Select Sands Corp.

Condensed Consolidated Interim Financial Statements

Six Months Ended June 30, 2016
(Unaudited - Expressed in Canadian Dollars)

NOTICE

No auditor review of these condensed consolidated interim financial statements

The accompanying unaudited condensed consolidated interim financial statements of Select Sands Corp. (“the Company”), for the six months ended June 30, 2016, have been prepared by management and have not been the subject of a review by the Company’s external auditors.

Select Sands Corp.

Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)
(Unaudited)

		June 30, 2016		December 31, 2015
ASSETS				
Current				
Cash and cash equivalents	**$**	**2,367,686**	$	3,172,051
Amounts receivable		**36,127**		13,655
Prepaid expenses		**10,779**		32,950
Total Current Assets		**2,414,592**		3,218,656
Reclamation Bond (Note 3)		**101,600**		108,090
Exploration and Evaluation Assets (Note 4)		**5,381,209**		5,066,468
Total Assets	**$**	**7,897,401**	$	8,393,214
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 5)	**$**	**88,129**	$	111,733
Total Liabilities		**88,129**		111,733
EQUITY				
Share Capital (Note 6)		**21,698,537**		21,354,003
Share Subscriptions and Option Proceeds Received (Note 6)		**-**		30,000
Commitment To Issue Shares (Note 6)		**-**		256,945
Share-based Payment Reserve		**2,717,091**		2,497,278
Accumulated Other Comprehensive Loss		**(5,625)**		(5,625)
Deficit		**(16,600,731)**		(15,851,120)
Total Equity		**7,809,272**		8,281,481
Total Liabilities and Equity	**$**	**7,897,401**	$	8,393,214

Subsequent Events (Note 11)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 18, 2016. They are signed on the Company's behalf by:

"Rasool Mohammad"
Director

"Arnold Tenney"
Director

-- The accompanying notes are an integral part of these consolidated financial statements --

Select Sands Corp.

Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended June 30, 2016	Three months ended July 31, 2015	**Six months ended June 30, 2016**	Six months ended July 31, 2015
General And Administrative Expenses				
Administrative services and rent (Note 5)	**$ 548**	$ 7,057	**$ 6,050**	$ 12,444
Advertising and promotion	**48,425**	23,093	**103,767**	46,347
Compensation and consulting (Note 5)	**130,347**	50,966	**262,928**	65,832
Office expense and miscellaneous	**11,900**	5,309	**18,632**	14,721
Professional fees	**44,689**	23,967	**84,320**	38,354
Regulatory and stock transfer fees	**4,261**	4,044	**14,814**	6,627
Share-based compensation (Note 5)	**182,163**	4,886	**238,847**	109,118
Loss Before Other Items	**(422,333)**	(119,322)	**(729,358)**	(293,443)
Other Items				
Disposal of marketable securities (Note 3)	**-**	(54,935)	**-**	(28,054)
Interest income	**3,382**	267	**7,186**	5,209
Foreign exchange gain (loss)	**2,457**	576	**(27,439)**	(1,709)
Write off property costs	**-**	(107,514)	**-**	(107,514)
Total Other Items	**5,839**	(161,606)	**(20,253)**	(132,927)
Net Loss and Comprehensive Loss For The Period	**$ (416,494)**	$ (280,928)	**$ (749,611)**	$ (425,511)
Basic And Diluted Loss Per Share	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted Average Number Of shares Outstanding (Note 9)	**55,501,439**	44,476,128	**55,048,753**	43,330,299

-- The accompanying notes are an integral part of these consolidated financial statements --

Select Sands Corp.

Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)
(Unaudited)

