



# **CONDOR RESOURCES INC.**

## **Condensed Consolidated Financial Statements**

(Expressed in Canadian dollars)

**For the Six Months Ended August 31, 2017 and 2016**

**(Unaudited – prepared by Management)**

**CONDOR RESOURCES INC.**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these condensed consolidated 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.

Vancouver, Canada

October 30, 2017

**CONDOR RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited, prepared by management and expressed in Canadian Dollars)

|                                                   | As at August 31,<br>2017 | As at February 28,<br>2017 |
|---------------------------------------------------|--------------------------|----------------------------|
| <b>ASSETS</b>                                     |                          |                            |
| <b>Current</b>                                    |                          |                            |
| Cash and cash equivalents                         | \$ 730,090               | \$ 944,963                 |
| Prepaid expenses                                  | 6,622                    | 10,783                     |
| Accounts receivable                               | 3,029                    | 2,636                      |
| <b>Total Current Assets</b>                       | <b>739,741</b>           | <b>958,382</b>             |
| <b>Non-Current Assets</b>                         |                          |                            |
| Equipment (note 5)                                | 3,168                    | 1,688                      |
| Exploration and evaluation assets (note 6)        | 1,707,819                | 1,580,408                  |
| <b>Total Non-Current Assets</b>                   | <b>1,710,987</b>         | <b>1,582,096</b>           |
| <b>TOTAL ASSETS</b>                               | <b>\$ 2,450,728</b>      | <b>\$ 2,540,478</b>        |
| <b>LIABILITIES</b>                                |                          |                            |
| <b>Current liabilities</b>                        |                          |                            |
| Accounts payable and accrued liabilities          | \$ 40,009                | \$ 246,589                 |
| <b>TOTAL LIABILITIES</b>                          | <b>40,009</b>            | <b>246,589</b>             |
| <b>SHAREHOLDERS' EQUITY</b>                       |                          |                            |
| Share capital (note 9)                            | 20,397,864               | 20,086,131                 |
| Contributed surplus (note 9)                      | 3,114,449                | 3,121,570                  |
| Deficit                                           | (21,101,594)             | (20,913,812)               |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 | <b>2,410,719</b>         | <b>2,293,889</b>           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 2,450,728</b>      | <b>\$ 2,540,478</b>        |

Nature of operations (Note 1)

Approved on behalf of the Board:

|               |          |
|---------------|----------|
| "Paul Larkin" | Director |
| "Lyle Davis"  | Director |

See accompanying notes to consolidated financial statements.

**CONDOR RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited, prepared by management and expressed in Canadian Dollars)

|                                                             | For the Three Months Ended<br>August 31, |                   | For the Six Months Ended<br>August 31, |                   |
|-------------------------------------------------------------|------------------------------------------|-------------------|----------------------------------------|-------------------|
|                                                             | 2017                                     | 2016              | 2017                                   | 2016              |
| <b>Administrative expenses</b>                              |                                          |                   |                                        |                   |
| Conferences and seminars                                    | \$ -                                     | \$ -              | \$ 357                                 | \$ -              |
| Foreign exchange (gain) loss                                | 1,783                                    | (2,644)           | 472                                    | (339)             |
| Insurance                                                   | 2,117                                    | 2,105             | 4,234                                  | 4,209             |
| Interest expense (Note 8)                                   | -                                        | 1,008             | -                                      | 2,016             |
| Investor relations                                          | 16,040                                   | 1,029             | 18,418                                 | 2,598             |
| Management fees and consulting fees                         | 37,312                                   | 28,790            | 70,369                                 | 57,591            |
| Office and miscellaneous                                    | 4,869                                    | 4,540             | 9,119                                  | 8,097             |
| Professional fees                                           | 1,859                                    | 10,500            | 8,228                                  | 15,915            |
| Project generation                                          | 23,005                                   | 6,286             | 30,823                                 | 10,194            |
| Regulatory fees                                             | 5,650                                    | 5,687             | 7,350                                  | 6,497             |
| Stock-based compensation                                    | -                                        | 84,025            | -                                      | 134,750           |
| Travel and entertainment                                    | 230                                      | 970               | 3,232                                  | 1,751             |
|                                                             | (92,865)                                 | (142,296)         | (152,602)                              | (243,279)         |
| <b>Other items</b>                                          |                                          |                   |                                        |                   |
| Interest income                                             | 1,282                                    | -                 | 1,880                                  | -                 |
| Realized loss on issuance of shares for debt<br>(Note 9(a)) | -                                        | -                 | (37,060)                               | -                 |
|                                                             | 1,282                                    | -                 | (35,180)                               | -                 |
| <b>Net Loss and Comprehensive Loss for the Period</b>       | <b>(91,583)</b>                          | <b>(142,296)</b>  | <b>(187,782)</b>                       | <b>(243,279)</b>  |
| <b>Basic And Diluted Loss Per Share Outstanding</b>         | <b>\$ (0.00)</b>                         | <b>\$ (0.00)</b>  | <b>\$ (0.00)</b>                       | <b>\$ (0.00)</b>  |
| <b>Weighted Average Number Of Shares Outstanding</b>        | <b>102,057,308</b>                       | <b>88,250,089</b> | <b>100,874,969</b>                     | <b>87,141,448</b> |

See accompanying notes to consolidated financial statements.

