	\$ 850,000	3,200,000	\$ 2,250,000

The NSR is 2.0% with 50% (being 1.0%) buyable for \$3,000,000 any time.

The Option is subject to approval from the TSX Venture Exchange.