	SHARE CAPITAL		SHARE SUBSCRIPTIONS AND OPTION PROCEEDS	COMMITMENT TO ISSUE	SHARE-BASED PAYMENT	ACCUMULATED OTHER COMPREHENSIVE		TOTAL
	NUMBER	AMOUNT	RECEIVED	SHARES	RESERVE	LOSS	DEFICIT	EQUITY
Balance, December 31, 2015	54,399,254	$ 21,354,003	$ 30,000	$ 256,945	$ 2,497,278	$ (5,625)	$ (15,851,120)	$ 8,281,481
Warrants exercised	259,633	62,589	-	-	(19,034)	-	-	43,555
Options exercised	200,000	30,000	(30,000)	-	-	-	-	-
Debenture conversions	1,453,333	218,000	-	(218,000)	-	-	-	-
Debenture interest conversions	199,571	53,885	-	(53,885)	-	-	-	-
Debenture interest	-	(14,940)	-	14,940	-	-	-	-
Share issue costs	-	(5,000)	-	-	-	-	-	(5,000)
Share based compensation	-	-	-	-	238,847	-	-	238,847
Net loss for the period	-	-	-	-	-	-	(749,611)	(749,611)
Balance, June 30, 2016	**56,511,791**	**$ 21,380,584**	**$ -**	**$ -**	**$ 2,717,091**	**$ (5,625)**	**$ (16,600,731)**	**$ 7,809,272**
Balance, January 31, 2015	41,626,408	$ 17,471,061	$ -	$ 603,040	$ 2,123,150	$ (5,625)	$ (14,815,249)	$ 5,376,377
Share register correction	50,000	-	-	-	-	-	-	-
Share subscriptions received	-	-	965,000	-	-	-	-	965,000
Warrants exercised	695,813	104,372	-	-	-	-	-	104,372
Options exercised	10,000	2,359	-	-	(859)	-	-	1,500
Debenture conversions	2,513,333	377,000	-	(377,000)	-	-	-	-
Debenture interest	-	(15,513)	-	15,513	-	-	-	-
Share issue costs	-	(43,820)	-	-	-	-	-	(43,820)
Share based compensation	-	-	-	-	109,118	-	-	109,118
Net loss for the period	-	-	-	-	-	-	(425,511)	(425,511)
Balance, July 31, 2015	44,895,554	$ 17,895,459	$ 965,000	$ 241,553	$ 2,231,409	$ (5,625)	$ (15,240,760)	$ 6,087,036

-- The accompanying notes are an integral part of these consolidated financial statements --

Select Sands Corp.

Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)
(Unaudited)

	Six Months Ended June 30, 2016	Six Months Ended July 31, 2015
Operating Activities		
Net loss for the period	**$ (749,611)**	$ (425,511)
Adjustments for non-cash items:		
Disposal of investment	**-**	28,054
Share-based compensation	**238,847**	109,118
Foreign Exchange	**6,490**	1,709
Changes in non-cash operating assets and liabilities:		
Accounts payable and accrued liabilities	**(23,604)**	88,871
Prepaid expenses	**22,171**	(7,867)
Amounts receivable	**(22,472)**	229,970
Total Cash Used in Operating Activities	**(528,179)**	24,344
Investing Activities		
Exploration and evaluation assets	**(314,741)**	(222,503)
Reclamation bond	**-**	(97,531)
Total Cash Used in Investing Activities	**(314,741)**	(320,034)
Financing Activities		
Share subscriptions received	**-**	1,015,000
Share issue costs	**(5,000)**	(17,514)
Options exercised	**-**	1,500
Warrants exercised	**43,555**	104,372
Total Cash Provided by Financing Activities	**38,555**	1,103,358
(Decrease) Increase In Cash and Cash Equivalents	**(804,365)**	807,668
Cash and Cash Equivalents, Beginning of Period	**3,172,051**	414,372
Cash and Cash Equivalents, End of Period	**$ 2,367,686**	$ 1,222,040

Supplementary Cash Flow Information and Non-cash Investing and Financing Transactions:

Cash paid for interest	**$ -**	$ -
Cash paid for taxes	**$ -**	$ -
Issuance of shares for convertible debenture	**$ 218,000**	$ 327,000
Issuance of shares for interest on convertible debenture	**$ 53,885**	$ -
Debenture interest accrued	**$ 14,940**	$ 15,513

-- The accompanying notes are an integral part of these consolidated financial statements –

1. NATURE OF OPERATIONS

Select Sands Corp. (the "Company") was incorporated in Canada on July 31, 2006 pursuant to the Business Corporations Act (British Columbia) (the "Act"). On June 18, 2015, the Company elected to change its year-end to December 31, 2015 to align its reporting periods with the industry standard calendar year-end. The Company is a public company listed on the TSX Venture Exchange (the "TSX.V"), trading under the "SNS" symbol. The address of the Company's corporate office and principal place of business is Suite 310, 850 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1E1.