**CONDOR RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited, prepared by management and expressed in Canadian Dollars)

|                                                                 | <b>For the Six Months Ended August 31,</b> |              |
|-----------------------------------------------------------------|--------------------------------------------|--------------|
|                                                                 | <b>2017</b>                                | <b>2016</b>  |
| Cash and cash equivalents provided by (used in):                |                                            |              |
| Operating Activities                                            |                                            |              |
| Net loss for the period                                         | \$ (187,782)                               | \$ (243,279) |
| Items not affecting cash:                                       |                                            |              |
| Interest accrued on loan payable                                | -                                          | 2,016        |
| Realized loss on issuance of shares for debt                    | 37,060                                     | -            |
| Stock-based compensation expense                                | -                                          | 134,750      |
| Changes in non-cash operating working capital items:            |                                            |              |
| Decrease in prepaid expenses                                    | 4,160                                      | 2,919        |
| (Increase) decrease in accounts receivable                      | (393)                                      | 26,904       |
| Increase (decrease) in accounts payable and accrued liabilities | (106,408)                                  | 10,778       |
|                                                                 | (253,363)                                  | (65,912)     |
| Investing Activities                                            |                                            |              |
| Equipment purchased                                             | (1,800)                                    | -            |
| Exploration and evaluation expenditures                         | (237,671)                                  | (195,960)    |
| Expenditure recoveries/option payments                          | 121,589                                    | 22,750       |
|                                                                 | (117,882)                                  | (173,210)    |
| Financing Activities                                            |                                            |              |
| Share capital issued                                            | 158,000                                    | 219,750      |
| Share issue costs                                               | (1,628)                                    | -            |
|                                                                 | 156,372                                    | 219,750      |
| Decrease in cash and cash equivalents during the period         | (214,873)                                  | (19,372)     |
| Cash and cash equivalents - beginning of period                 | 944,963                                    | 94,641       |
| Cash and cash equivalents - end of period                       | \$ 730,090                                 | \$ 75,269    |

See accompanying notes to consolidated financial statements.

**CONDOR RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited, prepared by management and expressed in Canadian Dollars)

|                                                | Number of<br>Shares | Capital Stock | Contributed<br>Surplus | Deficit         | Total Equity |
|------------------------------------------------|---------------------|---------------|------------------------|-----------------|--------------|
| Balance, February 29, 2016                     | 85,863,241          | 19,242,809    | 3,038,523              | (20,666,870)    | 1,614,462    |
| Warrants exercised                             | 2,950,000           | 147,500       | -                      | -               | 147,500      |
| Options exercised                              | 1,445,000           | 72,250        | -                      | -               | 72,250       |
| Fair value of options exercised                | -                   | 51,703        | (51,703)               | -               | -            |
| Stock-based compensation                       | -                   | -             | 134,750                | -               | 134,750      |
| Net loss and comprehensive loss for the period | -                   | -             | -                      | (243,279)       | (243,279)    |
| Balance, August 31, 2016                       | 90,258,241          | 19,514,262    | 3,121,570              | (20,910,149)    | 1,725,683    |
| Private placement financing                    | 6,666,667           | 500,000       | -                      | -               | 500,000      |
| Share issuance costs                           | -                   | (5,631)       | -                      | -               | (5,631)      |
| Warrants exercised                             | 1,550,000           | 77,500        | -                      | -               | 77,500       |
| Net loss and comprehensive loss for the period | -                   | -             | -                      | (3,663)         | (3,663)      |
| Balance, February 28, 2017                     | 98,474,908          | \$ 20,086,131 | \$ 3,121,570           | \$ (20,913,812) | \$ 2,293,889 |
| Shares issued for debt settlement              | 1,482,400           | 148,240       | -                      | -               | 148,240      |
| Share issuance costs                           | -                   | (1,628)       | -                      | -               | (1,628)      |
| Warrants exercised                             | 2,000,000           | 150,000       | -                      | -               | 150,000      |
| Options exercised                              | 100,000             | 8,000         | -                      | -               | 8,000        |
| Fair value of options exercised                | -                   | 7,121         | (7,121)                | -               | -            |
| Net loss and comprehensive loss for the period | -                   | -             | -                      | (187,782)       | (187,782)    |
| Balance, August 31, 2017                       | 102,057,308         | \$ 20,397,864 | \$ 3,114,449           | \$ (21,101,594) | \$ 2,410,719 |

See accompanying notes to consolidated financial statements.

## **CONDOR RESOURCES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, prepared by management and expressed in Canadian dollars)  
For the six months ended August 31, 2017 and 2016

### **1. CORPORATE INFORMATION AND NATURE OF OPERATIONS**

Condor Resources Inc. (the "Company") was incorporated in British Columbia on November 26, 2003. The company's primary business is the acquisition and exploration of mineral properties and is considered to be an exploration stage company.

The Company is listed on the TSX Venture Exchange, having the symbol CN-V, as a Tier 2 mining issuer.

The address of the Company's corporate office and principal place of business is Suite 520 - 800 West Pender Street, Vancouver, British Columbia, V6C 2V6.

The Company is currently engaged in the exploration and development of mineral properties in Peru and has not yet determined whether its properties contain ore reserves that are economically recoverable and, to date, the Company has not generated any revenue from operations. The mining exploration business involves a high degree of risk. The recoverability of the amounts expended on mineral interests by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of its mineral properties and upon future profitable production or proceeds from disposition of its mineral interests.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of business. The Company has no current or anticipated source of operating revenue, has incurred losses since inception, and its long term viability remains entirely dependent upon the receipt of equity and/or related party debt financing on terms which are acceptable to it. Although such financing has been available to the Company in the past, there can be no guarantee that it will continue to be so in the future. However, at August 31, 2017 the Company had approximately \$700,000 in working capital. Accordingly, management is of the view that such working capital is sufficient such that no material uncertainty currently exists that would cast significant doubt as to the Company's near-term capacity to continue as a going concern.

### **2. BASIS OF PRESENTATION AND MEASUREMENT**

#### **(a) Statement of Compliance**

These condensed consolidated interim financial statements of the Company for the six months ended August 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

**CONDOR RESOURCES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, prepared by management and expressed in Canadian dollars)  
For the six months ended August 31, 2017 and 2016

**2. BASIS OF PRESENTATION AND MEASUREMENT (continued)****(a) Statement of Compliance (continued)**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Accordingly, these condensed consolidated interim financial statements follow the same accounting principles and methods of application as the annual consolidated financial statements for the year ended February 28, 2017 but may condense or omit certain disclosures that otherwise would be present in annual financial statements prepared in accordance with IFRS. These financial statements should therefore be read in conjunction with the annual consolidated financial statements for the year ended February 28, 2017. Results for the period ended August 31, 2017, are not necessarily indicative of future results.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 30, 2017.

