



CONDOR RESOURCES INC.

Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended February 28, 2017 and February 29, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Condor Resources Inc.,

We have audited the accompanying consolidated financial statements of Condor Resources Inc. which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years ended February 28, 2017 and February 29, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Condor Resources Inc. as at February 28, 2017 and February 29, 2016 and its financial performance and its cash flows for the years ended February 28, 2017 and February 29, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

June 28, 2017

CONDOR RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)

	As at February 28, 2017	As at February 29, 2016
ASSETS		
Current		
Cash and cash equivalents	\$ 944,963	\$ 94,641
Prepaid expenses	10,783	7,256
Accounts receivable	2,636	27,322
Total Current Assets	958,382	129,219
Non-Current Assets		
Equipment (note 5)	1,688	693
Exploration and evaluation assets (note 6)	1,580,408	1,715,415
Total Non-Current Assets	1,582,096	1,716,108
TOTAL ASSETS	\$ 2,540,478	\$ 1,845,327
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 246,589	\$ 189,342
Loan payable (note 8)	-	41,523
TOTAL LIABILITIES	246,589	230,865
SHAREHOLDERS' EQUITY		
Share capital (note 9)	20,086,131	19,242,809
Contributed surplus (note 9)	3,121,570	3,038,523
Deficit	(20,913,812)	(20,666,870)
TOTAL SHAREHOLDERS' EQUITY	2,293,889	1,614,462
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,540,478	\$ 1,845,327

Nature of operations, going concern and subsequent events (Notes 1 and 2 (c))

Approved on behalf of the Board:

"Paul Larkin" Director

"Lyle Davis" Director

See accompanying notes to consolidated financial statements.

CONDOR RESOURCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(expressed in Canadian dollars)

	For the Year Ended:	
	February 28, 2017	February 29, 2016
Administrative expenses		
Administrative services	\$ -	\$ 9,379
Foreign exchange (gain)	(4,418)	(24,941)
Insurance	8,343	10,562
Interest expense	3,868	1,523
Investor relations	4,197	1,687
Management fees and consulting fees	116,707	118,893
Office and miscellaneous	16,778	15,810
Professional fees	56,816	74,368
Project generation	40,945	91,679
Regulatory fees	19,316	19,388
Stock-based compensation	134,750	-
Travel and entertainment	2,701	3,313
	<u>(400,003)</u>	<u>(321,661)</u>
Other items		
Write-off of exploration and evaluation expenditures (Note 6)	-	(1,364,624)
Financing fee (note 9(a))	-	(4,000)
Other income (note 6(l))	153,061	61,312
	<u>153,061</u>	<u>(1,307,312)</u>
Net Loss and Comprehensive Loss for the Year	<u>(246,942)</u>	<u>(1,628,973)</u>
Basic And Diluted Loss Per Share Outstanding	\$ (0.00)	\$ (0.02)
Weighted Average Number Of Shares Outstanding	<u>89,777,218</u>	<u>85,280,041</u>

See accompanying notes to consolidated financial statements.

CONDOR RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)

	For the Year Ended:	
	February 28, 2017	February 29, 2016
Cash and cash equivalents provided by (used in):		
Operating Activities		
Net loss for the year	\$ (246,942)	\$ (1,628,973)
Items not affecting cash:		
Financing fee (note 9(a))	-	4,000
Interest accrued on loan payable	3,864	1,523
Write-off of exploration and evaluation expenditures	-	1,364,624
Stock-based compensation expense	134,750	-
Changes in non-cash operating working capital items:		
(Increase) decrease in prepaid expenses	(3,527)	19,663
(Increase) decrease in accounts receivable	24,686	(26,289)
Increase in accounts payable and accrued liabilities	78,736	131,738
	(8,433)	(133,714)
Investing Activities		
Equipment purchased	(1,688)	-
Exploration and evaluation expenditures	(367,553)	(259,130)
Expenditure recoveries/option payments	514,264	206,375
	145,023	(52,755)
Financing Activities		
Share capital issued	764,750	225,000
Share issue costs	(5,631)	(8,894)
Loan (note 8)	(45,387)	40,000
	713,732	256,106
Increase in cash and cash equivalents during the year	850,322	69,637
Cash and cash equivalents - beginning of year	94,641	25,004
Cash and cash equivalents - end of year	\$ 944,963	\$ 94,641

See accompanying notes to consolidated financial statements.