The Company is in the process of acquiring, exploring and developing its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, or upon future cash flows from production or sale of the properties.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The accounting policies applied in these condensed consolidated interim financial statements are consistent with those found in the Company's December 31, 2015 audited annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's December 31, 2015 audited annual financial statements.

b) Basis of Measurement and Presentation

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, American Select Corp. All intercompany transactions and balances have been eliminated.

d) Foreign Currencies

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

2. BASIS OF PRESENTATION (Continued)

e) Significant Accounting Judgments and Estimates

The preparation of consolidated 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. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the determination of cash generating units when performing impairment assessments of exploration and evaluation assets;
- the assessment of indications of impairment of the Company's exploration and evaluation assets and related determination of recoverable values and write-down of those assets where appropriate;
- the fair value estimation of share-based payments included in the consolidated statements of operations and comprehensive loss;
- the accounting and recognition of income taxes which is included in the consolidated statement of operations and comprehensive loss;
- the classification of issued convertible debentures requires management to evaluate contractual terms with *IAS 32 financial instruments: presentation* requirements in order to determine debt and equity components; and
- the determination of the going concern assumption requires management to make judgments regarding the viability of the Company.

During the six months ended June 30, 2016, the Company commenced limited silica sand production and sales on its Sandtown property (see Note 4). Under IFRS, the Company accounts for the silica sand sales as a reduction in the carrying value of the Sandtown property until commercial production is achieved.

3. RECLAMATION BOND

On May 1, 2015, the Company completed the requirements as set out by the Arkansas Quarry Operation, Reclamation and Safe Closure Act ("the Act") and acquired a five year Authorization to Quarry its prospective commercial silica sand property located in northeast Arkansas, USA ("Sandtown"). The Act requires a reclamation bond of US$1,100 per acre to be posted for restoration, reclamation and re-vegetation of the site. Pursuant to the Act, the Company has posted an initial bond of US$78,100 (June 30, 2016 – CDN$101,600; December 31, 2015 - CDN$108,090).

4. EXPLORATION AND EVALUATION ASSETS

For the six months ended June 30, 2016:

	Sandtown Arkansas USA	La Ronge Gold Belt Saskatchewan, Canada	Other Properties Saskatchewan, Canada	Other Properties Ontario, Canada	Total
	Note (a)	Note (b)	Note (c)	Note (d, e)	
Acquisition Costs					
Opening balance	$ 239,975	264,356	$ 1	$ 1	$ 504,333
Option payments	20,560	-	-	-	20,560
Ending balance	260,535	264,356	1	1	524,893
Development and Exploration Costs					
Opening balance	379,477	4,182,658	-	-	4,562,135
Air travel	-	-	-	-	-
Assays, samples	616	-	-	440	1,056
Crushing	-	-	-	-	-
Drilling	-	-	-	-	-
Engineering & consulting	41,213	-	-	-	41,213
Environmental	21,937	-	-	-	21,937
Geology & mapping	-	-	-	4,080	4,080
Land clearing & site prep	66,570	-	-	-	66,570
Supplies & Equipment	-	-	-	-	-
Test mining & production	90,743	-	-	-	90,743
Transportation	94,936	-	-	-	94,936
Sand sales	(36,144)	-	-	-	(36,144)
Sand purchases	9,790	-	-	-	9,790
Ending balance	669,138	4,182,658	-	4,520	4,856,316
Balance, Beginning Of Period	619,452	4,447,014	1	1	5,066,468
Total Costs For The Period	310,221	-	-	4,520	314,741
Balance, End Of Period	**$ 929,673**	**4,447,014**	**$ 1**	**$ 4,521**	**$ 5,381,209**
Cost Summary					
Acquisition Costs	$ 260,535	264,356	$ 1	$ 1	$ 524,893
Exploration Costs	669,138	4,182,658	-	4,520	4,856,316
Total	**$ 929,673**	**4,447,014**	**$ 1**	**$ 4,521**	**$ 5,381,209**

For the five months ended December 31, 2015:

	Sandtown Arkansas USA	La Ronge Gold Belt Saskatchewan, Canada	Other Properties Saskatchewan, Canada	Jacobson, Old Cabin Ontario, Canada	Total
	Note (a)	Note (b)	Note (c)	Note (d)	
Acquisition Costs					
Opening balance	$ 239,975	264,356	$ 1	$ 1	$ 504,333
Ending balance	239,975	264,356	1	1	504,333
Exploration Costs					
Opening balance	223,204	4,182,321	-	-	4,405,525
Air travel	1,049	-	-	-	1,049
Assays, samples	16,630	337	-	-	16,967
Crushing	10,847	-	-	-	10,847
Drilling	18,166	-	-	-	18,166
Engineering & consulting	3,560	-	-	-	3,560
Environmental	259	-	-	-	259
Geology & mapping	773	-	-	-	773
Land clearing & site prep	76,436	-	-	-	76,436
Supplies & Equipment	338	-	-	-	338
Test mining & production	6,550	-	-	-	6,550
Transportation	21,665	-	-	-	21,665
Ending balance	379,477	4,182,658	-	-	4,562,135
Balance, Beginning Of Period	463,179	4,446,677	1	1	4,909,858
Total Costs For The Period	156,273	337	-	-	156,610
Balance, End Of Period	**$ 619,452**	**4,447,014**	**$ 1**	**$ 1**	**$ 5,066,468**
Cost Summary					
Acquisition Costs	$ 239,975	264,356	$ 1	$ 1	$ 504,333
Exploration Costs	379,477	4,182,658	-	-	4,562,135
Total	**$ 619,452**	**4,447,014**	**$ 1**	**$ 1**	**$ 5,066,468**

a) Arkansas, USA

On October 9, 2014 the Company entered into a binding letter of agreement for an option to acquire a 100% undivided right, title and interest in an approximately 520-acre prospective commercial silica sand property located in northeast Arkansas, USA ("Sandtown"). The Property is a greenfield commercial silica sand exploration prospect underlain by the Ordovician St. Peter sandstone formation.

The acquisition was at arm's length and an initial payment was made of US$25,000 (CA$28,610), further payments of (i) US$100,000 (C$117,015) was made on December 22, 2014; and (ii) US$75,000 (C$97,342) was made on February 23, 2015; and (iii) a final payment of $US1,800 (C$2,336) per acre less prior payments made (or approximately US$736,000; C$955,254) is due to the vendor on or before April 25, 2016. The final payment can be delayed until April 25, 2018 if the company decides to pay $4,000 (C$5,192) per month to the vendors (half of the $4,000 will go to the principal payment). The Company has elected to delay the final payment and began making monthly payments of US$4,000 in April 2016. On March 1, 2015 the Company signed an addendum to the original property agreement that allows the Company to collect material from a 10 acre parcel of land for test mining purposes before the full option agreement is reached, provided the Company pays the vendor US $0.75/ton for any material sold as either commercial silica sand or other sand and gravel.

4. EXPLORATION AND EVALUATION ASSETS (Continued)

b) La Ronge Gold Belt

Pursuant to an Option Agreement dated September 22, 2011 (as amended May 31, 2013) the Company has the option to acquire up to a 100% interest in three mineral claims known as the Pap-Preview Property in consideration for the following and the completion of a Preliminary Feasibility Study:

Date	Payments		Share issuances		Exploration expenditures
Date of signing.	$ 5,000	(paid)	150,000	(issued)	$ -
Within 10 business days of Exchange approval	10,000	(paid)	-		-
On or before September 22, 2012	20,000	(paid)	150,000	(issued)	200,000 (incurred)
On or before May 31, 2013	40,000	(paid)	-		-
Within 10 business days of Exchange acceptance	-		800,000	(issued)	-
On or before September 22, 2013					300,000 (incurred)
On or before September 22, 2014	-		-		300,000 (incurred)
On or before September 22, 2015	-		-		350,000 (incurred)
On or before September 22, 2016	-		-		350,000 (incurred)
	$ 75,000		1,100,000		$ 1,500,000

Under the amended agreement, the Company earned a 100% interest in the property upon completing the above payments, share issuances and work expenditures. An additional 625,000 common shares are issuable to the optionor in the event that a production decision is made. The Company has also granted the optionor a 2.5% NSR royalty on the property, of which 1.0% NSR can be repurchased for $1,000,000 at any time prior to a production decision and the remaining 1.5% NSR can be repurchased for $2,000,000.

c) Other Saskatchewan Properties

By staking, the Company acquired a 100% interest in a land package in Saskatchewan consisting of six mining claims. During the year ended July 31, 2015, as a result of management's focus on the La Ronge and Arkansas properties, other properties were written down by $91,512 to a value of $1.

d) Jacobson, Old Cabin

The Company entered into various agreements that granted the Company a 100% interest in a land package in Jacobson Township, Ontario. The terms of the various agreements include:

i) **Jacobson** - By an option agreement dated March 7, 2005, the Company acquired a 100% interest in a land package in Jacobson Township, Ontario. A 2% Net Smelter Returns ("NSR") is payable on the property half of which can be purchased for $750,000.

ii) **Old Cabin** - By an option agreement dated July 13, 2004 and amended February 14, 2005, the Company acquired a 100% interest in a land package in Jacobson Township. A 2% NSR is payable on the property one-quarter of which can be purchased for $500,000.