**(b) Financial Statement Presentation**

These financial statements include the accounts of the Company, its 100% owned Peruvian subsidiary, Condor Exploration Peru S.A.C., its 100% owned Peruvian subsidiary, Minera Vertiente Del Sol S.A.C., its 100% owned Peruvian subsidiary, Minas Lucero Del Sur S.A.C., and its 85%-owned Peruvian subsidiary, Ferroaluminios Peru No.4 S.A.C. All significant inter-company transactions and balances have been eliminated on consolidation. All amounts are stated in Canadian dollars unless otherwise indicated.

| Name of Subsidiary              | Place of Operation | Ownership Interest | Principal Activity                           |
|---------------------------------|--------------------|--------------------|----------------------------------------------|
| Condor Exploration Peru S.A.C.  | Peru               | 100%               | Carries out business for Peruvian properties |
| Minera Vertiente Del Sol S.A.C. | Peru               | 100%               | Carries out business for a Peruvian property |
| Minas Lucero Del Sur S.A.C.     | Peru               | 100%               | Carries out business for a Peruvian property |
| Ferroaluminios Peru No.4 S.A.C. | Peru               | 85%                | Carries out business for Peruvian properties |

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.



## **CONDOR RESOURCES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, prepared by management and expressed in Canadian dollars)  
For the six months ended August 31, 2017 and 2016

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Exploration and evaluation assets**

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable.

The Company capitalizes mineral property expenditures applicable to property interests for which it has an exploration license as deferred mineral property costs.

The cost of acquiring mineral properties and exploration expenditures are deferred until such time as the mineral properties are placed into production or the prospect is determined by management to be impaired, or is abandoned. Upon production, the deferred costs are amortized on a unit-of-production basis while in circumstances of impairment or abandonment the costs are written off.

Any option or royalty payments received by the Company from third parties are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received.

Title to mineral properties involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and to the best of the Company's knowledge, titles to all of its properties are in good standing.

#### **(b) Stock-based compensation**

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees. Under the fair value based method, stock-based compensation is measured at fair value and recognized in operations over the vesting period. Fair value is determined using the Black-Scholes option pricing model. Any consideration paid on exercise of stock options together with the related fair value previously recognized in contributed surplus is credited to share capital.

#### **(c) Share capital**

Proceeds from the exercise of stock options and warrants are recorded as share capital at the amount for which the stock option and warrant enabled the holder to purchase shares of the Company. Share capital issued for non-monetary consideration is recorded at fair value based on the quoted market price on the date of issuance. Share issue costs, which include commissions and professional and regulatory fees are charged directly to share capital.

## CONDOR RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, prepared by management and expressed in Canadian dollars)  
For the six months ended August 31, 2017 and 2016

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Foreign currency translation

The functional and reporting currency of the Company, inclusive of the accounts of each of its consolidated subsidiaries, is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date. Foreign exchange gains and losses are included in operations.

#### (e) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax is not recognized for temporary differences which arise on 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. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. 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.

#### (f) Financial instruments

##### Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

##### i. Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through profit or loss.

##### ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment.

## **CONDOR RESOURCES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, prepared by management and expressed in Canadian dollars)  
For the six months ended August 31, 2017 and 2016

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(f) Financial instruments**

##### **iii. Available-for-sale financial assets ("AFS")**

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. The Company has no AFS financial assets.

Management assesses the carrying value of AFS financial assets at each reporting period and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit or loss.

#### Financial liabilities

The Company's financial liabilities are classified as borrowings and other financial liabilities.

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method.

#### **(g) Loss per share**

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Where the effects of including all outstanding options and warrants would be anti-dilutive, no dilution is calculated and the diluted loss per share is presented as the same as basic loss per share.

## CONDOR RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
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For the six months ended August 31, 2017 and 2016

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Impairment

At each reporting period, management reviews mineral properties for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

#### (i) Cash and cash equivalents

Cash and cash equivalents include all cash accounts, which are not subject to withdrawal restrictions or penalties.

#### (j) Equipment

Equipment is recorded at cost. Amortization is recorded on a declining balance basis over the estimated useful lives of the related assets at the following annual rates:

|                                |     |
|--------------------------------|-----|
| Field equipment                | 20% |
| Office furniture and equipment | 20% |
| Motor vehicles                 | 30% |
| Computer equipment             | 50% |

## **CONDOR RESOURCES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(k) Accounting standards and interpretations issued but not yet effective:

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

Accounting Standards Issued and Effective January 1, 2017 or Later

- IFRS 9 Financial Instruments;
- IAS 7 Statement of Cash Flows – disclosure initiative (Amendment to IAS 7); and
- IAS 12 Income Taxes – recognition of deferred tax assets for unrealized losses (Amendments to IAS 12).

The Company is currently evaluating the impact that the adoption of the amendments and standard will have on its consolidated financial statements. Based upon its current facts and circumstances, the Company does not expect these new and revised standards to have a material impact on its consolidated financial statements except for change in disclosure and in presentation.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Financial statement items that are subject to significant estimation uncertainty include the valuation of stock-based compensation and the carrying value of exploration and evaluation assets.

The judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- i) Critical judgment is applied for the determination of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the Company and its subsidiaries, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

**CONDOR RESOURCES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

- ii) The Company has selected a policy of capitalizing exploration and evaluation expenditures that it has an exploration license in as exploration and evaluation assets. Acquisition and exploration costs incurred in respect to a particular property interest before the formal exploration licenses are acquired, but where such subsequent acquisition can be reasonably assured, are also capitalized as exploration and evaluation assets. At each period end, management applies its judgment in determining whether facts and circumstances suggest that the carrying amount of the asset exceeds its recoverable amount, and if so, the carrying value of the asset is tested for impairment.
- iii) Critical judgment and estimates are applied for the determination that the Company will continue as a going concern for the next year.

