

# Delrand Resources Limited

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**As at and for the three months ended September 30, 2016**  
**(Expressed in Canadian dollars)**

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**Delrand Resources Limited**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in Canadian dollars) (unaudited)**

	Notes	September 30, 2016	June 30, 2016
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash		206,790	45,855
Advances receivable		-	-
Due from related parties	5	20,081	17,365
Prepaid expenses and other assets		8,275	8,195
<b>Total Current Assets</b>		<b>235,146</b>	<b>71,415</b>
<b>Total Assets</b>		<b>235,146</b>	<b>71,415</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	4	393,308	393,914
Due to related parties	5	331,385	281,881
<b>Total Current Liabilities</b>		<b>724,693</b>	<b>675,795</b>
<b>Non-current Liabilities</b>			
Convertible debenture	6	1,323,151	1,314,959
<b>Total Liabilities</b>		<b>2,047,844</b>	<b>1,990,754</b>
<b>Shareholders' Deficiency</b>			
Share capital	7	118,485,802	118,065,802
Contributed surplus		8,183,615	8,303,615
Deficit		(128,482,115)	(128,288,756)
<b>Total Shareholders' Deficiency</b>		<b>(1,812,698)</b>	<b>(1,919,339)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>		<b>235,146</b>	<b>71,415</b>
<b>Continuation of Business</b>	1		
<b>Commitments and Contingencies</b>	9		
<b>Common shares</b>			
Authorized (Note 7a)		Unlimited	Unlimited
Issued and outstanding		16,290,825	15,390,825

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**Delrand Resources Limited****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****(Expressed in Canadian dollars) (unaudited)**

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015
		\$	\$
<b>Expenses</b>			
Consulting and professional fees		85,183	69,522
General and administrative		105,559	23,105
Foreign exchange loss		2,617	16,735
<b>Total expenses</b>		<b>(193,359)</b>	<b>(109,362)</b>
<b>Net loss and comprehensive loss</b>		<b>(193,359)</b>	<b>(109,362)</b>
<b>Basic loss per share</b>	7d	(0.01)	(0.01)
<b>Weighted average number of common shares outstanding</b>		15,664,738	10,890,791

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

## Delrand Resources Limited

### INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in Canadian dollars) (unaudited)

	Notes	Common shares		Contributed Surplus	Deficit	Total Shareholders' deficiency
		Number of shares (Note 7)	Amount			
			\$	\$	\$	\$
<b>Balance at June 30, 2015</b>		10,890,825	\$ 117,345,802	\$ 8,183,615	\$ (127,917,345)	\$ (2,387,928)
Net loss		-	-	-	(109,362)	(109,362)
<b>Balance at September 30, 2015</b>		10,890,825	\$ 117,345,802	\$ 8,183,615	\$ (128,026,707)	\$ (2,497,290)
Net loss		-	-	-	(262,049)	(262,049)
Issuance of shares (net of costs)	7a	4,500,000	720,000	-	-	720,000
Shares to be issued		-	-	120,000	-	120,000
<b>Balance at June 30, 2016</b>		15,390,825	\$ 118,065,802	\$ 8,303,615	\$ (128,288,756)	\$ (1,919,339)
Net loss		-	-	-	(193,359)	(193,359)
Issuance of shares (net of costs)	7a	900,000	420,000	(120,000)	-	300,000
<b>Balance at September 30, 2016</b>		16,290,825	\$ 118,485,802	\$ 8,183,615	\$ (128,482,115)	\$ (1,812,698)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**Delrand Resources Limited**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in Canadian dollars) (unaudited)**

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015
		\$	\$
<b>Cash flows from operating activities</b>			
Net loss		(193,359)	(109,362)
Adjustments to reconcile net loss to net cash used in operating activities			
Accrued interest		8,192	-
Changes in non-cash working capital			
Prepaid expenses and other assets		(80)	(368)
Accounts payable and accrued liabilities		(606)	7,519
<b>Net cash used in operating activities</b>		<b>(185,853)</b>	<b>(102,211)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issuance of shares	7a	300,000	-
Due from related parties	5	(2,716)	-
Due to related parties	5	49,504	116,141
<b>Net cash provided by financing activities</b>		<b>346,788</b>	<b>116,141</b>
<b>Net increase in cash during the period</b>		<b>160,935</b>	<b>13,930</b>
<b>Cash, beginning of the period</b>		<b>45,855</b>	<b>9,163</b>
<b>Cash, end of the period</b>		<b>206,790</b>	<b>23,093</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

## **Delrand Resources Limited**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As at and for the three months ended September 30, 2016**

**(Expressed in Canadian dollars) (unaudited)**

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## **1. CORPORATE INFORMATION AND CONTINUATION OF THE BUSINESS**

### **Corporate Information**

The principal business of Delrand Resources Limited (“Delrand” or the “Company”) has historically been the acquisition and exploration of mineral properties in the Democratic Republic of the Congo (“the DRC”). The Company is currently evaluating business opportunities.