During the year ended July 31, 2012, as a result of management's focus on the La Ronge property, the Jacobson Old Cabin property was written down by $146,241 to a value of $1. During the year ended July 31, 2015, $16,001 in incurred expenditures were written off.

4. EXPLORATION AND EVALUATION ASSETS (Continued)

Letter of Intent

On May 16, 2016, the Company and Comstock Metals Ltd. (TSX.V: CSL) ("Comstock") jointly announced that they have entered into a letter of intent ("LOI") in respect of a proposed purchase by Comstock of the Company's Preview SW gold project located in the La Ronge district of Saskatchewan (see Note 4 b) and the Company's early-stage Old Cabin property in Ontario (See Note 4 d) (together the "Assets"). Under the terms of the LOI, Comstock would acquire the Assets for 20 million common shares in the capital of Comstock and the assumption of certain liabilities associated with the Assets. See also Subsequent Events (Note 11).

5. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company incurred the following related party transactions for the six months ended June 30, 2016 and July 31, 2015 and had the following balances with related parties outstanding as at June 30, 2016 and July 31, 2015:

a) Remuneration of key management and directors were as follows:

	Six months ended June 30, 2016	Six months ended July 31, 2015
Short-term compensation and consulting *	**$226,000**	$ 78,614
Share-based compensation	**165,219**	108,442
Total compensation of key management and directors	**$391,219**	$187,056

***** Includes geological consulting fees of $Nil (July 31, 2015 - $20,716) capitalized as exploration and evaluation assets.

b) As at June 30, 2016 the Company had accounts payable to directors and officers in the amount of $5,650 (July 31, 2015 - $24,550).

The above transactions were in the normal course of operations and have been recorded at amounts agreed to by the related parties. All amounts either due from or due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

6. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

Six Months ended June 30, 2016

Convertible debenture

In November, 2014, the Company completed a non-brokered private placement of convertible debentures in the principal amount of $595,000 (the “Debentures”). The principal amount of the Debentures bore interest at 15% per annum, compounded quarterly not in advance with the principal amount of the Debentures payable on May 19, 2016 (the "Maturity Date").

Subject to an early conversion (the "Early Conversion") of the principal amount of the Debentures, on the Maturity Date, the principal amount of the Debentures will be automatically converted into units (the "Principal Units") of the Company at a conversion price of $0.15 per Principal Unit; and, provided that the Early Conversion has not occurred, all accrued interest on the Debentures will be automatically converted into common shares (the "Interest Shares") of the Company at a conversion price equal to the applicable market price (as determined pursuant to the policies of the TSX Venture Exchange) of the common shares on the Maturity Date. In the case of Early Conversion, interest will not be paid.

On May 19, 2016, the Company’s convertible debenture issued November 2014 with a remaining principal balance of $218,000 and accrued interest of $53,885 came due. The principal of $218,000 was settled by issuing 1,453,333 Units. Each Unit consists of one common share of the Company and one common share purchase warrant with an exercise price of $0.15 and life of 18 months. The accrued interest of $53,885 was settled by issuing 199,571 Interest Shares calculated using the Company’s closing share price of $0.27 on May 19, 2016.

No Early Conversion occurred during the six months ended June 30, 2016 and the five months ended December 31, 2015. For the year ended July 31, 2015, the Company issued 2,513,333 shares and warrants from the Early Conversion of $377,000 in Debentures.

In connection with the private placement, the company paid an aggregate of $37,000 in finder's fees and issued an aggregate of 246,346 broker warrants to arm's length third-party finders. Each broker warrant is exercisable to acquire one common share of the Company at $0.15 until May 19, 2016. The broker warrants were given a value of $13,000 using the Black-Scholes pricing model and the following assumptions:

Expected life: 1.5 years
Risk free rate: 0.98%
Expected volatility: 85%
Expected dividend rate: 0%
Expected forfeiture rate: 0%

The Company recorded the remaining balance owing as a commitment to issue shares in the equity section of the statements of financial position.

