

STRONGBOW EXPLORATION INC.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

JULY 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Reader's Note

These consolidated condensed interim financial statements of Strongbow Exploration Inc. ("Strongbow") for the six months ended July 31, 2016 have been prepared by and are the responsibility of Strongbow's management.

Strongbow's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

STRONGBOW EXPLORATION INC.
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	July 31, 2016	January 31, 2016
ASSETS		
Current		
Cash	\$ 913,365	\$ 528,301
Marketable securities (Note 5)	289,600	91,200
Receivables (Note 6)	9,755	3,487
Prepaid expenses	<u>18,644</u>	<u>21,484</u>
	1,231,364	644,472
Deposits	9,300	9,300
Property, Plant and Equipment (Notes 3 and 8)	1,017,525	8,853
Royalties (Note 9)	1,500,000	-
Exploration and evaluation assets (Notes 3 and 10)	<u>3,159,047</u>	<u>713,850</u>
	\$ 6,917,236	\$ 1,376,475
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 160,256	\$ 165,293
Asset retirement obligation (Note 14)	<u>12,448</u>	<u>54,181</u>
	172,704	219,474
Long-term liabilities (Note 11)	<u>3,042,110</u>	-
	<u>3,214,814</u>	<u>219,474</u>
CAPITAL AND RESERVES		
Capital stock (Note 12)	30,615,418	28,031,097
Share-based payment reserve (Note 12)	4,289,555	4,217,482
Investment revaluation reserve (Note 5)	60,283	(112,325)
Deficit	<u>(31,262,834)</u>	<u>(30,979,253)</u>
	<u>3,702,422</u>	<u>1,157,001</u>
	\$ 6,917,236	\$ 1,376,475

Nature and Continuance of Operations and Going Concern Assumption (Note 1)

Commitments (Note 16)

Approved and authorized on behalf of the Board on September 29, 2016:

“D. Grenville Thomas”

Director

“Richard Williams”

Director

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

STRONGBOW EXPLORATION INC.**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	July 31, 2016	July 31, 2015	July 31, 2016	July 31, 2015
EXPENSES				
Accretion (Note 14)	\$ 17	\$ 160	\$ 108	\$ 254
Advertising and promotion	29,926	22,663	47,723	23,563
Depreciation (Note 8)	664	716	1,328	1,432
Insurance	4,544	2,858	8,939	5,624
Office, miscellaneous and rent	21,612	1,041	40,129	1,722
Professional fees	24,023	(1,593)	49,491	31,159
Generative exploration expense	5,878	23,833	7,173	24,354
Regulatory and filing fees	3,513	6,519	24,071	13,204
Share-based compensation	15,437	-	42,309	-
Salaries and benefits	44,851	11,000	89,034	11,000
	<u>(150,465)</u>	<u>(67,197)</u>	<u>(310,305)</u>	<u>(112,312)</u>
OTHER INCOME AND EXPENSES				
Foreign exchange gain (loss)	440	(1,575)	313	(1,206)
Interest income	-	-	619	-
Write-off of exploration and evaluation assets	-	(605,051)	-	(605,051)
	<u>(150,025)</u>	<u>(673,823)</u>	<u>(309,373)</u>	<u>(718,569)</u>
Loss before income taxes	(150,025)	(673,823)	(309,373)	(718,569)
Income tax recovery	25,792	-	25,792	-
Loss for the period	<u>(124,233)</u>	<u>(673,823)</u>	<u>(283,581)</u>	<u>(718,569)</u>
Other comprehensive loss for the period				
Unrealized gain (loss) on marketable securities	400	2,200	172,608	(1,800)
Total comprehensive loss for the period	<u>\$ 123,833</u>	<u>\$ (671,623)</u>	<u>\$ (110,973)</u>	<u>\$ (720,369)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ (0.07)</u>
Weighted average number of common shares outstanding	31,933,466	10,542,477	28,805,337	9,836,976