**5. EQUIPMENT**

|                                   | Computer<br>equipment | Field<br>equipment | Office<br>furniture and<br>equipment | Motor<br>vehicles | Total     |
|-----------------------------------|-----------------------|--------------------|--------------------------------------|-------------------|-----------|
| <b>COST</b>                       |                       |                    |                                      |                   |           |
| <b>Balance, February 29, 2016</b> | \$ 11,366             | \$ 3,981           | \$ 2,259                             | \$ 32,936         | \$ 50,542 |
| Additions                         | -                     | -                  | 1,688                                | -                 | 1,688     |
| Disposals                         | -                     | -                  | -                                    | -                 | -         |
| <b>Balance, February 28, 2017</b> | \$ 11,366             | \$ 3,981           | \$ 3,947                             | \$ 32,936         | \$ 52,230 |
| Additions                         | 1,800                 | -                  | -                                    | -                 | 1,800     |
| Disposals                         | -                     | -                  | -                                    | -                 | -         |
| <b>Balance, August 31, 2017</b>   | \$ 13,166             | \$ 3,981           | \$ 3,947                             | \$ 32,936         | \$ 54,030 |

**AMORTIZATION and IMPAIRMENT****LOSSES**

|                                   |           |          |          |           |           |
|-----------------------------------|-----------|----------|----------|-----------|-----------|
| <b>Balance, February 29, 2016</b> | \$ 11,283 | \$ 3,981 | \$ 2,259 | \$ 32,326 | \$ 49,849 |
| Amortization                      | 83        | -        | -        | 610       | 693       |
| <b>Balance, February 28, 2017</b> | \$ 11,283 | \$ 3,981 | \$ 2,259 | \$ 32,326 | \$ 50,542 |
| Amortization                      | 107       | -        | 213      | -         | 320       |
| <b>Balance, August 31, 2017</b>   | \$ 11,390 | \$ 3,981 | \$ 2,472 | \$ 32,326 | \$ 50,862 |

**CARRYING AMOUNTS**

|                         |          |      |          |        |          |
|-------------------------|----------|------|----------|--------|----------|
| As at February 28, 2017 | \$ 83    | \$ - | \$ 1,688 | \$ 610 | \$ 1,688 |
| As at August 31, 2017   | \$ 1,776 | \$ - | \$ 1,475 | \$ 610 | \$ 3,168 |

**CONDOR RESOURCES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, prepared by management and expressed in Canadian dollars)  
For the six months ended August 31, 2017 and 2016

**6. EXPLORATION AND EVALUATION ASSETS**

Title to mineral properties involves 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 properties. The Company has investigated title to all of its mineral properties and to the best of its knowledge, all of its properties are in good standing.

The following schedules of mineral property costs set forth the expenditures incurred on these properties as at August 31, 2017 and February 28, 2016.

**Summary of Exploration and Evaluation Expenditures**

|                            | Peru                     |                            |
|----------------------------|--------------------------|----------------------------|
|                            | As at August<br>31, 2017 | As at February<br>28, 2016 |
| Acquisition costs          | \$ 94,707                | \$ 94,707                  |
| Deferred exploration costs | 1,193,160                | 1,064,309                  |
|                            | 1,287,867                | 1,159,016                  |
| IGV taxes                  | 419,952                  | 421,392                    |
| Total                      | <u>\$ 1,707,819</u>      | <u>\$ 1,580,408</u>        |

As their recoverability from government authorities is uncertain, IGV input credits are capitalized and included within the carrying value of the related property interests. Any amounts ultimately recovered will therefore be offset against the related deferred costs or included in income if such costs have been expensed.

IGV is a form of value-added tax levied on expenditures incurred in Peru.

**CONDOR RESOURCES INC.**

## Notes to the Condensed Consolidated Interim Financial Statements

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For the six months ended August 31, 2017 and 2016

**Schedule of Exploration and Evaluation assets – Peru**  
**For the Six Months Ended August 31, 2017**

|                                                | Peru              |                  |                  |                   |                  |                   |                   |             |             |                     |
|------------------------------------------------|-------------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------|-------------|---------------------|
|                                                | Pucamayo          | Lucero           | Ocros            | Chavin            | Quriurqu         | San Martin        | Soledad           | Humaya      | Quilisane   | Total               |
| <b>Acquisition costs</b>                       |                   |                  |                  |                   |                  |                   |                   |             |             |                     |
| Balance, as at March 1, 2017                   | \$ 62,509         | \$ -             | \$ -             | \$ -              | \$ -             | \$ -              | \$ 32,198         | \$ -        | \$ -        | \$ 94,707           |
| Additions during the period                    | -                 | -                | -                | -                 | -                | -                 | -                 | -           | -           | -                   |
| Balance, as at August 31, 2017                 | 62,509            | -                | -                | -                 | -                | -                 | 32,198            | -           | -           | 94,707              |
| <b>Exploration and evaluation expenditures</b> |                   |                  |                  |                   |                  |                   |                   |             |             |                     |
| Balance, as at March 1, 2017                   | 351,091           | -                | 80,536           | 92,710            | 71,952           | 130,259           | 337,761           | -           | -           | 1,064,309           |
| Additions during the period                    |                   |                  |                  |                   |                  |                   |                   |             |             |                     |
| Geology                                        | 8,362             | -                | -                | -                 | -                | -                 | -                 | -           | -           | 8,362               |
| Property tenure                                | 37,926            | -                | -                | -                 | 3,937            | 4,033             | -                 | -           | -           | 45,896              |
| Office and technical support                   | 44,797            | 32,932           | 47,973           | 24,214            | 6,443            | 24,629            | 15,194            | -           | -           | 196,182             |
|                                                | 91,085            | 32,932           | 47,973           | 24,214            | 10,380           | 28,662            | 15,194            | -           | -           | 250,440             |
| Balance, as at August 31, 2017                 | 442,176           | 32,932           | 128,509          | 116,924           | 82,332           | 158,921           | 352,955           | -           | -           | 1,314,749           |
| Proceeds of option and royalty payments        | -                 | -                | (101,789)        | -                 | -                | -                 | (19,800)          | -           | -           | (121,589)           |
| <b>Overall balances, as at August 31, 2017</b> | <b>\$ 504,685</b> | <b>\$ 32,932</b> | <b>\$ 26,720</b> | <b>\$ 116,924</b> | <b>\$ 82,332</b> | <b>\$ 158,921</b> | <b>\$ 365,353</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 1,287,867</b> |

Costs are exclusive of IGV taxes incurred



**CONDOR RESOURCES INC.**

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**Schedule of Exploration and Evaluation assets – Peru  
For the Year Ended February 28, 2017**

