
ANCONIA RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2016

(Expressed in Canadian Dollars)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Anconia Resources Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three months ended December 31, 2016 have not been reviewed by the Company's auditors.

ANCONIA RESOURCES CORP.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	December 31, 2016	September 30, 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 69,235	\$ 101,083
Amounts receivable and other assets (note 3)	23,808	32,981
Total Current assets	93,043	134,064
Non-Current assets		
Exploration and evaluation assets (note 4)	5,742,977	5,717,232
Total Assets	\$ 5,836,020	\$ 5,851,296
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 598,094	\$ 572,471
Loan from related party (note 6)	27,825	26,880
Total Liabilities	625,919	599,351
Shareholders' Equity		
Share capital (note 7(b))	5,780,065	5,743,384
Reserves for share-based payments (note 9(b))	1,112,307	1,112,307
Reserves for warrants (note 8)	367,728	358,128
Other reserves	2,516,620	2,516,620
Accumulated deficit	(4,566,619)	(4,478,494)
Total Shareholders' Equity	5,210,101	5,251,945
Total Liabilities and Shareholders' Equity	\$ 5,836,020	\$ 5,851,296

Nature of operations and going concern (note 1)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

Director: Jason Brewster

Director: Michael Florence

ANCONIA RESOURCES CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars, except number of shares)
(Unaudited)

	Three Months Ended December 31,	
	2016	2015
Expenses		
General and administrative (note 12)	\$ 89,476	\$ 86,071
Reversal of flow-through share liabilities	-	(1,600)
Foreign exchange loss (gain)	(1,351)	2,640
Interest income	-	(118)
Impairment of exploration and evaluation assets (note 4)	-	-
Net loss and comprehensive loss for the period	\$ 88,125	\$ 86,993
Basic and diluted loss per share (note 10)	\$ 0.00	\$ 0.00
Weighted average number of shares outstanding - basic and diluted	99,118,055	83,699,739

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

ANCONIA RESOURCES CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

		Reserves					
	Share capital	Share-based payments	Warrants	Other reserves ⁽¹⁾	Accumulated deficit	Total	
Balance, September 30, 2015	\$ 5,174,018	\$ 1,112,307	\$ 217,416	\$ 2,475,204	\$ (3,955,337)	\$ 5,023,608	
Expiry of warrants (note 8)	-	-	(41,416)	41,416	-	-	
Net loss and comprehensive loss for the period	-	-	-	-	(86,993)	(86,993)	
Balance, December 31, 2015	\$ 5,174,018	\$ 1,112,307	\$ 176,000	\$ 2,516,620	\$ (4,042,330)	\$ 4,936,615	
Balance, September 30, 2016	\$ 5,743,384	\$ 1,112,307	\$ 358,128	\$ 2,516,620	\$ (4,478,494)	\$ 5,251,945	
Common shares and warrants issued in private placements (note 7(b))	26,181	-	9,600	-	-	35,781	
Common shares issued for exploration and evaluation assets (note 7(b))	10,500	-	-	-	-	10,500	
Net loss and comprehensive loss for the period	-	-	-	-	(88,125)	(88,125)	
Balance, December 31, 2016	\$ 5,780,065	\$ 1,112,307	\$ 367,728	\$ 2,516,620	\$ (4,566,619)	\$ 5,210,101	

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

⁽¹⁾ Other reserves include the value of the warrants that had expired unexercised.

ANCONIA RESOURCES CORP.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended December 31,	
	2016	2015
Operating Activities		
Net loss for the period	\$ (88,125)	\$ (86,993)
Depreciation	-	2,307
Reversal of flow-through share liabilities	-	(1,600)
Accrued interest on loan from related party (note 6)	945	-
Net change in non-cash working capital:		
Amounts receivable and other assets	9,173	(2,749)
Accounts payable and accrued liabilities	25,623	104,259
Cash used in operating activities	(52,384)	15,224
Investing Activities		
Expenditures on exploration and evaluation assets	(15,245)	(39,455)
Cash used in investing activities	(15,245)	(39,455)
Financing Activities		
Issuance of common shares and warrants	40,449	-
Share issue cost	(4,668)	-
Cash provided by financing activities	35,781	-
Net change in cash and cash equivalents	(31,848)	(24,231)
Cash and cash equivalents, beginning of the period	101,083	28,339
Cash and cash equivalents, end of the period	\$ 69,235	\$ 4,108
Supplemental cash flow information:		
Common shares issued for exploration and evaluation assets	\$ 10,500	\$ 15,000

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations and going concern

Anconia Resources Corp. ("Anconia" or the "Company") was incorporated under the Business Corporations Act (Ontario) on March 22, 1962 and its activities were directed toward locating exploration and evaluation assets. The primary office of the Company is located at 65 Front Street East, Suite 200, Toronto, Ontario, M5E 1B5, Canada.

These unaudited condensed interim consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of \$4,566,619 as at December 31, 2016 (September 30, 2016 - \$4,478,494). As at December 31, 2016, the Company had cash and cash equivalents of \$69,235 (September 30, 2016 - \$101,083) and a working capital deficit of \$532,876 (September 30, 2016 - working capital deficit of \$465,287). The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern, as described in the following paragraph. These unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures.