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

STRONGBOW EXPLORATION INC.
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	<u>For the Six Months Ended</u>	
	<u>July 31, 2016</u>	<u>July 31, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (309,373)	\$ (718,569)
Items not involving cash:		
Accretion	108	254
Depreciation	1,328	1,432
Generative exploration costs	1,096	(880)
Share-based compensation	42,309	-
Write-off of exploration and evaluation assets	-	605,051
Changes in non-cash working capital items:		
Increase in receivables	(6,268)	(5,097)
Decrease in prepaid expenses	2,840	1,962
Increase (decrease) in accounts payable and accrued liabilities	<u>(5,036)</u>	<u>384</u>
Net cash used in operating activities	<u>(272,996)</u>	<u>(115,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 3)	(1,010,000)	-
Acquisition of royalties (Note 9)	(1,500,000)	-
Acquisition of exploration and evaluation assets (Notes 3 and 10)	(503,088)	(49,053)
Expenditures to reduce asset retirement obligation	<u>(42,937)</u>	<u>-</u>
Net cash used in investing activities	<u>(3,056,025)</u>	<u>(49,053)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt (Note 11)	1,500,000	-
Common shares issued - private placement financing, net	<u>2,214,085</u>	<u>955,653</u>
Net cash provided by financing activities	<u>3,714,085</u>	<u>955,653</u>
Change in cash during the period	385,064	791,137
Cash beginning of the period	<u>528,301</u>	<u>67,021</u>
Cash end of the period	<u>\$ 913,365</u>	<u>\$ 858,158</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosure with respect to cash flows (Note 15)

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

STRONGBOW EXPLORATION INC.
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JULY 31
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Capital Stock		Reserves		Deficit	Total
	Number of shares	Amount	Share-based payment reserve	Investment revaluation reserve		
Balance at January 31, 2015	9,107,716	\$26,415,443	\$ 4,095,128	\$ (7,125)	\$(29,881,739)	\$ 621,707
Private placement	10,000,000	1,000,000	-	-	-	1,000,000
Share issue costs	-	(34,346)	-	-	-	(34,346)
Property option agreement	6,500,000	650,000	-	-	-	650,000
Unrealized loss on marketable securities	-	-	-	(1,800)	-	(1,800)
Loss for the period	-	-	-	-	(718,569)	(718,569)
Balance at July 31, 2015	25,607,694	\$28,031,097	\$ 4,095,128	\$ (8,925)	\$(30,600,308)	\$ 1,516,992
Balance at January 31, 2016	25,607,694	\$28,031,097	\$ 4,217,482	\$ (112,325)	\$(30,979,253)	\$ 1,157,001
Private placement	18,283,000	2,285,375	-	-	-	2,285,375
Share issue costs	-	(101,054)	29,764	-	-	(71,290)
Asset acquisition (Note 3)	2,000,000	400,000	-	-	-	400,000
Share-based compensation	-	-	42,309	-	-	42,309
Unrealized gain on marketable securities	-	-	-	172,608	-	172,608
Loss for the period	-	-	-	-	(283,581)	(283,581)
Balance at July 31, 2016	45,890,694	\$30,615,418	\$ 4,289,555	\$ 60,283	\$(31,262,834)	\$ 3,702,422

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

STRONGBOW EXPLORATION INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

July 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Strongbow Exploration Inc. (the “Company”) is incorporated federally under the laws of the Canada Business Corporations Act (“CBCA”). The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company. The Company trades on the TSX Venture Exchange (“TSX-V”), (TSX-V – SBW) and its head office is located at Suite 960 – 789 West Pender Street, Vancouver, BC, Canada V6C 1H2. The Company has two subsidiaries: Strongbow Alaska, Inc. which is incorporated under the laws of Alaska, USA and Strongbow Exploration (UK) Ltd., incorporated under the laws of the United Kingdom in February 2016.

The Company’s principal business activity is the acquisition and exploration of exploration and evaluation assets. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

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

These consolidated condensed interim financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, the Company has sustained substantial losses from operations since inception and has no current source of revenue. Continued operations of the Company and further exploration on the remaining exploration and evaluation assets is dependent on the Company’s ability to complete additional equity financings or generate profitable operations in the future. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was inappropriate. These adjustments could be material.

As at July 31, 2016, the Company had current assets of \$1,231,364 to settle current liabilities of \$172,704. Although the Company has positive working capital of \$1,058,660 as at July 31, 2016, the Company may be required to delay discretionary expenditures if additional financing cannot be obtained on reasonable terms. Failure to obtain additional financing when required may result in the loss of some or all of the Company’s exploration and evaluation assets (Note 10).