Five Months ended December 31, 2015

On November 12, 2015, the Company closed a private placement raising gross proceeds of $1,085,000. The private placement consisted of 2,712,500 Units at a price of $0.40 per Unit. Each Unit was comprised of one common share of the Company and one share purchase warrant, with a warrant exercisable to purchase a further common share of the Company at a price of $0.60 for a period of 3 years after closing.

In connection with the closing, the Company paid finders fees of $60,000 and issued 200,000 compensation warrants. Each compensation warrant entitles the holder to acquire one common share in the capital of the Company at a price of $0.40 for a period of three years after closing. The compensation warrants were given a value of $42,441 using the Black-Scholes pricing model and the following assumptions:

Expected life: 3 years
Risk free rate: 0.69%
Expected volatility: 98.48%
Expected dividend rate: 0%
Expected forfeiture rate: 0%

All securities issued in connection with the financing are subject to a four month hold period expiring on March 12, 2016.

On August 13, 2015, The Company closed a private placement raising gross proceeds of $2,690,000. The private placement consisted of 6,725,000 Units at a price of $0.40 per Unit. Each Unit was comprised of one common share of the Company and one-half of a share purchase warrant, with a whole warrant exercisable to purchase a further common share of the Company at a price of $0.60 for a period of 3 years after closing.

Cash of $110,250 and 306,250 warrants were paid as finder fees in connection with the private placement. Each finder warrant is exercisable to purchase a common share of the Company at a price of $0.40 for a period of 3 years after closing. All securities issued have a four-month statutory hold period, expiring on December 14, 2015. The finder warrants were given a value of $71,612 using the Black-Scholes pricing model and the following assumptions:

Expected life: 3 years
Risk free rate: 0.42%
Expected volatility: 111.38%
Expected dividend rate: 0%
Expected forfeiture rate: 0%

6. SHARE CAPITAL AND RESERVES (Continued)

c) Warrants

A summary of the changes in warrants is as follows:

	NUMBER OF WARRANTS	EXERCISE PRICES $
Balance, July 31, 2015	2,298,366	0.15/0.25
Issued	6,581,250	0.40/0.60
Exercised	(66,200)	0.15/0.25
Balance, December 31, 2015	8,813,416	0.15/0.25/0.40/0.60
Issued	1,453,333	0.15
Exercised	(259,633)	0.15
Expired	(142,200)	0.25
Balance, June 30, 2016	9,864,916	0.15/0.40/0.60

During the six months ended June 30, 2016, 259,633 warrants were exercised for $62,589 (five months ended December 31, 2015 – 66,200 warrants were exercised for $14,550).

As at June 30, 2016 the following share purchase warrants were outstanding:

EXPIRY DATE	EXERCISE PRICE $	NUMBER OF WARRANTS
October 9, 2016	0.15	1,680,000
November 29, 2016	0.15	150,333
November 19, 2017	0.15	1,453,333
August 13, 2018	0.40	306,250 *
August 13, 2018	0.60	3,362,500
November 12, 2018	0.40	200,000 *
November 12, 2018	0.60	2,712,500
		9,864,916

*Broker and finder's warrants.

As at June 30, 2016, the weighted average remaining contractual life of the share purchase warrants is 1.75 years and the weighted average exercise price is $0.44 (December 31, 2015 – 2.21 years and $0.47).

d) Stock Options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company exercisable pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company at the grant date. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the shares (defined as the last closing market price of the Company's shares immediately preceding the grant date, less the maximum discount permitted by TSX.V policy), or such other price as may be agreed to by the Company and accepted by the TSX.V. Stock options granted to consultants providing investor relations activities under the Plan are subject to minimum vesting restrictions such that one-quarter of the option shall vest on each of the date grant and three, six and twelve months after the date of grant.