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

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total Equity
Balance, February 28, 2015	81,203,241	\$ 19,022,703	\$ 3,038,523	\$ (19,037,897)	\$ 3,023,329
Private placement financing	4,500,000	225,000	-	-	225,000
Share issuance costs	-	(8,894)	-	-	(8,894)
Shares issued as a financing fee (note 8)	160,000	4,000	-	-	4,000
Net loss and comprehensive loss for the year	-	-	-	(1,628,973)	(1,628,973)
Balance, February 29, 2016	85,863,241	19,242,809	3,038,523	(20,666,870)	1,614,462
Private placement financing	6,666,667	500,000	-	-	500,000
Share issuance costs	-	(5,631)	-	-	(5,631)
Warrants exercised	4,500,000	225,000	-	-	225,000
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 year	-	-	-	(246,942)	(246,942)
Balance, February 28, 2017	98,474,908	\$ 20,086,131	\$ 3,121,570	\$ (20,913,812)	\$ 2,293,889

See accompanying notes to consolidated financial statements.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 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 consolidated 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 February 28, 2017 the Company had approximately \$700,000 in working capital and, as disclosed at note 15, subsequent to year end warrant and stock option exercises have raised an additional amount of \$158,000. 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 consolidated financial statements of the Company for the year ended February 28, 2017 and for the year ended February 29, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on June 28, 2017.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

2. BASIS OF OPERATIONS (continued)

(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.

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.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Exploration and evaluation assets

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.

(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.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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Notes to the Consolidated Financial Statements

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For the Year Ended February 28, 2017 and the Year Ended February 29, 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 Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 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 Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

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 Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

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 equipment	Field equipment	Office furniture and equipment	Motor vehicles	Total
COST					
Balance, February 28, 2015	\$ 11,366	\$ 3,981	\$ 2,259	\$ 32,936	\$ 50,542
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance, February 29, 2016	\$ 11,366	\$ 3,981	\$ 2,259	\$ 32,936	\$ 50,542
Additions	-	-	1,688	-	1,688
Disposals	-	-	-	-	-
Balance, February 28, 2017	\$ 11,366	\$ 3,981	\$ 3,947	\$ 32,936	\$ 52,230
AMORTIZATION and IMPAIRMENT					
LOSSES					
Balance, February 28, 2015	\$ 10,693	\$ 3,902	\$ 1,861	\$ 23,629	\$ 40,085
Amortization	590	79	398	8,697	9,764
Disposals	-	-	-	-	-
Balance, February 29, 2016	\$ 11,283	\$ 3,981	\$ 2,259	\$ 32,326	\$ 49,849
Amortization	83	-	-	610	693
Balance, February 28, 2017	\$ 11,366	\$ 3,981	\$ 2,259	\$ 32,936	\$ 50,542
CARRYING AMOUNTS					
As at February 29, 2016	\$ 83	\$ -	\$ -	\$ 610	\$ 693
As at February 28, 2017	\$ -	\$ -	\$ 1,688	\$ -	\$ 1,688

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 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 February 28, 2017 and February 29, 2016.

Summary of Exploration and Evaluation Expenditures

	Peru	
	As at February 28, 2017	As at February 29, 2016
Acquisition costs	\$ 94,707	\$ 94,707
Deferred exploration costs	1,064,309	1,191,143
	1,159,016	1,285,850
IGV taxes	421,392	429,565
Total	<u>\$ 1,580,408</u>	<u>\$ 1,715,415</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 Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

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

	Peru									Total
	Pucamayo	Lucero	Ocros	Chavin	Quriurqu	San Martin	Soledad	Humaya	Quilisane	
Acquisition costs										
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
Exploration and evaluation expenditures										
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)
Overall balances, as at February 28, 2017	\$ 413,600	\$ -	\$ 80,536	\$ 92,710	\$ 71,952	\$ 130,259	\$ 369,959	\$ -	\$ -	\$ 1,159,016

CONDOR RESOURCES INC.