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”) using the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended January 31, 2016. These consolidated condensed interim financial statements do not include all disclosures required by International Financial Reporting Standards (“IFRS”) for annual audited consolidated financial statements and accordingly should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ending January 31, 2016 prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

The policies applied in these consolidated condensed interim financial statements are based on IFRS issued and outstanding as of September 29, 2016, the date the Board of Directors approved the statements.

STRONGBOW EXPLORATION INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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3. ACQUISITION OF THE SOUTH CROFTY TIN PROJECT

On July 11, 2016, the Company acquired, from administration, a 100% interest in the South Crofty Tin Project and associated mineral rights in Cornwall, UK pursuant to an agreement between the Company, Galena Special Situations Fund, and Tin Shield Production Ltd. Through its wholly-owned subsidiary Strongbow Exploration (UK) Limited, the Company now owns a 100% interest in Western United Mines Limited ("WUML") and Cornish Minerals Limited (Bermuda) (collectively the "Companies"). The Companies hold the rights to the South Crofty underground mine permission area, plus additional mineral rights over a further 7,500 Ha located in various parts of Cornwall, UK. Material terms of the acquisition are as follows, all references to currency being in Canadian dollars unless otherwise specified:

- The Company entered into a purchase and sale agreement with the administrator managing the affairs of WUML and Cornish Minerals Limited (UK), the sole shareholder of the Companies (also in administration) to acquire the shares of the Companies and to fund the exit of WUML and Cornish Minerals Limited (UK) from administration by reaching a settlement of the claims owed to unsecured creditors. The unsecured creditors approved the proposal on June 10, 2016. Strongbow paid £143,000 (\$248,820) for the exit from administration.
- Galena, the only secured creditor, converted all debt owed to it into common shares of WUML and Strongbow acquired these shares, in return for future milestone payments, thereby completing the acquisition of 100% of the shares of the Companies.
- The UK holding company Cornish Minerals Limited (in administration) released the intra group indebtedness owed to it by WUML, amounting to £11,525,758.
- Upon closing of the acquisition, Strongbow reimbursed Tin Shield \$318,000 for operating costs incurred for the project from November 1, 2015 to February 29, 2016; Strongbow assumed responsibility for the monthly project operating costs as of March 2016. Also upon closing, Strongbow made a payment of US\$80,000 to Tin Shield to refund a shareholder loan made to Tin Shield.
- On July 11, 2016, Strongbow issued 2,000,000 common shares with a value of \$400,000 for the acquisition. A total of 1,050,000 common shares were issued to Galena and 950,000 common shares were issued to Tin Shield. The common shares are subject to a hold period that will expire November 12, 2016.

Certain additional payments and share issuances pursuant to the acquisition agreement are payable in the future. A summary of this additional consideration can be found in Note 10.

This transaction has been accounted for as an asset acquisition as at the time of the transaction, neither WUML nor Cornish Minerals Limited (Bermuda) met the definition of a business. The consideration paid has been allocated to the acquired assets based on their fair value at the July 11, 2016 date of acquisition. The purchase price of the acquisition has been primarily allocated as follows:

Purchase price	
Common shares issued (2,000,000 shares)	\$ 400,000
Exit from administration	248,820
Tin Shield reimbursement for operating costs	318,000
Tin Shield payment (US \$80,000)	104,968
Estimated present value of payment due in June 2018 (Note 11)	1,542,110
Transaction costs	788,005
	\$ 3,401,903
Net Assets Acquired	
Property, plant and equipment	\$ 345,000
Land	665,000
Exploration and evaluation assets	2,391,903
	\$ 3,401,903

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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities and debt. Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity. Marketable securities are recorded at fair value based on the quoted market prices in active markets at the statement of financial position date, which is consistent with level 1 of the fair value hierarchy. Debt is recorded at the transaction value and subsequently carried at amortized cost less impairment losses.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, liquidity risk, foreign currency risk and equity market risk. The Company's objective with respect to risk management is to minimize potential adverse effects on the Company's financial performance. The Board of Directors provides direction and guidance to management with respect to risk management. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's receivables consist primarily of sales tax receivables due from the federal government and receivables from companies with which the Company has exploration agreements or options. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales, exploration option agreements, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities, and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration of the Company's properties, and could result in the Company being unable to meet the continued listing requirements of the TSX-V. As at July 31, 2016, the Company had current assets of \$1,231,364 to settle current liabilities of \$172,704.