6. SHARE CAPITAL AND RESERVES (Continued)

d) Stock Options (Continued)

A summary of the changes in stock options follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $
Balance, July 31, 2015	2,682,833	0.24
Granted	1,000,000	0.43
Expired/Cancelled	(40,000)	0.15
Balance, December 31, 2015	3,642,833	0.29
Granted	1,000,000	0.40
Exercised	(200,000)	0.15
Balance, June 30, 2016	**4,442,833**	**0.33**

The following summarizes the stock options outstanding and exercisable as at June 30, 2016:

EXPIRY DATE	EXERCISE PRICE $	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
October 7, 2017	0.45	500,000	250,000
May 3, 2018	0.15	466,000	466,000
February 23, 2019	0.56	476,833	476,833
November 30, 2019	0.40	500,000	500,000
December 4, 2019	0.15	500,000	200,000
March 23, 2020	0.15	700,000	280,000
April 27, 2020	0.30	300,000	150,000
January 26, 2021	0.40	1,000,000	500,000
		4,442,833	**2,822,833**

Share-based compensation recognized during the six months ended June 30, 2016 was $238,847 (five months ended December 31, 2015 - $160,712). The Company's valuation of share purchase options was estimated using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2016	December 31, 2015
Risk-free interest rate	0.71%	0.53 – 0.67%
Expected dividend yield and forfeiture	0%	0%
Expected stock price volatility	130%	106 – 107%
Expected option life in years	5	2 – 4

As at June 30, 2015, the weighted average remaining contractual life of the share purchase options is 3.27 years and the weighted average exercise price is $0.33 (December 31, 2015 – 3.42 years and $0.29).

e) Escrow

As of June 30, 2016, 625 common shares (December 31, 2015 - 625) were held in escrow.

6. SHARE CAPITAL AND RESERVES (Continued)

f) Nature and Purpose of Reserve

The reserve recorded in equity on the Company's Statements of Financial Position includes Share-based Payment Reserve which is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration recorded at the date of issuance.

7. MANAGEMENT OF CAPITAL

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. There were no changes in the Company's approach to capital management during the six months ended June 30, 2016. The Company is not subject to externally imposed capital requirements.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at June 30, 2016, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	LEVEL	FVTPL	LOANS AND RECEIVABLES/ OTHER FINANCIAL LIABILITIES	TOTAL FAIR VALUE
Financial assets				
Cash and cash equivalents (a)	1	$ 2,367,686	$ -	$ 2,367,686
Reclamation bond	1	$ 101,600	$ -	$ 101,600
Financial liabilities				
Accounts payable and accrued liabilities (a)	2	$ -	$ 88,129	$ 88,129

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

At June 30, 2016 and December 31, 2015, the Company's financial instruments which are measured at fair value on a recurring basis are cash and cash equivalents and available for sale investments. The available-for-sale investments are based on quoted prices. The carrying values of the Company's loans and receivables and financial liabilities were a reasonable approximation of fair value due to the short term nature of their maturities.

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk and commodity price risk are considered the most significant. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

There have been no transfers between levels for the six months ended June 30, 2016 and July 31, 2015.

a) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

b) Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes, the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year.

During the past year the Company has been able to maintain its liquidity position through private placements. However, the variable market conditions make it uncertain whether the Company can continue to raise adequate funds to meet its financial obligations.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist of cash and cash equivalents. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed on demand.

9. LOSS PER SHARE

The Company calculates the basic and diluted loss per common share using the weighted average number of common shares outstanding during each period and diluted loss per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the period unless they are anti-dilutive. These options and warrants were excluded from the weighted average number of common shares calculation as they were anti-dilutive. As a result, diluted loss per share is equal to basic loss per share.

	Six Months ended June 30, 2016	Six Months ended July 31, 2015
Issued common shares beginning of period	**54,399,254**	41,676,408
Weighted average issuances	**649,499**	1,653,891
Basic weighted average common shares	**55,048,753**	43,330,299

10. SEGMENTED DISCLOSURE

The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada and the USA. See also Note 4.

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2016:

1. On August 11, 2016, the Company and Comstock Metals Ltd. (TSX-V:CSL) ("Comstock") entered into a definitive agreement (the "Agreement") setting forth the terms under which Comstock will purchase the Company's Preview SW gold project located in the La Ronge district of Saskatchewan and early-stage Old Cabin property in Ontario (together the "Assets"). Under the terms of the Agreement Comstock will acquire the Assets for 20 million common shares in the capital of Comstock and the assumption of certain liabilities associated with the Assets. See also Note 4.

2. The Company issued 150,333 common shares from the exercise of 150,333 warrants and received proceeds of $22,550.