**Schedule of Exploration and Evaluation Expenditures - for the year ended February 28, 2017**

|                                                  | Peru              |             |                  |                  |                  |                   |                   |             |             | Total               |
|--------------------------------------------------|-------------------|-------------|------------------|------------------|------------------|-------------------|-------------------|-------------|-------------|---------------------|
|                                                  | Pucamayo          | Lucero      | Ocros            | Chavin           | Quriurqu         | San Martin        | Soledad           | Humaya      | Quilisane   |                     |
| <b>Acquisition costs</b>                         |                   |             |                  |                  |                  |                   |                   |             |             |                     |
| Balance, as at March 1, 2016                     | \$ 62,509         | \$ -        | \$ -             | \$ -             | \$ -             | \$ -              | \$ 32,198         | \$ -        | \$ -        | \$ 94,707           |
| Additions during the period                      | -                 | -           | -                | -                | -                | -                 | -                 | -           | -           | -                   |
| Balance, as at February 28, 2017                 | 62,509            | -           | -                | -                | -                | -                 | 32,198            | -           | -           | 94,707              |
| <b>Exploration and evaluation expenditures</b>   |                   |             |                  |                  |                  |                   |                   |             |             |                     |
| Balance, as at March 1, 2016                     | 375,440           | 91,547      | 69,284           | 126,755          | 97,584           | 139,534           | 290,999           | -           | -           | 1,191,143           |
| Additions during the period                      |                   |             |                  |                  |                  |                   |                   |             |             |                     |
| Property tenure                                  | 9,444             | -           | -                | -                | 1,329            | 1,753             | -                 | -           | -           | 12,526              |
| Community relations                              | 426               | -           | -                | -                | -                | -                 | -                 | -           | -           | 426                 |
| Office and technical support                     | 65,781            | 49,372      | 84,207           | 48,748           | 23,039           | 38,972            | 59,962            | 3,882       | 515         | 374,478             |
|                                                  | 75,651            | 49,372      | 84,207           | 48,748           | 24,368           | 40,725            | 59,962            | 3,882       | 515         | 387,430             |
| Balance, as at February 28, 2017                 | 451,091           | 140,919     | 153,491          | 175,503          | 121,952          | 180,259           | 350,961           | 3,882       | 515         | 1,578,573           |
| Proceeds of option and royalty payments          | (100,000)         | (140,919)   | (72,955)         | (82,793)         | (50,000)         | (50,000)          | (13,200)          | (3,882)     | (515)       | (514,264)           |
| <b>Overall balances, as at February 28, 2017</b> | <b>\$ 413,600</b> | <b>\$ -</b> | <b>\$ 80,536</b> | <b>\$ 92,710</b> | <b>\$ 71,952</b> | <b>\$ 130,259</b> | <b>\$ 369,959</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 1,159,016</b> |

Costs are exclusive of IGV taxes incurred

## CONDOR RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 6. EXPLORATION AND EVALUATION ASSETS (continued)

#### PERU

##### ***(a) Ocros, Pucamayo and Condor de Oro – Combined Amended Agreement: Option to acquire an 85% interest***

On February 16, 2009 the Company replaced and superseded its original agreements dated August 21, 2007 on the Ocros, Pucamayo and Condor de Oro prospects.

Pursuant to the February 16, 2009 Amended Peruvian Property Agreement (“Amended Agreement”), the Company paid USD \$400,000 and issued 2,000,000 common shares at a value of \$670,000 for an option to acquire an 85% working interest in each of the Ocros, Pucamayo and Condor de Oro prospects from the property vendor. On the execution and delivery of the agreement, \$95,000 in advances to the property vendor for title perfection for the prospects was forgiven and recorded as acquisition costs.

The vendor retained a royalty of one per cent (1%) of the “net smelter returns” (“NSR”) derived from each of the Ocros, Pucamayo, and Condor de Oro properties (“Properties”). The Company shall have the exclusive right to purchase the royalty on one or more of the Properties at any time on payment to the Vendor of the sum of USD \$2,000,000 per property.

The optionor will receive an additional 1,000,000 common shares in the capital of the Company on the completion and publication of a positive feasibility study on any or all of the Properties which indicates that commercial production for the applicable property is feasible.

In this agreement “Feasibility Study” shall have the meaning set out in NI 43-101, or such successor policy as may be adopted from time to time by the Canadian Securities Administrators.

Following the closing, the vendor’s 15% interest in each of the Properties became a carried and non-contributing interest. The Company will fund all of the vendor’s costs to the commencement of commercial production, such costs to be repaid to the Company, with interest at the Canadian prime rate plus 2%, from 100% of the vendor’s production revenues.

The Company has maintained its title to the Ocros and Pucamayo properties and intends to perform future exploration work on them or to potentially option them out to other parties in the future. At February 29, 2016, the Company determined that it would not be continuing with the option on the Condor de Oro property, and therefore wrote-off \$1,364,624 in related deferred exploration costs.

In February 2017, the Company assigned the royalty buyback rights on the Ocros concessions and Pucamayo 14 concession to Sandstorm Gold Ltd. (“Sandstorm”) in exchange for \$100,000.

## **CONDOR RESOURCES INC.**

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### **6. EXPLORATION AND EVALUATION ASSETS (continued)**

#### ***(b) Ocros – option granted***

In February 2017, the Company signed a Memorandum of Understanding (“MOU”) with Compañía Minera Virgen de la Merced S.A.C. (“Merced”), subject to the termination of Casapalca’s rights and receipt of clear title of the Ocros concessions. Under the MOU, Merced will have the option to earn up to a 70% interest in the Ocros concessions over four years, by making cash payments totaling US\$550,000, and completing 10,000m of drilling. The MOU includes a payment of US\$75,000 on signing the comprehensive agreement (received), and a mandatory first year work program of 2,000m of drilling at Ocros. In May 2017, the MOU was replaced by a Comprehensive Agreement with Merced with no material changes to the terms of the MOU.