Foreign Currency Risk

The Company has exposure to foreign currency risk through its exploration and evaluation assets in the United States and foreign exchange exposure to UK Pounds Sterling related to its recent acquisition of the South Crofty tin project (Note 3). To the extent that the Company has assets, liabilities or expenses denominated in US Dollars or UK Pounds Sterling, the Company will be affected by changes in exchange rates between the Canadian dollar and these currencies. The Company does not presently invest in foreign currency contracts to mitigate this risk. It is management's opinion that the Company is not exposed to significant foreign currency risk as at and for the period ended July 31, 2016.

STRONGBOW EXPLORATION INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Continued*Interest rate risk*

The Company is exposed to interest rate risk to the extent that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investment included in cash is limited because these investments, although readily convertible to cash, are generally held to maturity.

Equity market risk

The Company is exposed to equity price risk arising from its marketable securities, which are classified as available for sale. The Company plans to sell its marketable securities as market conditions permit, or as is required to finance the Company's operations from time-to-time.

5. MARKETABLE SECURITIES

The Company holds 2,295,000 common shares in three TSX-V listed companies (January 31, 2016 – 2,295,000 common shares).

	July 31, 2016		January 31, 2016	
	Cost	Fair Market Value**	Cost	Fair Market Value
Various public companies	\$ 203,525	\$ 289,600	\$ 203,525	\$ 91,200

**Includes 2,200,000 common shares (fair market value of \$286,000) of Westhaven Ventures Inc. ("Westhaven") a company related to Strongbow by virtue of a common director.

6. RECEIVABLES

	July 31, 2016	January 31, 2016
GST receivables	\$ 9,755	\$ 3,487
Total	\$ 9,755	\$ 3,487

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2016	January 31, 2016
Trade payables	\$ 24,450	\$ 51,228
Related party payable	9,026	4,528
Accrued liabilities	126,780	109,537
Total	\$ 160,256	\$ 165,293

STRONGBOW EXPLORATION INC.**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

July 31, 2016

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8. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Furniture & Fixtures	Land	Motor Vehicles	Plant & Equipment	Total
Cost						
As at January 31, 2016	\$ 50,757	\$ -	\$ -	\$ -	\$ -	\$ 50,757
Acquisition (<i>Note 3</i>)	-	6,000	665,000	33,000	306,000	1,010,000
As at July 31, 2016	\$ 50,757	\$ 6,000	\$ 665,000	\$ 33,000	\$ 306,000	\$ 1,060,757
Accumulated Depreciation						
As at January 31, 2016	\$ (41,904)	\$ -	\$ -	\$ -	\$ -	\$ (41,904)
Charge for the period	(1,328)	-	-	-	-	(1,328)
As at July 31, 2016	\$ (43,232)	\$ -	\$ -	\$ -	\$ -	\$ (43,232)
Net book value						
As at January 31, 2016	\$ 8,853	\$ -	\$ -	\$ -	\$ -	\$ 8,853
As at July 31, 2016	\$ 7,525	\$ 6,000	\$ 665,000	\$ 33,000	\$ 306,000	\$ 1,017,525

9. ROYALTIES***Mactung and Cantung Royalty Acquisition***

In March 2016, the Company purchased from Teck Resources Limited (“Teck”) a 4% NSR on the Mactung tungsten project (one-half of which (2%) may be purchased by the property owner at any time for \$2,500,000) and a 1% NSR on the Cantung tungsten project (collectively, the “Royalties”). The Mactung project is located in the Yukon and the Northwest Territories; the Cantung project is located in the Northwest Territories. The Company paid \$1,500,000 to Teck upon closing of the acquisition and will make a further \$1,500,000 payment to Teck on the earlier of a development decision at Mactung or the re-commencement of commercial production at Cantung.

Osisko, a significant shareholder of the Company, provided a \$1,500,000 interest-free line of credit to the Company to complete the royalty acquisition (Note 11).

