

# **YORBEAU RESOURCES INC.**

**Condensed Consolidated Interim Financial Statements**  
**(Unaudited and not reviewed by the**  
**Company's independent auditors)**  
**For the period ended**  
**September 30, 2016**

Yorbeau Resources Inc.  
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# YORBEAU RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position  
(Unaudited)

	September 30 2016 \$	December 31 2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	457,590	341,774
Tax credits and other receivables (Note 4)	66,220	141,767
Prepaid expenses	23,761	54,666
	<b>547,571</b>	538,207
<b>Non-current assets</b>		
In-trust deposits (Note 5)	197,380	115,760
Chibougamau Building (Notes 7 and 8)	255,932	263,847
Mining Properties (Note 9)	3,840,538	4,177,413
Exploration and evaluation assets (Note 9)	19,432,991	17,798,708
	<b>23,726,841</b>	22,355,728
	<b>24,274,412</b>	22,893,935
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	295,405	590,447
Liability related to flow-through shares (Notes 12 and 15)	286,328	144,730
	<b>581,733</b>	735,177
<b>Non-current liabilities</b>		
Provisions (Note 11)	279,000	615,875
	<b>860,733</b>	1,351,052
<b>Shareholders' Equity</b>		
Share capital and warrants (Note 12)	50,900,751	48,532,227
Contributed surplus	2,888,624	2,849,483
Deficit	(30,375,696)	(29,838,827)
	<b>23,413,679</b>	21,542,883
	<b>24,274,412</b>	22,893,935

Commitments and contingencies (Note 15)  
Subsequent events (Note 19)

See accompanying notes to condensed consolidated interim financial statements

# YORBEAU RESOURCES INC.

Condensed Consolidated Interim Statements of Comprehensive Loss  
(Unaudited)

	For three months ended September 30		For nine months ended September 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Revenues</b>				
Management fees	7,500	-	22,500	30,000
Rental of facilities	7,650	7,650	22,950	18,750
Other revenue related to flow-through shares	113,891	88,541	402,378	247,352
	<b>129,041</b>	96,191	<b>447,828</b>	296,102
<b>Expenses</b>				
Administrative charges (Note 16)	181,183	179,770	568,553	598,293
Share-based payments	5,113	18,363	39,141	83,245
Property maintenance	30,379	18,000	119,521	101,273
Chibougamau building expenses (Note 17)	8,035	7,151	53,825	20,813
	<b>224,710</b>	223,284	<b>781,040</b>	803,624
Interest income	(14)	(1,351)	(1,068)	(6,883)
Interest expense	17	-	4,149	-
Net interest expense (income)	3	(1,351)	3,081	(6,883)
<b>Loss and comprehensive loss for the period</b>	<b>(95,672)</b>	(125,742)	<b>(336,293)</b>	(500,639)
Net loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding	269,739,155	233,792,001	258,972,256	231,034,648

See accompanying notes to condensed consolidated interim financial statements.

# YORBEAU RESOURCES INC.

## Condensed Consolidated Interim Statements of Changes in Cash Flows (Unaudited)

	For nine months ended September 30 2016 \$	For nine months ended September 30 2015 \$
<b>Cash flows from operating activities</b>		
Loss and comprehensive loss for the period	(336,293)	(500,639)
Adjustments for:		
Other revenue related to flow-through shares	(402,378)	(247,352)
Share-based payments	39,141	83,245
Amortization expense (note 8)	7,915	7,304
Net interest expense (income)	3,081	(6,883)
Working capital adjustments		
Change in sales tax and other receivables	35,095	3,577
Change in prepaid expenses	30,905	23,725
Change in accounts payable and accrued liabilities	(295,042)	(58,569)
Interest received	1,068	6,883
Interest paid	(4,149)	-
<b>Net cash used in operating activities</b>	<b>(920,657)</b>	<b>(688,709)</b>
<b>Cash flows from investing activities</b>		
Increase in temporary investments	-	(400,000)
Decrease in temporary investments	-	1,200,000
Increase of in-trust deposits	(81,620)	-
Additions to mining properties	-	(50,179)
Additions to exploration and evaluation assets	(1,635,361)	(1,355,362)
Credit on mining duties and resource tax credits	41,530	127,750
<b>Net cash used in investing activities</b>	<b>(1,675,451)</b>	<b>(477,791)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	2,912,500	-
Equity financing expenses	(200,576)	(35,567)
Increase in advance from subscribers	-	430,000
<b>Net cash from financing activities</b>	<b>2,711,924</b>	<b>394,433</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>115,816</b>	<b>(772,067)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>341,774</b>	<b>1,116,083</b>
<b>Cash and cash equivalents, end of period</b>	<b>457,590</b>	<b>344,016</b>
Non-cash activities:		
Additions to mining properties and building financed with the issuance of shares	-	1,500,000
Revised provision relating to mining properties	(336,875)	-

See accompanying notes to condensed consolidated interim financial statements.