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(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

**Schedule of Exploration and Evaluation assets – Peru
For the Year Ended February 29, 2016**

	Peru								
	Pucamayo	Condor de Oro	Lucero	Ocros	Chavin	Quriurqu	San Martin	Soledad	Total
Acquisition costs									
Balance, as at March 1, 2015	\$ 62,509	\$ 616,451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,198	\$ 711,158
Additions during the period	-	-	-	-	-	-	-	-	-
Balance, as at February 29, 2016	62,509	616,451	-	-	-	-	-	32,198	711,158
Exploration and evaluation expenditures									
Balance, as at March 1, 2015	319,560	743,666	118,881	29,284	122,560	72,347	102,129	356,146	1,864,573
Additions during the period									
Property tenure	-	-	1,164	-	-	-	2,137	-	3,301
Community relations	2,011	2,751	136	113	-	-	-	-	5,011
Geochemistry	2,798	-	-	-	-	-	-	-	2,798
Office and technical support	51,071	1,756	69,331	49,900	36,850	25,237	35,268	595	270,008
	55,880	4,507	70,631	50,013	36,850	25,237	37,405	595	281,118
Balance, as at February 29, 2016	375,440	748,173	189,512	79,297	159,410	97,584	139,534	356,741	2,145,691
Mineral property costs written off	-	(1,364,624)	-	-	-	-	-	-	(1,364,624)
Proceeds of option and royalty payments	-	-	(97,965)	(10,013)	(32,655)	-	-	(65,742)	(206,375)
Overall balances, as at February 29, 2016	\$ 437,949	\$ -	\$ 91,547	\$ 69,284	\$ 126,755	\$ 97,584	\$ 139,534	\$ 323,197	\$ 1,285,850

Costs are exclusive of IGV taxes incurred

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

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.

Notes to the Consolidated Financial Statements

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For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

6. EXPLORATION AND EVALUATION ASSETS (continued)

(b) Ocros – options granted

In February 2016, the Company entered into a comprehensive agreement with Compañía Minera Casapalca S.A. (“Casapalca”), based in Lima, which grants that company two exclusive options to earn up to a 70% interest in the Ocros project.

To exercise the first option and earn 51%, Casapalca must make cash payments to the Company and complete exploration work as follows:

- (i) make a cash payment of US \$25,000 upon signing the agreement (received);
- (ii) complete an aggregate of 3,000 metres of diamond drilling on the Ocros Property and/or Soledad Property on or before the first anniversary of the date of issuance of a government and community drill permit (“Ocros Permit”) on the Ocros Property (completed);
- (iii) make an additional cash payment of US \$50,000 on or before February 9, 2017;
- (iv) make an additional cash payment of US \$75,000 on or before February 9, 2018, or two months after the date on which an aggregate of 5,000 metres of diamond drilling have been completed on the Ocros Property and/or the Soledad Property, whichever comes first;
- (v) complete 6,000 metres of diamond drilling and make an additional cash payment of US \$100,000 on or before February 9, 2019 or two months after the date on which an aggregate of 9,000 metres of diamond drilling have been conducted on the Ocros Property, whichever comes first.

To exercise the second option and earn an additional 19% in the Ocros property for a total of 70%, Casapalca must:

- (vi) complete 4,000 metres of additional diamond drilling on the Ocros Property and make an additional cash payment of US \$300,000 by February 9, 2020, or one year following the exercise of the first option.

In February 2017, Casapalca terminated its option earn-in agreement on the Ocros property; Casapalca retained no interest in the project.

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.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

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For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

6. EXPLORATION AND EVALUATION ASSETS (continued)

(c) Pucamayo, Chincha and Yauyos Provinces - 100% interest

Subsequent to the February 16, 2009 agreement, the Company acquired by staking a 100% interest in four concessions contiguous to the original Pucamayo claims, and a fifth concession contiguous to two of the additional concessions. In June 2014, three of these five concessions were dropped, resulting in the Company retaining an 85% interest in 36 sq. km., and a 100% interest in 15 sq. km. In January 2015, the Company acquired by staking a 100% interest in a 3 sq. km. concession adjacent and to the south of Pucamayo 14. In June 2015 the Company dropped the three Pucamayo West concessions and one of the buffer concessions at Pucamayo East. In December 2015 the Company acquired a 4 sq. km. concession on the south side of Pucamayo East. 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. 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 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 a private Peruvian company (“the Operator”) on the Chavin project. Under the royalty agreement, the Operator 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.

(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.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

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6. EXPLORATION AND EVALUATION ASSETS (continued)

(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 February 2016, the Company entered into a comprehensive agreement with Casapalca which granted Casapalca a two stage option to earn up to a 70% interest in the Soledad project.

