



ARMOR MINERALS INC.

Condensed Consolidated Interim Financial Statements

*For the Three Months Ended June 30, 2016*

**Notice to Reader**

These unaudited condensed consolidated interim financial statements have been prepared by management and have not been reviewed by the Company's auditor.

**Armor Minerals Inc.**

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Canadian dollars)

|   | June 30,<br>2016 |           | March 31,<br>2016 |
|---|------------------|-----------|-------------------|
| <b>Assets</b>                                     |                  |           |                   |
| <b>Current assets:</b>                            |                  |           |                   |
| Cash and cash equivalents                         | \$ 7,771         | \$        | 122,367           |
| Amounts receivable                                | 323              |           | 2,855             |
| Prepaid expenses                                  | 3,974            |           | 26,188            |
|   | <u>\$ 12,068</u> | <u>\$</u> | <u>151,410</u>    |
| <b>Liabilities</b>                                |                  |           |                   |
| <b>Current liabilities:</b>                       |                  |           |                   |
| Accounts payable and accrued liabilities (note 4) | \$ 45,151        | \$        | 76,615            |
| Due to related party (note 7)                     | 11,192           |           | -                 |
|   | <u>56,343</u>    |           | <u>76,615</u>     |
| <b>Shareholders' equity (deficit)</b>             |                  |           |                   |
| Share capital (note 6)                            | 26,950,489       |           | 26,950,489        |
| Reserves (note 6)                                 | 3,682,711        |           | 3,682,872         |
| Deficit   | (30,677,475)     |           | (30,558,566)      |
|   | <u>(44,275)</u>  |           | <u>74,795</u>     |
|   | <u>\$ 12,068</u> | <u>\$</u> | <u>151,410</u>    |

Nature of operations and liquidity (note 1)

Commitments (note 8)

Subsequent event (note 10)

*See accompanying notes to the condensed consolidated interim financial statements.*

**Armor Minerals Inc.**

Condensed Consolidated Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)  
For the Three Months Ended June 30  
(Unaudited – Canadian dollars)

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|   | 2016                |           | 2015              |
|---|---------------------|-----------|-------------------|
| Expenses:   |                     |           |                   |
| Exploration and evaluation costs (note 5)         | \$ 88,317           | \$        | -                 |
| Salaries and benefits                             | 10,933              |           | 12,155            |
| Professional fees                                 | 8,506               |           | 17,476            |
| General office expenses                           | 5,920               |           | 6,523             |
| Listing and filing fees                           | 3,056               |           | 5,912             |
| Investor relations                                | 2,740               |           | 1,160             |
| Loss before other items                           | <u>(119,472)</u>    |           | <u>(43,226)</u>   |
| Finance expense                                   | (211)               |           | (117)             |
| Gain on settlement of debt (note 6)               | -                   |           | 494,655           |
| Foreign exchange gain                             | 774                 |           | 113,870           |
| Net income (loss)                                 | <u>(118,909)</u>    |           | <u>565,182</u>    |
| Other comprehensive loss:                         |                     |           |                   |
| Items that may be reclassified to profit or loss: |                     |           |                   |
| Foreign currency translation loss                 | <u>(161)</u>        |           | <u>-</u>          |
| Comprehensive income (loss)                       | <u>\$ (119,070)</u> | <u>\$</u> | <u>565,182</u>    |
| Basic and diluted net income (loss) per share     | <u>\$ (0.003)</u>   | <u>\$</u> | <u>0.026</u>      |
| Weighted average number of shares outstanding     | <u>36,344,015</u>   |           | <u>21,905,278</u> |

*See accompanying notes to the condensed consolidated interim financial statements.*

## Armor Minerals Inc.

### Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficit)