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS"), which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to acquire exploration and evaluation assets. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such exploration and evaluation assets, these procedures do not guarantee the Company has a perfected title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, and renegotiation of contracts.

2. Significant accounting policies

(a) Statement of compliance

The Company applies IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of February xx, 2017, the date the Board of Directors approved the statements. Other than changes in accounting policies discussed below, the same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended September 30, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended September 30, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

(b) Changes in accounting policies

Certain pronouncements were issued by IASB and IFRIC that are mandatory for accounting periods after September 30, 2016. The following new standards have been adopted:

(i) IFRS 11 - Joint Arrangements ("IFRS 11") was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. At October 1, 2016, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

(ii) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. At October 1, 2016, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

(c) New accounting standards and interpretations

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. The Company is still in the process of assessing the impact of this pronouncement.

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Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

3. Amounts receivable and other assets

	December 31, 2016	September 30, 2016
Sales tax receivable (i)	\$ 23,313	\$ 29,261
Prepaid expenses	495	3,720
	\$ 23,808	\$ 32,981

(i) Sales tax receivable is not past due.

4. Exploration and evaluation assets

	Acquisition	Exploration	Total
Balance, September 30, 2015	\$ 198,200	\$ 5,460,958	\$ 5,659,158
Additions	57,000	165,253	222,253
Impairment	(13,154)	(151,025)	(164,179)
Balance, September 30, 2016	242,046	5,475,186	5,717,232
Additions	10,500	15,245	25,745
Balance, December 31, 2016	\$ 252,546	\$ 5,490,431	\$ 5,742,977

Exploration activities for the three months ended December 31, 2016 are as follows:

	Sault Ste. Marie (note 1)
Geology	\$ 15,245
Acquisition costs	10,500
	\$ 25,745

Note 1: The Company issued 300,000 common shares of the Company for acquiring the Sault Ste. Marie Property.

Exploration activities for the three months ended December 31, 2015 are as follows:

	Grenfell Property
Geology	\$ 13,708
Drilling	50,000
Others	12,000
	\$ 75,708

Exploration and acquisition activities and impairment from inception to December 31, 2016 are as follows:

	Grenfell Property	Sault Ste. Marie	Nunavut Atlas	Total
Geology	\$ 279,066	\$ 66,791	\$ 2,244,837	\$ 2,590,694
Drilling	112,163	-	2,252,012	2,364,175
Planning	-	-	73,956	73,956
Drafting	-	-	24,658	24,658
Mining claims	-	1,000	278,282	279,282
Others	123,999	-	143,713	267,712
Acquisition costs	75,000	37,500	30,000	142,500
	\$ 590,228	\$ 105,291	\$ 5,047,458	\$ 5,742,977

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5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities and amounts payable for professional fees activities.

	December 31, 2016	September 30, 2016
Accounts payable	\$ 505,144	\$ 385,121
Accrued liabilities	92,950	187,350
Total accounts payable and accrued liabilities	\$ 598,094	\$ 572,471

6. Loan from related party

On March 31, 2016, the Company received a loan of \$25,000 from Dr. Bernard Sherman, a shareholder of the Company. The loan bears an annual interest rate of 15% and matures on or before March 31, 2017. As at December 31, 2016, \$2,825 of interest expense had been accrued on the loan.

7. Share capital

(a) Authorized

Unlimited number of common shares without par value

(b) Common shares issued

	Number of common shares	Stated value
Balance, September 30, 2015 and December 31, 2015	83,699,739	\$ 5,174,018
Balance, September 30, 2016	99,047,709	\$ 5,743,384
Common shares issued in private placements (1)	808,980	35,781
Common shares issued for exploration and evaluation assets (2)	300,000	10,500
Valuation of warrants issued (1)	-	(9,600)
Balance, December 31, 2016	100,156,689	\$ 5,780,065

(1) On December 23, 2016, the Company closed a non-brokered private placement offering with gross proceeds of \$40,449, issuing 808,980 units. The units were issued at \$0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of Anconia at a price of \$0.07 for a period of 36 months following the date of issuance. The fair value of the warrants was determined to be \$9,600 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 210.5% based on the Company's historical volatility, risk-free interest rate of 0.89% and an expected life of 36 months.

(2) On December 23, 2016, the Company issued 300,000 common shares of the Company for acquiring the Sault Ste. Marie Property. The shares were valued for \$10,500 with \$0.035 per share based on the fair market value of the Company's shares on the date of issuance.

During the three months ended December 31, 2016, \$nil (three months ended December 31, 2015 - \$1,600) of the flow-through premiums from the issuance of shares in prior periods on flow-through basis was reversed and recognized in the unaudited condensed interim consolidated statement of loss and comprehensive loss as expenditure requirements were met.

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Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016

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8. Warrants

	Number of warrants	Fair value
Balance, September 30, 2015	20,162,500	\$ 217,416
Expired (i)	(1,762,500)	(41,416)
Balance, December 31, 2015	18,400,000	\$ 176,000
Balance, September 30, 2016	25,950,000	\$ 358,128
Issued (note 7(b)(1))	300,000	9,600
Balance, December 31, 2016	26,250,000	\$ 367,728

(i) Value of expired warrants is transferred to the other reserves.