10. EXPLORATION AND EVALUATION ASSETS

	January 31, 2016	Expended During the Period	Write-off of Costs	July 31, 2016
Tin Properties, Alaska, USA				
Exploration costs	\$ 17,339	\$ -	-	\$ 17,339
Acquisition costs	690,123	-	-	690,123
Geological and assays	6,388	-	-	6,388
	<u>713,850</u>	<u>-</u>	<u>-</u>	<u>713,850</u>
South Crofty, Cornwall, UK				
Exploration costs	\$ -	\$ -	\$ -	\$ -
Acquisition (<i>Note 3</i>)	-	2,391,903	-	2,391,903
Acquisition costs	-	8,700	-	8,700
Geological and assays	-	9,104	-	9,104
Office and salaries	-	35,490	-	35,490
	<u>-</u>	<u>2,445,197</u>	<u>-</u>	<u>2,445,197</u>
	<u>\$ 713,850</u>	<u>\$ 2,445,197</u>	<u>\$ -</u>	<u>\$ 3,159,047</u>

STRONGBOW EXPLORATION INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

July 31, 2016

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10. EXPLORATION AND EVALUATION ASSETS - Continued

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge title to all of its properties is in good standing.

South Crofty Tin Project, Cornwall, UK

On July 11, 2016, the Company acquired, from administration, a 100% interest in the South Crofty Tin Project and associated mineral rights in Cornwall, UK. A description of this acquisition can be found in Note 3. The Company, through its wholly-owned subsidiary Strongbow Exploration (UK) Limited now owns a 100% interest in Western United Mines Limited ("WUML") and Cornish Minerals Limited (Bermuda) (collectively the "Companies"). The Companies hold the rights to the South Crofty underground mine permission area, plus additional mineral rights over a further 7,500 Ha located in various parts of Cornwall, UK.

In addition to the consideration paid on July 11, 2016 (Note 3), the Company agreed to the following additional payments and share issuances as part of the purchase and sale agreement with Galena and Tin Shield, whereby Galena and Tin Shield would split the payments 52.5% to Galena and 47.5% to Tin Shield:

- Strongbow will issue 1,000,000 common shares to Galena / Tin Shield upon receipt of a permit to increase water discharge from the old mine workings from 10,000m³ per day to 25,000m³ per day.
- Strongbow will make a payment to Galena / Tin Shield totaling \$2,000,000 (cash and / or common shares at Strongbow's election) on the second anniversary of the approval vote by creditors for WUML's exit from administration (date set at June 10, 2018). This payment has been accrued as a long-term liability and recorded as part of the acquisition cost for South Crofty (Notes 3 and 11).
- Strongbow will issue 2,000,000 common shares to Galena / Tin Shield on delivery of a positive feasibility study or commencement of commercial production, whichever occurs first.
- Strongbow will make a cash and / or common share payment to Galena / Tin Shield equal to 25% of the Net Present Value ("NPV") of the project upon making a decision to go into production. In the event that Strongbow's market capitalization is less than the NPV of the project when a production decision is made, Strongbow will pay the equivalent of 25% of its market value to Galena / Tin Shield and the balance (between the 25% of market value and 25% of the NPV of the project) will be paid out as a 5% Net Profits Interest from production.
- In the event that Strongbow transfers any assets, rights, or entitlements to certain mineral rights which are not part of the core mineral rights (the "Other Mineral Rights") to a third party before the agreed consideration has been paid to Galena / Tin Shield, then Galena / Tin Shield will be entitled to receive a payment equal to 10% of any consideration received for the Other Mineral Rights, to a maximum of \$1,000,000.

Sleitat and Coal Creek Tin Properties, Alaska, U.S.A.

On July 24, 2015, the Company acquired the Sleitat and Coal Creek tin properties in Alaska (collectively, the "Properties") subject to the terms of a property purchase agreement (the "Agreement") with Osisko Gold Royalties Ltd. ("Osisko") and Mr. R. Netolitzky, and their respective wholly-owned companies, Brett Alaska Resources Inc. ("Brett") and Thor Gold Alaska, Inc. ("Thor"). Thor held a 20% undivided interest in the Sleitat property and Brett held an 80% undivided interest in the Sleitat property and a 100% interest in the Coal Creek property. Mr. Netolitzky is a director of the Company and is therefore non-arm's length to the Company. The Company acquired the Properties for total consideration of 6,500,000 common shares of the Company allocated as to 5,000,000 common shares to Brett and 1,500,000 common shares to Thor, and a 2% Net Smelter Return ("NSR") royalty on the Properties. The NSR royalty was allocated 1.75% to Brett and 0.25% to Thor. The common shares were issued at \$0.10 per share for a value of \$650,000. In addition, property acquisition costs of \$40,123 were incurred.