(Unaudited – Canadian dollars)

|                        | Share Capital    |               | Reserves                             |                      |              |                 | Total deficit |
|------------------------|------------------|---------------|--------------------------------------|----------------------|--------------|-----------------|---------------|
|                        | Number of shares | Amount        | Foreign currency translation reserve | Options and warrants | Total        | Deficit         |               |
| Balance, April 1, 2016 | 36,344,015       | \$ 26,950,489 | \$ -                                 | \$ 3,682,872         | \$ 3,682,872 | \$ (30,558,566) | \$ 74,795     |
| Comprehensive income   | -                | -             | (161)                                | -                    | (161)        | (118,909)       | (119,070)     |
| Balance, June 30, 2016 | 36,344,015       | \$ 26,950,489 | \$ (161)                             | \$ 3,682,872         | \$ 3,682,711 | \$ (30,677,475) | \$ (44,275)   |

|   | Share Capital    |               | Reserves                             |                      |              |                 | Total deficit  |
|---|------------------|---------------|--------------------------------------|----------------------|--------------|-----------------|----------------|
|   | Number of shares | Amount        | Foreign currency translation reserve | Options and warrants | Total        | Deficit         |                |
| Balance, March 31, 2015                             | 1,725,909        | \$ 22,634,599 | \$ (251,975)                         | \$ 2,374,120         | \$ 2,122,145 | \$ (26,709,632) | \$ (1,952,888) |
| Change in accounting policy – presentation currency | -                | 3,336,536     | 251,975                              | 349,968              | 601,943      | (3,938,479)     | -              |
| Balance, April 1, 2015                              | 1,725,909        | \$ 25,971,135 | \$ -                                 | \$ 2,724,088         | \$ 2,724,088 | \$ (30,648,111) | \$ (1,952,888) |
| Units for debt settlement                           | 25,618,106       | 653,708       | -                                    | 627,197              | 627,197      | -               | 1,280,905      |
| Units issued on private placement                   | 4,000,000        | 103,936       | -                                    | 96,064               | 96,064       | -               | 200,000        |
| Share issue costs                                   | -                | (47,000)      | -                                    | -                    | -            | -               | (47,000)       |
| Comprehensive income                                | -                | -             | -                                    | -                    | -            | 565,182         | 565,182        |
| Balance, June 30, 2015                              | 31,344,015       | \$ 26,681,779 | \$ -                                 | \$ 3,447,349         | \$ 3,447,349 | \$ (30,082,929) | \$ 46,199      |

See accompanying notes to the condensed consolidated interim financial statements.

**Armor Minerals Inc.**

## Condensed Consolidated Interim Statements of Cash Flows

For the Three Months Ended June 30

(Unaudited – Canadian dollars)

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|  | 2016             | 2015              |
|--|------------------|-------------------|
| Cash provided by (used in):                    |                  |                   |
| Operating activities:                          |                  |                   |
| Net income (loss)                              | \$ (118,909)     | \$ 565,182        |
| Items not affecting cash:                      |                  |                   |
| Foreign exchange gain                          | (609)            | (113,751)         |
| Gain on settlement of debt                     | -                | (494,655)         |
| Net changes in non-cash working capital items: |                  |                   |
| Amounts receivable                             | 2,532            | 2,310             |
| Prepaid expenses                               | 22,214           | (9,869)           |
| Accounts payable and accrued liabilities       | (31,464)         | 13,174            |
| Due to related parties                         | 11,192           | (4,043)           |
|  | <u>(115,044)</u> | <u>(41,652)</u>   |
| Financing activities:                          |                  |                   |
| Proceeds from private placement                | -                | 200,000           |
| Share issue costs                              | -                | (47,000)          |
|  | <u>-</u>         | <u>153,000</u>    |
| Effect of exchange rate changes on cash        | 448              | -                 |
| Increase in cash                               | (114,596)        | 111,348           |
| Cash, beginning of period                      | 122,367          | 6,560             |
| Cash, end of period                            | <u>\$ 7,771</u>  | <u>\$ 117,908</u> |

See accompanying notes to the condensed consolidated interim financial statements.

## Armor Minerals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2016

(Unaudited – Canadian dollars unless otherwise noted)

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#### 1. Nature of Operations and Liquidity

Armor Minerals Inc. (the “Company” or “Armor”) is incorporated in British Columbia, Canada. The Company’s head office is located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1. The condensed consolidated interim financial statement as at June 30, 2016 consist of Armor and it wholly owned subsidiary, Armor Minerals (US) Inc. (“Armor US”) organized under the laws of Virginia. The Company is publicly traded with shares listed on the TSX Venture Exchange (the “TSX-V”) and the Bolsa de Valores de Lima (the “BVL”) in Peru.