#### ***(c) Pucamayo, Chinchá and Yauyos Provinces - 100% interest***

Subsequent to the February 16, 2009 agreement, the Company dropped all but the Pucamayo 14 concession, and acquired by staking one concession to the east and 2 concessions to the south of Pucamayo 14. As at March 1, 2016 the project consisted of 19 sq. km., with the Company holding an 85% interest in 6 sq. km. (Pucamayo 14), and a 100% interest in 13 sq. km. of staked concessions. During the fiscal year ended February 28, 2017, the Company acquired title to a 100% interest in 94 sq. km. of mineral concessions, bringing the total area of Pucamayo concessions to 113 sq. km. In February 2017, the Company sold a 0.5% NSR royalty to Sandstorm for \$50,000 on all the Pucamayo concessions except for Pucamayo 14.

The Company continues to maintain its title and intends to complete future exploration work or option this property.

#### ***(d) Chavin, Santa Province***

During the year ended February 28, 2010, the Company acquired two concessions by staking in the Province of Santa, referred to as the Chavin project.

In November 2015, the Company concluded a production royalty agreement with Compañía Minera Casapalca S.A. (“Casapalca”) on the Chavin project. Under the royalty agreement, Casapalca will pay Condor Peru an NSR of 3%, subject to an annual minimum, payable in advance, as follows:

- Years 1-5: US \$25,000
- Years 6-10: US \$30,000
- Years 11+: US \$35,000

The first year’s minimum royalty was paid on signing. The Operator is also obligated to complete a minimum of 1,000m of diamond drilling on the project within one year of obtaining the necessary permits. The Company received the second year’s payment in November 2016.

In February 2017, the Company sold 50% of Condor’s annual production royalties at Chavin to Sandstorm for \$50,000, commencing December 2018.

## **CONDOR RESOURCES INC.**

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### **6. EXPLORATION AND EVALUATION ASSETS (continued)**

#### ***(e) San Martin, Castilla Province***

During the year ended February 28, 2010, the Company acquired, by staking, one concession in the Province of Castilla for a nominal amount. In 2015, a second contiguous concession was acquired by staking for a nominal amount.

The Company continues to maintain its title and intends to either complete future exploration work or option this property. In February 2017, the Company sold a 0.5% NSR on the San Martin project to Sandstorm for \$50,000.

#### ***(f) Soledad, Aija Province***

In April 2014, the Company acquired ownership of a recently incorporated Peruvian company, Minera Vertiente del Sol SAC, ("MVS"), and transferred ownership of the Soledad concession into MVS.

In April 2017, a Comprehensive Agreement (the "Agreement") was signed with Chakana Resources S.A.C. ("Chakana") with respect to the Soledad project. Pursuant to the Agreement, Chakana has the option to earn a 100% interest in Soledad, over a period of 4.5 years, subject to a 2% net smelter return royalty in favour of the Company. To earn the 100% interest, Chakana is required to:

- a. complete the following drilling:
  - i. complete a minimum of 3,000m of drilling (or work equivalent) by December 23, 2018;
  - ii. complete a cumulative total of 5,500m of drilling (or work equivalent) by December 23, 2019;
  - iii. complete a cumulative total of 8,500m of drilling (or work equivalent) by December 23, 2020;
  - iv. complete a cumulative total of 12,500m of drilling (or work equivalent) by December 23, 2021.
- b. make the following cash payments:
  - i. US \$10,000 upon signing the MOU (received);
  - ii. US \$15,000 upon signing the Agreement (received);
  - iii. US \$25,000 by December 23, 2017;
  - iv. US \$50,000 by June 23, 2018;
  - v. US \$50,000 by December 23, 2018;
  - vi. US \$75,000 by June 23, 2019;
  - vii. US \$75,000 by December 23, 2019;
  - viii. US \$100,000 by June 23, 2020;
  - ix. US \$150,000 by December 23, 2020;
  - x. US \$200,000 by June 23, 2021;
  - xi. US \$4,625,000 by December 23, 2021.

## **CONDOR RESOURCES INC.**

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### **6. EXPLORATION AND EVALUATION ASSETS (continued)**

#### ***(f) Soledad, Aija Province (continued)***

- c. issue 500,000 Chakana Resources Corp. shares to Condor by June 23, 2018, provided Chakana has not terminated the Agreement

Should Chakana exercise the option, Chakana retains the right to re-purchase 50% of the NSR royalty by payment of US \$2 million to Condor.

#### ***(g) Quriurqu; Aija and Huarmey Provinces***

During the year ended February 29, 2012, the Company acquired, by staking, one concession located in the Provinces of Aija and Huarmey for a nominal amount. In January 2016, the Company petitioned for 6 sq. km. contiguous and to the south of Quriurqu, and secured this area at a sealed bid auction conducted by the Ministry of Energy & Mines in September.

The Company continues to maintain its title and intends to complete future exploration work on option this property. In February 2017, the Company sold a 0.5% NSR on the Quriurqu project to Sandstorm for \$50,000.

#### ***(h) Lucero, Castilla Province***

The Company acquired, by staking, three (3) concessions totaling 21 sq. km.

In November 2015, the Company concluded a production royalty agreement with Compañía Minera Casapalca S.A. ("Casapalca") on the Lucero project. Under the royalty agreement, Casapalca will pay the Company an NSR of 3%, subject to an annual minimum, payable in advance as follows:

- Years 1-5: US \$75,000
- Years 6-10: US \$85,000
- Years 11+: US \$95,000

If the price of gold exceeds US\$2,000 per ounce, the royalty increases to 4.5%, and conversely, if the price of gold is below US\$1,000, the royalty will decrease to 1.5%. The first year's minimum royalty was paid on signing in November 2015. The Operator is also obligated to complete a minimum of 1,000m of diamond drilling on the project within one year of obtaining the necessary permits. The Company received the second year payment of US\$75,000 in November 2016.

In February 2017, the Company sold 50% of Condor's production royalties to Sandstorm for \$50,000, commencing December 2018.

#### ***(i) Humaya, Ayacucho Province***

The Company acquired by staking one concession of 7 sq. km. In February 2017, the Company sold a 0.5% NSR on the Humaya project to Sandstorm for \$50,000.

**CONDOR RESOURCES INC.**

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**6. EXPLORATION AND EVALUATION ASSETS (continued)*****(j) Quilisane, Puno Province***

The Company acquired by staking and sealed bid auction two concessions with total area of 18.4 sq. km. In February 2017, the Company sold a 0.5% NSR on the Quilisane project to Sandstorm for \$50,000.