To exercise the first option and earn 51%, Casapalca had to make cash payments to the Company and complete exploration work as follows:

- (i) make a cash payment of US \$50,000 upon signing the agreement (received);
- (ii) complete an aggregate of 3,000 metres of diamond drilling on the Soledad Property and/or Ocros Property on or before the first anniversary of the date of issuance of a government and community drill permit ("Ocros Permit") on the Ocros Property (completed);
- (iii) make an additional cash payment of US \$75,000 on or before February 9, 2017;
- (iv) make an additional cash payment of US \$100,000 on or before February 9, 2018, or two months after the date on which an aggregate of 5,000 metres of diamond drilling have been completed on the Soledad Property and/or the Ocros Property, whichever comes first;
- (v) complete 9,000 metres of diamond drilling and make an additional cash payment of US \$150,000 on or before February 9, 2019 or two months after the date on which an aggregate of 9,000 metres of diamond drilling have been conducted on the Soledad Property, whichever comes first.

To exercise the second option and earn an additional 19% in the Soledad property for a total of 70%, Casapalca had to:

- (vi) complete 6,500 metres of additional diamond drilling on the Soledad Property and make an additional cash payment of US \$350,000 by the earlier of February 9, 2020, or one year following the exercise of the first option.

In February 2017, Casapalca terminated the option earn-in agreement on the Soledad property; Casapalca retained no interest in the Soledad project.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

6. EXPLORATION AND EVALUATION ASSETS (continued)

(f) Soledad, Aija Province (continued)

In February 2017, a MOU was signed with Chakana Resources S.A.C. (“Chakana”) with respect to the Soledad project which, in April 2017, was replaced by a Comprehensive Agreement (the “Agreement”). 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.

- c. issue 500,000 Chakana Resources Corp. shares to Condor. The 500,000 shares will be delivered when Chakana Resources Corp. “goes public”.

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.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

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For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

6. EXPLORATION AND EVALUATION ASSETS (continued)

(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 a private Peruvian company ("Operator") on the Lucero project. Under the royalty agreement, the Operator 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.

(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.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

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(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.

(l) Other Income

Other income in the year ended February 28, 2017 consisted of proceeds from the sale of royalties on the Lucero, Humaya, Quilisane and Huiñac Punta properties in excess of costs previously incurred and deferred by the Company in respect of those property interests.

Other income during the comparative fiscal year of \$61,312 consisted of \$13,062 from the sale of certain geological data related to a property that was previously abandoned and \$48,250 from the sale of the Company's Chilean subsidiary, Minera Condor Limitada.

7. RELATED PARTY TRANSACTIONS

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

	February 28, 2017	February 29, 2016
Directors or officers of the Company	\$ 188,925	\$ 148,512

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

	For the year ended	
	February 28, 2017	February 29, 2016
Professional fees	\$ 61,098	\$ 83,019

Key management personnel compensation

	For the year ended	
	February 28, 2017	February 29, 2016
Management fees	\$ 111,896	\$ 111,916
Management fees capitalized to mineral properties	75,437	65,445
Management stock-based compensation	102,837	-
	\$ 290,170	\$ 177,361

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.

Notes to the Consolidated Financial Statements

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For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

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 shares	Capital stock	Contributed Surplus
Authorized			
Unlimited common shares			
Issued:			
Balance as at February 28, 2015	81,203,241	\$ 19,022,703	\$ 3,038,523
Private placement	4,500,000	225,000	-
Share issuance costs	-	(8,894)	-
Shares issued as a financing fee (note 9(a))	160,000	4,000	-
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

(a) Share Issuances

During the year ended February 28, 2017:

- i. 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;
- ii. 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.

CONDOR RESOURCES INC.

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For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

(a) Share Issuances (continued)

- iii. 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. The shares issued pursuant to the private placement were subject to a hold period that expired on June 10, 2017.

During the year ended February 29, 2016

- iv. In March 2015, the Company closed a private placement financing of 4,500,000 units for gross proceeds of \$225,000. Each unit consisted of one common share of the Company and one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company at \$0.05. The share purchase warrants expire on March 27, 2017. All the securities issued were subject to a four month hold period that expired on July 28, 2015. No commissions or finder's fees were paid in connection with the private placement.
- v. In October 2015, the Company issued 160,000 common shares as a bonus per the terms of loan agreement. (See Note 8) 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.

(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 year ended February 28, 2017:

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

CONDOR RESOURCES INC.

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9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

(b) Stock Options (continued)

During the year ended February 29, 2016:

825,000 incentive stock options expired unexercised.