The Company is engaged in the acquisition and exploration of mineral property interests. The business of mining and the exploration for minerals involves a high degree of risk and there can be no assurance that such activities will result in profitable mining operations.

At June 30, 2016 the Company had cash of \$7,771, and a working capital deficiency of \$44,275. On July 25, 2016, the Company closed a financing for gross proceeds of \$1,000,000 (note 10). Based on anticipated cash flows, the Company is expected to have sufficient resources to meet its committed expenditures for the next twelve months. However, depending on the level of exploration activities on the Warmister Project, additional funds may be required and the Company may need to seek additional funding to finance such activities. The Company has historically raised funds principally through the sale of securities and will continue to seek to obtain funding through similar or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms.

The Company’s financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. These financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

#### 2. Basis of Presentation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”). Accordingly, they do not include all of the information and notes to the consolidated financial statements required by IFRS for complete financial statements and should be read in conjunction with the Company’s most recent audited consolidated financial statements.

These unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application used in the Company’s audited consolidated financial statements as at and for the year ended March 31, 2016. The Board of Directors authorized these financial statements for issuance on August 24, 2016.

#### 3. Recent Accounting Pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC. Some updates that are not applicable or are not consequential to the Company may have been excluded.

IFRS 9, *Financial Instruments: Classification and Measurement* is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition*

## Armor Minerals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2016

(Unaudited – Canadian dollars unless otherwise noted)

*and Measurement.* IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018. The Company expects to adopt this standard effective January 1, 2018 and has not yet assessed the impact on its financial reporting.

On January 13, 2016, the IASB issues IFRS 16, *Leases* ("IFRS 16"), according to which, all leases will be on the statement of financial position of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRS 16 on its financial statements.

#### 4. Accounts payable and accrued liabilities

|                             | June 30,<br>2016 | March 31,<br>2016 |
|-----------------------------|------------------|-------------------|
| Trade and other payables    | \$ 19,788        | \$ 13,816         |
| Due to Jack's Fork (note 5) | 25,363           | 62,799            |
|                             | <u>\$ 45,151</u> | <u>\$ 76,615</u>  |

#### 5. Exploration and Evaluation Costs

The following is a summary of exploration and evaluation costs by category for the three months ended June 30, 2016 and 2015:

|                                 | 2016             | 2015        |
|---------------------------------|------------------|-------------|
| Option and royalty payments     | \$ 32,618        | \$ -        |
| Assay and analysis              | 34,011           | -           |
| Geologic consulting and support | 16,813           | -           |
| Travel, food and accommodations | 3,140            | -           |
| Supplies and other              | 1,735            | -           |
|                                 | <u>\$ 88,317</u> | <u>\$ -</u> |

On October 28, 2015, the Company signed a definitive Earn-in Agreement (the "Agreement") with Jack's Fork Exploration, Inc. ("Jack's Fork"), to acquire up to an 80% joint venture interest in the Warmister and Tower Hill gold properties (the "Properties") located in Virginia, USA. On April 7, 2016, the Company assigned the Agreement to its wholly owned subsidiary, Armor US.

Under the terms of the Agreement, Armor will earn up to a 50% interest in the Properties by incurring exploration expenditures aggregating US\$950,000 (the "Work Expenditures") in accordance with the following schedule:

- US\$250,000 on or before October 28, 2016 to acquire a 10% interest in the Properties;
- US\$250,000 on or before October 28, 2017 to acquire an additional 15% interest in the Properties; and
- US\$450,000 on or before October 28, 2018 to acquire an additional 25% interest in the Properties.

Included in the Work Expenditures is a US\$25,000 administration fee, the first payment of which was due upon execution of the Agreement (paid), and US\$25,000 annually thereafter until the earlier of when US\$75,000 is paid or the delivery of a fully funded preliminary economic assessment.

## Armor Minerals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2016

(Unaudited – Canadian dollars unless otherwise noted)

Armor will earn an additional 30% interest in the Properties with delivery of a preliminary economic assessment on or before October 28, 2020.

At June 30, 2016, accounts payable and accrued liabilities include \$25,363 (March 31, 2016 – \$62,799) payable to Jack's Fork with respect to the Agreement.