***(k) Huiñac Punta, Huanuco Province***

The Company acquired by staking one concession of 10 sq. km. In February 2017, the Company sold a 0.5% NSR on the Huiñac Punta project to Sandstorm for \$50,000.

**7. RELATED PARTY TRANSACTIONS**

The following amounts due to related parties are included in trade payables and accrued liabilities:

|                                      | <b>August 31, 2017</b> | <b>February 29, 2016</b> |
|--------------------------------------|------------------------|--------------------------|
| Directors or officers of the Company | \$ 5,292               | \$ 188,925               |

The Company incurred the following transactions with directors and companies controlled by directors of the Company:

|                   | <b>For the six months ended August 31, 2017</b> | <b>2016</b> |
|-------------------|-------------------------------------------------|-------------|
| Professional fees | \$ 17,828                                       | \$ 25,515   |

Key management personnel compensation

|                                                   | <b>For the six months ended August 31, 2017</b> | <b>2016</b> |
|---------------------------------------------------|-------------------------------------------------|-------------|
| Management fees                                   | \$ 63,384                                       | \$ 55,796   |
| Management fees capitalized to mineral properties | 37,063                                          | 36,543      |
| Management stock-based compensation               | -                                               | 102,837     |
|                                                   | \$ 100,447                                      | \$ 195,176  |

During the six months ended August 31, 2017, the Company settled debt for shares with officers, directors and a law firm in which a director was a partner (Note 9).

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

**CONDOR RESOURCES INC.**

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**8. LOAN PAYABLE:**

In October 2015, the Company received a loan from an insider, whereby the Company borrowed \$40,000 (the "Loan"), for a term of one year, repayable in cash at the expiry of the term. Under the terms of the Loan, the lender will be paid 10% interest, and was paid a 20% bonus paid in common shares of the Company at a deemed price of \$0.05 per share (160,000 common shares) in recognition of the unsecured nature of the Loan. The shares were issued on October 29, 2015 and were subject to a four (4) month hold period. The fair value of the common shares issued was calculated to be \$4,000 based on the closing price of the Company's shares on the date of issue and was charged to financing fees. In February 2017, the loan was repaid in full including interest of \$5,387.

**9. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

|                                 | Number of<br>shares | Capital stock | Contributed<br>Surplus |
|---------------------------------|---------------------|---------------|------------------------|
| Authorized                      |                     |               |                        |
| Unlimited common shares         |                     |               |                        |
| Issued:                         |                     |               |                        |
| Balance as at February 29, 2016 | 85,863,241          | \$ 19,242,809 | \$ 3,038,523           |
| Private placement               | 6,666,667           | 500,000       | -                      |
| Share issuance costs            | -                   | (5,631)       | -                      |
| Exercise of warrants            | 4,500,000           | 225,000       | -                      |
| Exercise of options             | 1,445,000           | 72,250        | -                      |
| Fair value of options exercised | -                   | 51,703        | (51,703)               |
| Stock based compensation        | -                   | -             | 134,750                |
| Balance as at February 28, 2017 | 98,474,908          | \$ 20,086,131 | \$ 3,121,570           |
| Shares for debt                 | 1,482,400           | 148,240       | -                      |
| Share issuance costs            | -                   | (1,628)       | -                      |
| Exercise of warrants            | 2,000,000           | 150,000       | -                      |
| Exercise of options             | 100,000             | 8,000         | -                      |
| Fair value of options exercised | -                   | 7,121         | (7,121)                |
| Balance as at August 31, 2017   | 102,057,308         | \$ 20,397,864 | \$ 3,114,449           |

**(a) Share Issuances**

During the six months ended August 31, 2017:

- i. 100,000 common shares were issued upon the exercise of 100,000 incentive stock options with a weighted average exercise price of \$0.08 for gross proceeds of \$8,000;
- ii. 2,000,000 common shares were issued upon the exercise of 2,000,000 warrants with a weighted average exercise price of \$0.075 for gross proceeds of \$150,000.

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### **9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)**

#### **(a) Share Issuances (continued)**

##### During the six months ended August 31, 2017 (continued):

- iii. the Company settled \$111,180 in accounts payable by the issuance of 1,482,000 shares at \$0.075 per share. The shares are subject to a four month hold period which expires September 11, 2017. The fair value of the shares on the date of issuance was \$0.10 per share which resulted in the Company realizing a loss of \$37,060 on the issuance of these shares.

##### During the year ended February 28, 2017:

- iv. 1,445,000 common shares were issued upon the exercise of 1,445,000 incentive stock options with a weighted average exercise price of \$0.05 for gross proceeds of \$72,250;
- v. 4,500,000 common shares were issued upon the exercise of 4,500,000 warrants with a weighted average exercise price of \$0.05 for gross proceeds of \$225,000.
- vi. the Company completed a \$500,000 private placement financing with Sandstorm Gold Ltd. which consisted of 6,666,667 units at \$0.075, with each unit consisting of one common share and one warrant. Each warrant is exercisable at \$0.15 into one common share for a period of five years. No commissions or finder's fees were paid in connection with the private placement.

#### **(b) Stock Options**

The Company has a stock option plan (the "Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue. The Plan provides for the issuance of up to 10% of the Company's issued common shares as at the date of grant with each stock option having a minimum term of five years. The board of directors has the exclusive power over the granting and vesting of options subject to exchange rules.

##### During the six months ended August 31, 2017:

- i. 100,000 incentive stock options with a weighted average exercise price of \$0.08 were exercised for gross proceeds of \$8,000.



**CONDOR RESOURCES INC.**

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**9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)****(b) Stock Options (continued)**During the year ended February 28, 2017:

- ii. The Company granted 3,175,000 incentive stock options with a weighted-average exercise price of \$0.06 per share;
- iii. 2,390,000 incentive stock options with a weighted average exercise price of \$0.12 expired unexercised;
- iv. 1,445,000 incentive stock options with a weighted average exercise price of \$0.05 were exercised for gross proceeds of \$72,250.