# YORBEAU RESOURCES INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited)

	For nine months ended September 30 2016 \$	For nine months ended September 30 2015 \$
Transactions with shareholders, recorded directly in equity		
<b>Share capital and warrants</b>		
Balance beginning of year	48,532,227	46,134,500
Shares issued to acquire building and properties	-	1,500,000
Issue of common shares	850,000	-
Issue of flow-through shares	2,062,500	-
Liability related to flow-through shares	(543,976)	-
Balance end of the period	50,900,751	47,634,500
<b>Contributed surplus</b>		
Balance beginning of year	2,849,483	2,746,061
Share-based payments under the option plan	39,141	81,782
Share-based payments with respect to investor relations	-	1,463
Balance end of the period	2,888,624	2,829,306
<b>Deficit</b>		
Balance beginning of year	(29,838,827)	(29,130,932)
Total comprehensive loss for the period	(336,293)	(500,639)
Equity financing expenses	(200,576)	(35,567)
Balance end of the period	(30,375,696)	(29,667,138)
<b>Total shareholders' equity end of the period</b>	<b>23,413,679</b>	<b>20,796,668</b>

See accompanying notes to condensed consolidated interim financial statements.

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2016 and 2015  
(Unaudited)

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## 1. Reporting entity and going concern:

Yorbeau Resources Inc. (“Yorbeau” or the “Company”) is a company domiciled in Canada and incorporated under the laws of the Province of Québec. The address of the Company’s registered office is 110 Crémazie Boulevard, Suite 430, Montréal, Québec.

The Company is involved in the exploration of mineral properties in the Province of Québec. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. Operating activities have not yet generated any revenues. The ability of the Company to meet its commitments and discharge its liabilities as they become payable and pursue the acquisition of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. The recoverability of amounts shown for mining properties and exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. As at the date of the condensed consolidated interim financial statements, management determined that the carrying amount of mining properties and exploration and evaluation assets represents the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

Management expects that the working capital available to the Company at the end of the period will not provide the Company with adequate funding to cover its budgeted general administrative expenses and to meet its short-term obligations for the next twelve months, and to complete its planned 2016 calendar year exploration budget. Consequently, the Company will need to obtain additional financing in 2016.

The conditions mentioned above indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The condensed consolidated interim financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Nine months ended September 30, 2016 and 2015  
(Unaudited)

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## 2. Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), including IAS 34, *Interim Financial Reporting*. These unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and therefore, should be read in conjunction with the audited annual financial statements and the notes thereto for the year ended December 31, 2015.

## 3. Basis of preparation:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. The basis of preparation, including the use of estimates and judgments, and significant accounting policies are unchanged compared to the ones disclosed in the audited annual financial statements for the year ended December 31, 2015, except for the following:

New accounting standards and amendments adopted:

The following amendments have been applied in preparing the unaudited condensed consolidated financial statements as at September 30, 2016 and did not have a significant impact on the financial statements:

On December 18, 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative").

## 4. Tax credits and other receivables:

		September 30 2016		December 31 2015
Sales taxes	\$	62,970	\$	90,813
Exploration credits on mining duties		-		40,452
Others		3,250		10,502
Tax credits and other receivables	\$	66,220	\$	141,767

## 5. In-trust deposits:

As at September 30, 2016, the Company has deposited \$197,380 in a trust account in accordance with the current financial guarantee requirements set forth by the *Regulation respecting mineral substances other than petroleum, natural gas and brine* and the *Commission de protection du territoire agricole* for future site restoration costs at the Augmitto and Astoria sites on the Rouyn property. Additional guarantees may be required by the government bodies (refer to Note 11).

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Nine months ended September 30, 2016 and 2015  
(Unaudited)

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## 6. Liability related to rights granted in replacement of old options of Cancor Mines Inc.:

At the acquisition of Cancor Mines Inc. ("Cancor") in 2014, the Company cancelled and replaced each Cancor option, which was unexercised by a right entitling the holder to receive a cash payment from the Company for an amount equivalent to the increase in value that such holder would have realized on the expiry of such Cancor option on the assumption that such Cancor option had been exercised for the Company's shares (adjusted as to number and exercise price in accordance with the conversion ratio), based on the closing price of the Company's shares on the TSX on the date of the expiry of the particular Cancor option.

The Company accounted for the liability related to the rights granted in replacement of Cancor options at fair value by using the Black-Scholes pricing model. At the date of the transaction and as at September 30, 2016, the fair value of these rights was nil.

As at September 30, 2016, the number of rights outstanding was 89,583.

Expiring date	Number of rights	Exercise price	Fair value
September 20, 2017	89,583	0.90	-

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## 7. Asset acquisition from Cogitore Resources Inc.:

On January 31, 2015, the Company closed a purchase and sale transaction with Cogitore Resources Inc. ("Cogitore"). Pursuant to the transaction, the Company acquired substantially all of Cogitore's exploration assets in consideration of the issuance of 25 million shares.

The exploration assets acquired from Cogitore consist of seven base metal exploration properties and a building located in Chibougamau as well as all equipment, records and data pertaining to such properties.