#### 6. Share Capital and Reserves

##### a) Share capital

In connection with the April 29, 2015 units for debt transactions there are a total of 15,370,864 units ("Debt Units") remaining in escrow as at June 30, 2016 (March 31, 2016 – 19,213,580). Each Debt Unit comprised of one common share and one common share purchase warrant (a "Debt Warrant"). Each Debt Warrant entitles the holder to purchase one common share at a price of \$0.05 per common share until April 22, 2020. The remaining escrowed units are to be released every six months from April 22, 2016 until April 22, 2018. There are an additional 25,000 common shares that remain in escrow from a historical transaction.

##### b) Warrants

The following summarizes the Company's warrants at June 30, 2016:

| Date of Issue   | Exercise Price | Expiry Date     | March 31, 2016 | Issued | Expired | June 30, 2016 |
|-----------------|----------------|-----------------|----------------|--------|---------|---------------|
| April 29, 2015  | \$0.05         | April 22, 2020  | 25,618,106     | -      | -       | 25,618,106    |
| April 29, 2015  | \$0.08         | April 29, 2018  | 4,000,000      | -      | -       | 4,000,000     |
| October 7, 2015 | \$0.15         | October 7, 2020 | 5,000,000      | -      | -       | 5,000,000     |
|                 |                |                 | 34,618,106     | -      | -       | 34,618,106    |

The weighted average exercise price of the warrants outstanding at June 30, 2016 is \$0.07 (March 31, 2016 – \$0.07).

#### 7. Related Party Disclosures

In addition to the related party disclosures or balances disclosed elsewhere in these condensed consolidated interim financial statements, the Company had the following related party transactions.

Commencing March 1, 2015, the Company shares office space, equipment, personnel, consultants and various administrative services with other companies (Arizona Mining Inc. and NewCastle Gold Ltd.) related by virtue of certain common management and a director of the Company. These services have been mainly provided through a management company equally owned by the related companies. Costs incurred by the management company are allocated between the related companies based on time incurred and use of services. The Company was charged for the following with respect to these arrangements in three months ended June 30, 2016 and 2015:

|                                  | 2016      | 2015      |
|----------------------------------|-----------|-----------|
| Exploration and evaluation costs | \$ 15,536 | \$ -      |
| Salaries and benefits            | 10,933    | 12,155    |
| Office and administrative        | 5,682     | 6,725     |
| Professional fees                | 5,414     | -         |
| Investor relations               | 330       | -         |
| Listing and filing fees          | -         | 233       |
|                                  | \$ 37,895 | \$ 19,113 |

## Armor Minerals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2016

(Unaudited – Canadian dollars unless otherwise noted)

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At June 30, 2016, prepaid expenses include \$nil (March 31, 2016 – \$21,701) and due to related parties includes \$11,192 (March 31, 2015 – \$nil) with respect to these arrangements.

#### 8. Commitments

At June 30, 2016, based on current estimated usage, the Company is committed to payments for office premises through fiscal 2018 in the total amount of approximately \$61,400. Payments by fiscal year are:

|      |    |        |
|------|----|--------|
| 2017 | \$ | 22,100 |
| 2018 |    | 29,500 |
| 2019 |    | 9,800  |

#### 9. Segment Information

The Company operates in one industry segment, being mineral exploration. Geographic information is as follows:

|   | Canada      | United States | Total        |
|---|-------------|---------------|--------------|
| Total assets as at:                           |             |               |              |
| June 30, 2016                                 | \$ 12,068   | \$ -          | \$ 12,068    |
| March 31, 2016                                | \$ 151,410  | \$ -          | \$ 151,410   |
| Net income (loss) for the three months ended: |             |               |              |
| June 30, 2016                                 | \$ (64,864) | \$ (54,045)   | \$ (118,909) |
| June 30, 2015                                 | \$ 565,182  | \$ -          | \$ 565,182   |

#### 10. Subsequent Event

On July 25, 2016, the Company closed a non-brokered private placement of 5,000,000 units at a price of \$0.20 per unit for gross proceeds of \$1,000,000. Each unit consists of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant is convertible into one common share of the Company at a price of \$0.40 for a period of 5 years from closing.