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

	Number of shares	Weighted Average Exercise Price
Outstanding at February 28, 2015	6,770,000	\$ 0.10
Expired/cancelled/forfeited	(825,000)	0.13
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

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 Year Ended February 28, 2017	For the Year Ended February 29, 2016
Risk-free interest rate	0.60%	N/A
Expected life of options	5 years	N/A
Annualized volatility	139.95%	N/A
Dividend rate	0.00%	N/A

At February 28, 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
1,180,000	\$0.08	August 11, 2021
5,285,000		

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

(b) Stock Options (continued)

All incentive stock options were exercisable at February 28, 2017. The weighted average remaining life of the outstanding incentive stock options at February 28, 2017 was 3.21 years (February 29, 2016 – 2.07 years).

(c) Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at February 28, 2015	13,650,000	\$ 0.08
Issued	4,500,000	0.05
Expired	(1,500,000)	0.12
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	\$ 0.10

See note 15 (iii) – Subsequent Events

Share purchase warrants outstanding at February 28, 2017 are:

Number of Shares	Exercise Price	Expiry Date
5,650,000	\$0.075	October 11, 2018
4,000,000	\$0.075	October 22, 2018
2,500,000	\$0.075	November 14, 2018
6,666,667	\$0.150	February 9, 2022
<u>18,816,667</u>		

CONDOR RESOURCES INC.

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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 February 28, 2017 and as at February 29, 2016 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 February 28, 2017 the Company had a cash balance of \$944,963 to settle current liabilities of \$241,489. 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. 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. As at February 28, 2017, the Company had cash on demand deposits with banks of \$944,963. The Company held no interest bearing cashable on demand investment grade guaranteed investment certificates and therefore was not exposed to any interest rate risk.

CONDOR RESOURCES INC.

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For the Year Ended February 28, 2017 and the Year Ended February 29, 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 6.5% of the Company's cash and cash equivalents and less than 4% of its liabilities as at February 28, 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.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

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11. INCOME TAXES

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

	2017	2016
Net loss for the year	\$ (246,942)	\$ (1,628,973)
Statutory tax rate	26.34%	27.67%
Expected income tax recovery	\$ (65,036)	\$ (450,433)
Non-deductible items and other	33,709	(401,474)
Share issue costs	(2,381)	(2,089)
Unrecognized benefit of non-capital losses	33,708	853,996
Income tax recovery	\$ -	\$ -

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

	2017	2016
Deferred tax assets:		
Non-capital loss carryforwards	\$ 1,811,420	\$ 732,940
Share issue costs	3,540	4,457
Exploration expenditures and equipment	1,748,071	1,702,583
	3,563,031	2,439,980
Valuation allowance	(3,563,031)	(2,439,980)
Net deferred income tax assets	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses in Canada of approximately \$6,967,000 (2016 - \$2,819,000). These losses, if not utilized, will expire through to 2035. The Company also has non-capital losses available for carryforward of approximately \$Nil in Peru. Future tax benefits which may arise as a result of non-capital losses and resource expenditures have not been recognized in these financial statements and have been offset by a valuation allowance.

CONDOR RESOURCES INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

As at February 28, 2017 there was \$10,483 (February 29, 2016 - \$4,571) of mineral property expenditures included in accounts payable and accrued liabilities.

During the year ended February 28, 2017, amortization expense of \$693 (year ended February 28, 2016 - \$7,269) was capitalized to mineral properties.

During the year ended February 28, 2017, the Company paid \$5,387 (2016 - \$Nil) in interest on a loan.

13. 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 year ended February 28, 2017.

14. SEGMENTED INFORMATION

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

	As at February 28, 2017		
	Canada	Peru	Total
Equipment	\$ -	\$ 1,688	\$ 1,688
Mineral properties	-	1,580,408	1,580,408
	\$ -	\$ 1,582,096	\$ 1,582,096

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(expressed in Canadian dollars)

For the Year Ended February 28, 2017 and the Year Ended February 29, 2016

15. SUBSEQUENT EVENTS

Subsequent to February 28, 2017:

- i. 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.
- ii. 100,000 common shares were issued upon the exercise of 100,000 incentive stock options with an exercise price of \$0.08 for gross proceeds of \$8,000;
- iii. 2,000,000 common shares were issued upon the exercise of 2,000,000 share purchase warrants with an exercise price of \$0.075 for gross proceeds of \$150,000;
- iv. the Company received US\$75,000 upon signing the comprehensive agreement with Merced on the Ocros property (See Note 6 (b)).