In addition to the shares and the NSR royalty, the Company granted Osisko a first right of refusal on the sale of any future royalties on any of its properties. Closing of the acquisition of the Properties and a private placement financing resulted in Osisko and Brett holding together 7,000,000 shares of the Company or 27.3% of the post-closing issued shares of the Company as at the date of the acquisition. As a result, Osisko is considered a 'control person' as defined by the TSX-V policies.

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10. EXPLORATION AND EVALUATION ASSETS – *Continued*

Other Exploration Properties and Generative Exploration, Canada

Other Properties

The Company maintains a number of mineral claims in British Columbia, Saskatchewan, and the Northwest Territories, including the Nickel King Project described below, as part of the Company's generative exploration programs.

Nickel King Project, NWT

The Company holds a 100% interest in a number of mineral claims and mining leases in the southern Northwest Territories. Certain of these mining leases are subject to a 3% NSR on base and precious metals production and an additional 2% gross overriding royalty ("GOR"). The Company may purchase the entire NSR at any time for \$1,500,000 and the Company may purchase one-half (1%) of the GOR at any time for \$2,500,000. During the year-ended January 31, 2014, the Company wrote off all capitalized acquisition and exploration expenditures due to limited exploration activities over the preceding three fiscal years. The Company can maintain its interest in the underlying mineral claims and mining leases for the Nickel King Project by making annual lease payments of \$5,883.

11. LONG-TERM LIABILITIES

Line of Credit

On March 15, 2016, Osisko, a significant shareholder of the Company, provided a \$1,500,000 interest-free line of credit (the "Loan") to the Company to complete the acquisition of two royalties from Teck (Note 9). The Company must repay the Loan upon any sale of the Mactung project by the Government of the Northwest Territories; the Loan is secured by the royalties. Repayment of the Loan will be by conveyance of the royalties to Osisko at Osisko's election at any time after the sale of the Mactung project by the Government of the Northwest Territories, or in cash under certain other circumstances. Any failure to repay the Loan is considered an event of default (a "Default"). In the event of a Default, the \$1,500,000 principal will be repayable immediately in cash and interest of 5% will also be payable, calculated from the drawdown date to the date of repayment.

Long-term Liability

As part of the acquisition of the South Crofty tin project (Notes 3 and 10), Strongbow committed to a future payment of \$2,000,000 (payable in cash or common shares, at Strongbow's election); this payment is due on the second anniversary of the approval vote by creditors for WUML's exit from administration, being June 10, 2018. Strongbow has recorded a long-term liability of \$1,542,110 which represents the estimated present value of this payment obligation, using a discount rate of 15%. Accretion to July 31, 2016 was immaterial.

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12. CAPITAL AND RESERVES

Authorized Share Capital

At July 31, 2016, the authorized share capital is an unlimited number of common shares without par value. All issued shares are fully paid.

Share issuances

On June 28, 2016, the Company closed the first tranche of a non-brokered private placement financing announced May 31, 2016, issuing 14,360,000 units at \$0.125 per unit for gross proceeds of \$1,795,000. Each Unit consisted of one common share and one whole share purchase warrant (the "Subscriber Warrant"). Each Subscriber Warrant allows the holder to purchase one common share of Strongbow at a price of \$0.20 until June 28, 2019, subject to the acceleration right described below. In connection with this financing, the Company paid a 5% finder's fee in cash of \$32,500 and issued 260,000 warrants (the "Finder's Warrants") equivalent to 5% of the subscription introduced by the finder. The Finder's Warrants have the same exercise terms as the Subscriber Warrants and are subject to the acceleration right described below. The common shares issued as part of this private placement and any common shares issuable upon exercise of the Subscriber Warrants or Finder's Warrants are subject to a hold period which will expire October 29, 2016. Insiders of Strongbow acquired 5,300,000 units for gross proceeds of \$662,500 to the Company on the same terms and conditions as arm's-length subscribers.