These interim condensed consolidated financial statements as at and for the three months ended September 30, 2016 include the accounts of the Company and of its wholly-owned subsidiary incorporated in the DRC, Delrand Resources Congo SPRL.

The Company is a publicly traded company whose outstanding common shares are listed for trading on NEX, a separate board of the TSX Venture Exchange. The common shares of the Company were previously listed on the Toronto Stock Exchange (“TSX”) and on the JSE Limited in Johannesburg, South Africa. On September 11, 2015 and September 26, 2016, the Company voluntarily delisted from the TSX and from the JSE Limited, respectively. The head office of the Company is located at 1 First Canadian Place, 100 King Street West, Suite 7070, Toronto, Ontario, M5X 1E3, Canada.

### **Continuation of the business**

The Company incurred a net loss of \$193,359 for the three months ended September 30, 2016 (three months ended September 30, 2015: \$109,362) and as at September 30, 2016 had a working capital deficit of \$489,547 and deficit of \$128,482,115, (June 30, 2016: \$604,380 and \$128,288,756, respectively). The Company does not currently have revenue-generating properties.

The Company’s ability to continue operations in the normal course of business is dependent on several factors, including its ability to secure additional funding. These material uncertainties may cast significant doubt upon the validity of the going concern assumption. Management is exploring all available options to secure additional funding, including equity financing and strategic partnerships. In the event the Company is unable to arrange appropriate financing, the carrying value of the Company’s assets could be subject to material adjustment. During the year ended June 30, 2015, the Company wrote off the carrying value of its exploration and evaluation assets.

These interim condensed consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, classification of certain liabilities and changes to the statements of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

## **2. BASIS OF PREPARATION**

### **a) Statement of compliance**

These interim condensed consolidated financial statements as at and for the three month period ended September 30, 2016 have been prepared in accordance with International Accounting Standard (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The disclosure contained in these interim condensed consolidated financial statements does not include all the requirements in IAS 1 Presentation of Financial Statements (“IAS 1”). Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended June 30, 2016, which include information necessary to understand the Company’s business and financial statement presentation.

## **Delrand Resources Limited**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As at and for the three months ended September 30, 2016**

**(Expressed in Canadian dollars) (unaudited)**

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#### **b) Basis of measurement**

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are presented at fair value. These financial statements have also been prepared on an accrual basis except for cash flow information.

#### **c) Summary of Significant Accounting Policies**

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as presented in Note 3 of the annual consolidated financial statements of the Company as at and for the year ended June 30, 2016, except for those newly adopted accounting standards noted below.

#### **d) Use of estimates and judgments**

The preparation of these interim condensed consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### **e) Accounting Standards Issued But Not Yet Effective**

Certain pronouncements were issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods on or after July 30, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 12 - Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

IAS 7 - Statement of Cash Flows ("IAS 7") was amended in February 2016 with the objective that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

### **3. SUBSIDIARY**

The table below sets out certain information in respect of the Company's DRC subsidiary:

## Delrand Resources Limited

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended September 30, 2016

(Expressed in Canadian dollars) (unaudited)

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest
BRC DiamondCore Congo SPRL	Democratic Republic of the Congo	100%

#### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are mainly comprised of amounts outstanding for purchases relating to professional services and other general and administrative services. The credit period for purchases typically ranges from 30 to 90 days.

#### 5. RELATED PARTY TRANSACTIONS

a) Key Management Remuneration

The Company's related parties include key management. Key management includes executive directors. The remuneration of the key management of the Company as defined above, during the three months ended September 30, 2016 and 2015 was as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015
Salaries	\$ 25,000	\$ 25,000
	\$ 25,000	\$ 25,000

b) Other Related Parties

As at September 30, 2016, an amount of \$298,554 (June 30, 2016 - \$252,813) was owing to current directors and a former director of the Company representing advances and consulting fees.

As at September 30, 2016, an amount of \$32,831 was owed to Banro Corporation ("Banro") related to shared expenses (June 30, 2016 - \$29,068 was owed to Banro). Banro has a director in common with the Company and as of December 2015 had owned common shares of the Company representing a 7.07% interest in the Company. As at September 30, 2016, Banro no longer owns any shares of the Company.

As at September 30, 2016, an amount of \$8,823 was owed from Gentor Resources Inc. (June 30, 2016 - \$8,823) and \$11,258 (June 30, 2016 - \$8,542) was owed from Loncor Resources Inc. (both Gentor and Loncor are companies with common directors) related to shared expenses.