Details of the warrants outstanding at December 31, 2016 are as follows:

Number of warrants	Amount (\$)	Exercise price (\$)	Expiry date
15,000,000	143,478	0.05	March 5, 2018
3,400,000	32,522	0.05	March 19, 2018
2,000,000	48,148	0.07	July 4, 2019
4,300,000	104,032	0.07	July 27, 2019
1,250,000	29,948	0.07	August 3, 2019
300,000	9,600	0.07	December 23, 2019
26,250,000	367,728	0.06	

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Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

9. Share-based payments

(a) Stock options

	Number of stock options	Weighted average exercise price
Balance, September 30, 2015 and December 31, 2015	5,500,000	\$ 0.22
Balance, September 30, 2016 and December 31, 2016	3,150,000	\$ 0.08

Details of the stock options outstanding at December 31, 2016 are as follows:

Fair value (\$)	Weighted average remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
120,700	0.55	850,000	850,000	0.15	July 20, 2017
106,687	2.63	2,300,000	2,300,000	0.05	August 18, 2019
227,387	2.07	3,150,000	3,150,000	0.08	

(b) Reserves for share-based payments

Reserves for share-based payments include the accumulated fair value of vested options. The reserve for share-based payments records items recognized as share-based payments in the form of stock option grants and vesting of such options until such time that these stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded will stay in the share-based payment reserve.

10. Loss per share

The calculation of basic and diluted loss per share for the three months ended December 31, 2016 was based on the loss attributable to common shareholders of \$88,125 (three months ended December 31, 2015 - \$86,993) and the weighted average number of common shares outstanding of 99,118,055 (three months ended December 31, 2015 - 83,699,739). Diluted loss per share did not include the effect of 3,150,000 options (three months ended December 31, 2015 - 5,500,000 options) and 26,250,000 warrants and broker warrants (three months ended December 31, 2015 - 18,400,000 warrants and broker warrants) as they are anti-dilutive.

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Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

11. Related party disclosures

Related parties include the Board of Directors, officers, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Jason Brewster, ("CEO") of the Company is the President of 2181038 Ontario Inc. ("218 Inc."), and 218 Inc. (and by extension the CEO and President) has a contract with the Company. Fees and outstanding amounts due to 218 Inc. relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below.

One of the directors, Denis Clement, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided. For details of the fees and outstanding amounts due relating to business advisory services provided, re Mr. Clement, see table below.

The Chief Financial Officer, Mr. Harvey McKenzie, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business.

		Three Months Ended December 31,	
		2016	2015
2181038 Ontario Inc. (Jason Brewster)			
Expensed as consulting fees	\$	24,000	\$ 12,000
Capitalized as exploration assets		-	12,000
2181038 Ontario Inc. (Jason Brewster)	\$	24,000	\$ 24,000
CFO consulting fees - Harvey McKenzie		14,400	14,400
Business advisory fees - Denis Clement		-	-
Directors fees		10,000	15,000
Total related party transactions	\$	48,400	\$ 53,400

Related party payables	As at December 31, 2016		As at September 30, 2016	
2181038 Ontario Inc. (Jason Brewster)	\$	143,960	\$	125,560
CFO Harvey McKenzie		65,800		54,760
Denis Clement		31,630		31,630
Directors		27,500		17,500
Total Related party payables	\$	268,890	\$	229,450

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Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

11. Related party disclosures (continued)

To the knowledge of the directors and senior officers of the Company, as at December 31, 2016, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than Dr. Bernard Sherman, a major shareholder who owns 31% of all the issued and outstanding shares of the Company. The remaining 69% of the shares are widely held. These holdings can change at any time at the discretion of the owners.

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

12. General and administrative

	Three Months Ended December 31,	
	2016	2015
Salaries and benefits (note 11)	\$ 10,000	\$ 15,000
Professional fees	16,494	16,043
Consulting fees (note 11)	38,551	26,400
Shareholder and investor relations	1,880	329
Reporting issuer costs	4,393	7,341
Depreciation	-	2,307
Administrative expense	18,158	18,651
	\$ 89,476	\$ 86,071

13. Segmented information

As at December 31, 2016, the Company has one reportable segment. The Company's operations are substantially related to exploration and evaluation of its mineral properties. As such, substantially all of the Company's operating expenses are derived or located in Canada and Spain. Segmented information on a geographic basis is as follows:

December 31, 2016	Spain	Canada	Total
Current assets	\$ -	\$ 93,043	\$ 93,043
Non-current assets	\$ -	\$ 5,742,977	\$ 5,742,977
Current liabilities	\$ 33,463	\$ 592,456	\$ 625,919
September 30, 2016	Spain	Canada	Total
Current assets	\$ -	\$ 134,064	\$ 134,064
Non-current assets	\$ -	\$ 5,717,232	\$ 5,717,232
Current liabilities	\$ 34,814	\$ 564,537	\$ 599,351