Stock option transactions and the number of stock options outstanding are summarized as follows:

|                                  | Number of shares | Weighted Average<br>Exercise Price |
|----------------------------------|------------------|------------------------------------|
| Outstanding at February 29, 2016 | 5,945,000        | \$ 0.10                            |
| Granted                          | 3,175,000        | 0.06                               |
| Exercised                        | (1,445,000)      | 0.05                               |
| Expired/cancelled/forfeited      | (2,390,000)      | 0.12                               |
| Outstanding at February 28, 2017 | 5,285,000        | \$ 0.08                            |
| Exercised                        | (100,000)        | 0.08                               |
| Outstanding at August 31, 2017   | 5,185,000        | \$ 0.08                            |

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during the current and previous fiscal year:

|                          | For the Six Months Ended<br>August 31, 2017 | For the Year Ended<br>February 28, 2017 |
|--------------------------|---------------------------------------------|-----------------------------------------|
| Risk-free interest rate  | N/A                                         | 0.60%                                   |
| Expected life of options | N/A                                         | 5 years                                 |
| Annualized volatility    | N/A                                         | 139.95%                                 |
| Dividend rate            | N/A                                         | 0.00%                                   |

**CONDOR RESOURCES INC.**

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**9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)****(b) Stock Options (continued)**

At August 31, 2017, the Company had the following incentive stock options outstanding entitling the holders thereof to acquire the following common shares in the Company:

| Number of shares | Exercise Price | Expiry Date      |
|------------------|----------------|------------------|
| 405,000          | \$0.20         | October 9, 2017  |
| 200,000          | \$0.12         | January 23, 2019 |
| 550,000          | \$0.06         | February 4, 2019 |
| 650,000          | \$0.12         | July 28, 2019    |
| 550,000          | \$0.05         | January 27, 2020 |
| 1,750,000        | \$0.05         | March 9, 2021    |
| 1,080,000        | \$0.08         | August 11, 2021  |
| <b>5,185,000</b> |                |                  |

All incentive stock options were exercisable at August 31, 2017. The weighted average remaining life of the outstanding incentive stock options at August 31, 2017 was 2.68 years (February 28, 2017 – 3.21 years).

**(c) Share Purchase Warrants**

Share purchase warrant transactions are summarized as follows:

|                                  | Number of<br>Shares | Weighted<br>Average<br>Exercise Price |
|----------------------------------|---------------------|---------------------------------------|
| Outstanding at February 29, 2016 | 16,650,000          | \$ 0.07                               |
| Issued                           | 6,666,667           | 0.15                                  |
| Exercised                        | (4,500,000)         | 0.05                                  |
| Outstanding at February 28, 2017 | 18,816,667          | 0.07                                  |
| Exercised                        | (2,000,000)         | 0.075                                 |
| Outstanding at August 31, 2017   | 16,816,667          | \$ 0.10                               |

Share purchase warrants outstanding at August 31, 2017 are:

| Number of Shares  | Exercise Price | Expiry Date       |
|-------------------|----------------|-------------------|
| 3,650,000         | \$0.075        | October 11, 2018  |
| 4,000,000         | \$0.075        | October 22, 2018  |
| 2,500,000         | \$0.075        | November 14, 2018 |
| 6,666,667         | \$0.15         | February 9, 2022  |
| <b>16,816,667</b> |                |                   |

## **CONDOR RESOURCES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, prepared by management and expressed in Canadian dollars)  
For the six months ended August 31, 2017 and 2016

### **10. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK**

#### ***Fair value***

All financial instruments, including derivatives, are included on the Company's statement of financial position and are measured at either fair value or amortized cost.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities and loan payable. The fair values of accounts receivable and accounts payable and accrued liabilities are approximately equal to their carrying value due to their short-term nature.

Financial instruments measured at fair value on the Statement of Financial Position as at August 31, 2017 and as at February 28, 2017 are all classified as Level 1.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### ***Credit risk***

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at August 31, 2017 the Company had a cash balance of \$730,090 to settle current liabilities of \$40,009. All of the Company's financial liabilities are subject to normal trade terms.

#### ***Market risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

##### **(a) Interest rate risk**

The Company has cash and cash equivalents and no interest-bearing debt. The Company's current policy is to invest excess cash and cash equivalents in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank. As at August 31, 2017, in addition to cash on demand deposits with banks of \$130,090, the Company has \$600,000 in interest bearing cashable on demand investment grade guaranteed investment certificates. A 1% change in interest rates would have no material effect on interest income for the fiscal year.

**CONDOR RESOURCES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, prepared by management and expressed in Canadian dollars)  
For the six months ended August 31, 2017 and 2016

**10. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK  
(continued)****(b) Foreign currency risk**

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in United States Dollars, and Peruvian Soles. However, management believes the risk is not currently significant as approximately 5.5% of the Company's cash and cash equivalents and less than 17% of its liabilities as at August 31, 2017 are denominated in United States Dollars.

**(c) Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**(d) Political Uncertainty**

In conducting operations in Peru, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Peru, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

As at August 31, 2017 there was \$6,791 (February 28, 2017 - \$10,483) of mineral property expenditures included in accounts payable and accrued liabilities.

During the six months ended August 31, 2017, amortization expense of \$320 (six months ended August 31, 2016 - \$693) was capitalized to mineral properties.

## CONDOR RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, prepared by management and expressed in Canadian dollars)  
For the six months ended August 31, 2017 and 2016

### 12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to maintain its ability to continue as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management and remained unchanged during the six months ended August 31, 2017 and during the year ended February 28, 2017.

### 13. SEGMENTED INFORMATION

The Company's primary business is the acquisition and exploration of mineral properties. Geographical information is as follows:

|                    | As at August 31, 2017 |              |              |
|--------------------|-----------------------|--------------|--------------|
|                    | Canada                | Peru         | Total        |
| Equipment          | \$ -                  | \$ 3,168     | \$ 3,168     |
| Mineral properties | -                     | 1,707,819    | 1,707,819    |
|                    | \$ -                  | \$ 1,710,987 | \$ 1,710,987 |

### 14. SUBSEQUENT EVENTS

- In September 2017, the Company granted 3,800,000 incentive stock options at \$0.12 that expire on September 21, 2022.
- In October 2017, 405,000 incentive stock options at \$0.20 expired unexercised.