	September 30, 2016	June 30, 2016
	\$	\$
Due from related parties	20,081	17,365
Due to related parties	331,385	281,881

All amounts due to/from related parties are unsecured, non-interest bearing and due on demand.

#### 6. CONVERTIBLE DEBENTURE

In January 2016, the Company issued a \$1,300,000 unsecured convertible debenture (the "Debenture") to Norton Rose Fulbright Canada LLP. The Debenture, which settled indebtedness to the creditor previously included in accounts payable in the amount of \$1,300,000, has a maturity date of June 18, 2018, bears interest at 2.5% per annum and is payable by Delrand on the maturity date, subject to an early redemption right held by Delrand. Accrued interest is payable on the maturity date, provided, however, that Delrand may prepay accrued interest earlier, without penalty, at its discretion.

## Delrand Resources Limited

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended September 30, 2016

(Expressed in Canadian dollars) (unaudited)

The terms of the Debenture also provide that (a) the holder shall have the option to convert the outstanding principal into common shares of Delrand at a price of \$0.50 per share (the "Conversion Price") and (b) within 30 days of the maturity date, Delrand may elect to repay the outstanding principal in common shares of Delrand at the Conversion Price, provided that the 5 day per share volume-weighted average trading price of Delrand's shares at that time is at least \$0.50.

The value attributed to the equity conversion option was nil.

As of September 30, 2016, the balance of \$1,323,151 includes accrued and unpaid interest of \$23,151.

## 7. SHARE CAPITAL

### a) Authorized

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

The holders of the common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each common share held at all meetings of the shareholders of the Company. The holders of the common shares are entitled to (a) receive any dividends as and when declared by the Board of Directors, out of the assets of the Company properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Company in the event of any liquidation, dissolution or winding-up of the Company.

In September 2016, the Company closed a non-brokered private placement of an aggregate of 600,000 common shares of the Company at a price of \$0.50 per share for gross proceeds of \$300,000 (Arnold Kondrat, the Chief Executive Officer and a director of the Company, acquired 36,000 of such shares).

In August 2016, the Company closed a non-brokered private placement of 300,000 common shares of the Company at a price of \$0.40 per share for gross proceeds of \$120,000.

In February 2016, the Company consolidated its outstanding common shares on a two to one basis. Immediately prior to the consolidation, the Company had 30,781,581 common shares outstanding. Upon effecting the consolidation, and as of June 30, 2016, the Company had 15,390,825 common shares outstanding. Unless otherwise indicated, all share and warrant numbers have been adjusted to reflect the share consolidation to provide more comparable information.

In January 2016, the Company closed a non-brokered private placement of an aggregate of 4,500,000 common shares of the Company at a price of \$0.16 per share for gross proceeds of \$720,000 (Arnold Kondrat, the Chief Executive Officer and a director of the Company, acquired 3,550,000 of such shares).

	Number of shares	Amount
<b>Balance at June 30, 2015</b>	<b>10,890,825</b>	<b>\$ 117,345,802</b>
Shares issued for:		
Cash	4,500,000	720,000
<b>Balance at June 30, 2016</b>	<b>15,390,825</b>	<b>\$ 118,065,802</b>
Shares issued for:		
Cash	900,000	420,000
<b>Balance at September 30, 2016</b>	<b>16,290,825</b>	<b>\$ 118,485,802</b>

### b) Share purchase warrants

## Delrand Resources Limited

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended September 30, 2016

(Expressed in Canadian dollars) (unaudited)

In July 2014, the Company issued 125,000 warrants, with each such warrant entitling the holder to purchase one common share of the Company at a price of \$1.50 until July 2016. As at September 30, 2016, all 125,000 warrants expired unexercised.

c) Stock option plan

The Company has an Incentive Stock Option Plan (the "Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. A maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant, at terms of up to ten years. The grant of stock options is subject to certain requirements of the stock option plan.

As at September 30, 2016 and 2015, no stock options had been granted under the Company's stock option plan.

d) Loss per share

Loss per share was calculated on the basis of the weighted average number of common shares outstanding for the three month period ended September 30, 2016, amounting to 15,664,738 (three month period ended September 30, 2015: 10,890,791) common shares.