The Company closed a second and third tranche of the non-brokered private placement financing in July 2016 for gross proceeds of \$490,375. On July 15, 2016, the Company issued 3,773,000 Units at a price of \$0.125 per Unit for gross proceeds of \$471,625; on July 19, 2016, the Company issued 150,000 units at a price of \$0.125 per Unit for gross proceeds of \$18,750. Each Unit consists of one common share and one whole share purchase warrant (the "Subscriber Warrant"). Each Subscriber Warrant will allow the holder to purchase one common share of the Company at a price of \$0.20. The Subscriber Warrants are exercisable until July 15, 2019 and July 19, 2019, subject to the Acceleration Right described below. Proceeds of the financing will be used for work at the Company's recently acquired South Crofty tin project and for general working capital.

Strongbow paid cash commissions of \$11,000 and issued 88,000 Finder's Warrants, exercisable on the same terms as the Subscriber Warrants, in connection with the second closing on July 15, 2016.

Acceleration Right - Warrants

If on any 20 consecutive trading days the closing price of the Company's common shares (or the closing bid, if no sales were reported on a trading day) as quoted on the TSX-V (or such other stock exchange, quotation system or market on which such shares are then listed) is greater than \$0.50 during the term of the Warrants, then the Company may accelerate the expiry date of the Warrants to the 30th day after the date on which the Company gives notice to the subscriber of such acceleration in accordance with the Warrant. Any Warrants not exercised on or before such 30th business day will expire and will no longer be exercisable to acquire shares.

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12. CAPITAL AND RESERVES - Continued**Share issuances - Continued**

The finder's warrants issued as part of the private placement financings which closed in June and July 2016 have been recorded as share issuance costs and valued at \$29,763 based upon the Black-Scholes valuation model using the following assumptions:

	Assumptions
Risk-free interest rate	0.55~0.56%
Expected dividend yield	0%
Expected stock price volatility	100%
Expected option life in years	3 years
Forfeiture rate	0%

Stock options and warrants

The Company has a Stock Option Plan (the "Plan"), which establishes a rolling number of shares issuable under the Plan to a maximum of 10% of the Company's issued shares at the date of grant. Certain amendments were made to the Plan in 2016 to incorporate changes to TSX Venture Exchange policies; the new Plan was approved by Shareholders on September 22, 2016.

Under the terms of the Plan, the exercise price of each stock option granted cannot be less than the market price at the date of grant, less a discount up to 25% in accordance with the policies of the TSX-V. Options granted can have a term up to five years with vesting provisions determined by the directors in accordance with TSX-V policies for Tier 2 Issuers.

As at July 31, 2016 the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price	Number Exercisable	Expiry Date
Options	2,220,000	\$ 0.11	1,776,000	October 23, 2020
Warrants	5,000,000	\$ 0.20	5,000,000	July 24, 2017
	14,620,000	0.20	14,620,000	June 29, 2019
	3,861,000	0.20	3,861,000	July 15, 2019
	150,000	0.20	150,000	July 19, 2019

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12. CAPITAL AND RESERVES - Continued

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, January 31, 2016	2,354,000	\$ 0.42
Expired	<u>(134,000)</u>	5.50
Balance, July 31, 2016	2,220,000	\$ 0.11
Number of options currently exercisable as at July 31, 2016	1,776,000	\$ 0.11

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 31, 2016	5,000,000	\$ 0.20
Issued	<u>18,631,000</u>	0.20
Balance, July 31, 2016	23,631,000	\$ 0.20

Share-based compensation

During the year ended January 31, 2016, the Company granted 2,220,000 stock options to directors, officers, employees and consultants with an estimated fair value of \$171,524. The stock options vested 20% on the date of grant and will vest 20% every three months thereafter, becoming fully vested one year from the grant date. As at July 31, 2016, the stock options were 80% vested. The stock options are exercisable at \$0.11 until October 23, 2020.

During the six months ended July 31, 2016, the Company recorded \$42,309 in share-based compensation expense (July 31, 2015 - \$Nil). The Company estimated a fair value of \$171,524 for the 2,220,000 stock options granted in October 2015 using the following assumptions:

	Assumptions
Risk-free interest rate	0.84%
Expected dividend yield	0%
Expected stock price volatility	100%
Expected option life in years	5 years
Forfeiture rate	0%

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13. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties not disclosed elsewhere in these financial statements (see also Notes 5 and 9):

- a) Charged rent of \$Nil (July 31, 2015 - \$351) to North Arrow, a company with two common directors;
- b) Paid \$9,000 to North Arrow for office space and administrative services (July 31, 2015 - \$Nil); and
- c) Paid \$23,550 for office rent (July 31, 2015 - \$Nil) to Helio Resource Corp., a company with two common directors, and \$2,310 (July 31, 2015 - \$Nil) as a cost reimbursement. In addition, the Company provided Helio with a \$4,300 security deposit pursuant to a sublease agreement for office space.