## 8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Fair value of financial assets and liabilities

The interim condensed consolidated statements of financial position carrying amounts for cash, advances receivable and other assets and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

### Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1 and Level 2 during the reporting periods. The fair values of financial assets and liabilities carried at amortized cost are approximated by their carrying values. Cash is ranked Level 2 as it is based on similar loans in the market.

b) Risk Management Policies

The Company is sensitive to changes in commodity prices and foreign-exchange. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Although the Company has the ability to address its price-related exposures through the use of options, futures and forward contracts, it does not generally enter into such arrangements.

c) Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar or other foreign currencies will affect the Company's operations and financial results. A portion of the Company's

## Delrand Resources Limited

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended September 30, 2016

(Expressed in Canadian dollars) (unaudited)

transactions are denominated in United States dollars, Congolese francs and South African rand. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities. The Company's functional currency is the Canadian dollar. The majority of major expenditures are transacted in US dollars. The Company maintains the majority of its cash in Canadian dollars but it does hold balances in US dollars and South African Rand. Significant foreign exchange gains or losses are reflected as a separate component of the consolidated statement of comprehensive loss. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The following tables indicate the impact of foreign currency exchange risk on net working capital as at September 30, 2016. The table below also provides a sensitivity analysis of a 10 percent strengthening of the Canadian dollar against foreign currencies as identified which would have increased (decreased) the Company's net loss by the amounts shown in the table below. A 10 percent weakening of the Canadian dollar against the same foreign currencies would have had the equal but opposite effect as at September 30, 2016.

Three month period ended September 30, 2016:

	U.S. dollar	South African rand
	\$	ZAR
Cash	96,376	(28)
Accounts payable and accrued liabilities	(17,898)	(395,278)
<b>Total foreign currency financial assets and liabilities</b>	<b>78,478</b>	<b>(395,306)</b>
Foreign exchange rate at September 30, 2016	1.3117	0.0956
<b>Total foreign currency financial assets and liabilities in CDN \$</b>	<b>102,939</b>	<b>(37,772)</b>
<b>Impact of a 10% strengthening or weakening of the CDN \$ on net loss</b>	<b>10,294</b>	<b>(3,777)</b>

#### d) Credit Risk

Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with several financial institutions of reputable credit in Canada, the DRC and South Africa and may be redeemed upon demand. It is therefore the Company's opinion that such credit risk is subject to normal industry risks and is considered minimal.

#### e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company attempts to ensure that there is sufficient cash to meet its liabilities when they are due and manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. The Company's liquidity requirements are met through a variety of sources, including cash, and equity capital markets. In light of market conditions, the Company initiated a series of measures to bring its spending in line with the projected cash flows from its operations and available project specific facilities in order to preserve its financial position and maintain its liquidity position. As at September 30, 2016, accounts payable and accrued liabilities of \$393,308 and amounts due to related parties of \$331,385 are due within one year and represent all significant contractual commitments, obligations, and interest and principal repayments on financial liabilities. Please refer to Note 1, Continuation of the Business.

## Delrand Resources Limited

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended September 30, 2016

(Expressed in Canadian dollars) (unaudited)

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f) Mineral Property Risk

Any activities of the Company in the DRC are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on such activities or may result in impairment in or loss of part or all of Company assets.

g) Market Risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign-exchange rates, commodity prices, interest rates and stock based compensation costs.

h) Interest Rate Risk

Interest rate risk is the potential impact on any Company earnings due to changes in bank lending rates and short-term deposit rates. The Company is not exposed to significant interest rate risk other than cash flow interest rate risk on its cash. The Company does not use derivative instruments to reduce its exposure to interest rate risk. A fluctuation of interest rates of 1% would not affect significantly the fair value of cash.

i) Country Risk

The DRC is a developing country and as such, any activities of the Company in the DRC could be adversely affected by uncertain political or economic environments, war, civil or other disturbances, and a changing fiscal regime and by DRC's underdeveloped industrial and economic infrastructure.

Any activities of the Company in the DRC may be effected by economic pressures on the DRC. Any changes to regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by factors such as DRC government regulations with respect to foreign currency conversion, production, price controls, export controls, income taxes or reinvestment credits, expropriation of property, environmental legislation, land use, water use and mine safety.

There can be no assurance that policies towards foreign investment and profit repatriation will continue or that a change in economic conditions will not result in a change in the policies of the DRC government or the imposition of more stringent foreign investment restrictions. Such changes cannot be accurately predicted.

j) Capital Management

The Company manages its cash, common shares, and any warrants and stock options as capital. The Company's main objectives when managing its capital are:

- to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
- to maintain a sufficient capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to safeguard the Company's ability to obtain financing; and
- to maintain financial flexibility in order to have access to capital in the event of future acquisitions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets.

## Delrand Resources Limited

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended September 30, 2016

(Expressed in Canadian dollars) (unaudited)

There were no significant changes to the Company's approach to capital management during the three months ended September 30, 2016.

Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

	As at		As at	
	September 30, 2016		June 30, 2016	
Cash	\$	206,790	\$	45,855
Share Capital	\$	118,485,802	\$	118,065,802
Deficit	\$	(128,482,115)	\$	(128,288,756)
Contributed Surplus	\$	8,183,615	\$	8,303,615

## 9. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiary are subject to routine legal proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated losses, cash flow or financial position.