Included in payables is \$Nil due to North Arrow (January 31, 2016 - \$4,528) for reimbursement of shared administrative expenses and \$9,026 (January 31, 2016 - \$Nil) due to Helio for rent and the reimbursement of other expenses.

Key management includes the Company's directors and officers. Compensation awarded to key management was as follows:

	Six Months Ended	
	July 31, 2016	July 31, 2015
Salaries and benefits	\$ 80,000	\$ 9,500
Share-based payments ¹	40,022	Nil
Total	\$ 120,022	\$ 9,500

¹ Share-based payments are the fair value of options that have been granted to directors and key management personnel which vested during the period ended July 31, 2016.

14. ASSET RETIREMENT OBLIGATION

	Six Months Ended	
	July 31, 2016	Year Ended January 31, 2016
Opening balance	\$ 54,181	\$ 55,024
Reduction in asset retirement obligation	(42,937)	-
Accretion	108	388
Change in estimate	1,096	(1,231)
Ending balance	\$ 12,448	\$ 54,181

The Company has recorded an asset retirement obligation, which reflects the present value of the estimated amount of undiscounted cash flow required to satisfy the asset retirement obligation in respect of the Nickel King and Dumas Lake properties. The pre-tax market based discount rate at which the estimated cash flows have been discounted to arrive at the obligation was 0.54% and the inflation rate was 2.1%. The undiscounted amount of inflation-adjusted estimated future cash flows is \$12,476.

During the period ended July 31, 2016, the Company paid \$42,937 to substantially complete the clean-up of the Nickel King property. The \$1,096 change in estimate was recorded as a reduction of generative exploration costs on the consolidated condensed interim statements of loss and comprehensive loss for the period ended July 31, 2016.

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15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six months ended July 31, 2016 the significant non-cash transaction were:

- a) the issuance of 2,000,000 common shares with a value of \$400,000 to acquire the South Crofty tin project and the recognition of a long-term liability of \$1,542,110 related to a future payment, pursuant to the acquisition agreement (Note 3);
- b) the recognition of a \$172,608 unrealized gain on marketable securities through the investment revaluation reserve.

During the six months ended July 31, 2015 the significant non-cash transaction were:

- a) the issuance of 6,500,000 common shares with a value of \$650,000 for two property acquisitions; and
- b) the recognition of a \$4,000 unrealized loss on marketable securities through the investment revaluation reserve.

16. COMMITMENTS

As at July 31, 2016, the Company is committed to minimum future lease payments for office premises as follows:

Year ending January 31, 2017	\$ 51,600
Year ending January 31, 2018	\$ 12,900

The Company's lease costs may be reduced due to recoveries through sub-leases.

17. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in capital and reserves. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company's objective for capital management is to plan for the capital required to support the Company's ongoing acquisition and exploration of its exploration and evaluation assets and to provide sufficient funds for its corporate activities.

The Company's exploration and evaluation assets are in the exploration stage. As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings and, in recent years, asset sales or exploration option agreements to finance its operations. In order to carry out the Company's planned exploration programs and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required. To effectively manage the Company's capital requirements, the Company's management has in place a planning and budgeting process. The Company is not subject to any externally imposed capital requirements.

18. SEGMENTED INFORMATION

The Company operates in two business segments, being the exploration and evaluation of mineral properties in North America, and the UK as follows:

	<u>As at July 31, 2016</u>				<u>As at January 31, 2016</u>		
	Canada	United States	UK	Total	Canada	United States	Total
Deposits	\$ 9,300	\$ -	\$ -	\$ 9,300	\$ 9,300	\$ -	\$ 9,300
Property, Plant and Equipment	\$ 7,525	\$ -	\$1,010,000	\$1,017,525	\$ 8,853	\$ -	\$ 8,853
Royalties	\$ 1,500,000	\$ -	\$ -	\$1,500,000	\$ -	\$ -	\$ -
Exploration and Evaluation Assets	\$ -	\$ 713,850	\$ 2,445,197	\$3,159,047	\$ -	\$ 713,850	\$ 713,850