This transaction was recorded as an asset acquisition since the assets acquired do not meet the definition of a business according to IFRS 3, *Business Combinations*.



# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Nine months ended September 30, 2016 and 2015  
(Unaudited)

## 7. Asset acquisition from Cogitore Resources Inc. (continued):

The cost of the assets acquired has been allocated to the individual identifiable assets on the basis of their relative fair values at the date of purchase.

The transaction was valued at \$1,500,000. The allocation of the consideration paid is as follows:

### Consideration paid:

Issuance of Yorbeau shares (25,000,000 shares at \$0.06 per share)	1,500,000
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### Net assets acquired:

Chibougamau Building	273,890
Scott Lake	705,460
Lemoine	246,464
Selbaie West	57,740
Estrades-Caribou	152,778
Normetal West	63,668
	1,500,000

## 8. Chibougamau Building:

<b>Cost</b>	September 30, 2016		December 31, 2015	
Balance, beginning of year	\$	273,890	\$	-
Additions		-		273,890
Balance, end of period	\$	273,890	\$	273,890

<b>Accumulated amortization</b>	September 30, 2016		December 31, 2015	
Balance, beginning of year	\$	10,043	\$	-
Amortization during the period		7,915		10,043
Balance, end of period	\$	17,958	\$	10,043

<b>Carrying amount</b>	September 30, 2016		December 31, 2015	
Balance	\$	255,932	\$	263,847

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
 Nine months ended September 30, 2016 and 2015  
 (Unaudited)

## 9. Mining properties and exploration and evaluation assets:

Mining properties:

	Balance, December 31, 2015	Change in provision for site restoration costs (note 11)	Balance, September 30, 2016
	\$	\$	\$
Rouyn	2,831,770	(336,875)	2,494,895
Scott Lake	774,235	-	774,235
Lemoine	270,492	-	270,492
Selbaie West	63,369	-	63,369
Estrades-Caribou	167,672	-	167,672
Normetal West	69,875	-	69,875
	4,177,413	(336,875)	3,840,538

	Balance, December 31, 2014	Allocation of other	Additions	Balance, December 31, 2015
	\$		\$	\$
Rouyn	2,831,770	-	-	2,831,770
Other	69,354	(69,354)	-	-
Scott Lake	-	39,904	734,331	774,235
Lemoine	-	13,941	256,551	270,492
Selbaie West	-	3,266	60,103	63,369
Estrades-Caribou	-	8,642	159,030	167,672
Normetal West	-	3,601	66,274	69,875
	2,901,124	-	1,276,289	4,177,413

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
 Nine months ended September 30, 2016 and 2015  
 (Unaudited)

## 9. Mining properties and exploration and evaluation assets (continued):

Exploration and evaluation assets:

	Balance, December 31, 2015	Additions	Mining and Resource Tax Credits	Balance, September 30, 2016
	\$	\$		\$
Rouyn	15,929,512	122,065	(1,078)	16,050,499
Beschefer	72,412	149,661	-	222,073
Kistabiche	108,583	16,342	-	124,925
Scott Lake	1,308,912	1,327,474	-	2,636,386
Lemoine	8,832	9,571	-	18,403
Selbaie West	310,875	6,610	-	317,485
Estrades-Caribou	3,702	3,224	-	6,926
Normetal West	55,880	414	-	56,294
	17,798,708	1,635,361	(1,078)	19,432,991

	Balance, December 31, 2014	Additions	Balance, December 31, 2015
	\$	\$	\$
Rouyn	15,696,588	232,924	15,929,512
Beschefer	71,742	670	72,412
Kistabiche	-	108,583	108,583
Scott Lake	-	1,308,912	1,308,912
Lemoine	-	8,832	8,832
Selbaie West	-	310,875	310,875
Estrades-Caribou	-	3,702	3,702
Normetal West	-	55,880	55,880
	15,768,330	2,030,378	17,798,708

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Nine months ended September 30, 2016 and 2015  
(Unaudited)

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## 9. Mining properties and exploration and evaluation assets (continued):

### (a) Rouyn Property:

Yorbeau owns a 100% interest in the Rouyn property which is located in the Rouyn and Beauchastel Townships, Québec. The Rouyn property is composed of one mining concession and a group of 94 mining claims. Twelve of the 94 mining claims are subject to a \$50,000 per annum royalty payable to Société Minière Alta Inc., a company controlled by a director of Yorbeau.

### (b) Beschefer property:

In 2002, Yorbeau entered into an agreement with Explorers Alliance Corporation ("Explorers"), pursuant to which Yorbeau acquired from Explorers an 80% interest in 149 staked mining claims in consideration of the issuance to Explorers of 350,000 Class A common shares of Yorbeau. In 2005, Yorbeau abandoned 12 of these claims. The Company also has the option to acquire, at any time, the remaining 20% interest held by Explorers in the property in consideration of either a cash payment of \$500,000 or the issuance to Explorers of 1,800,000 additional Class A common shares of Yorbeau, as determined by Explorers. Yorbeau also owns a 100% interest in 120 staked claims located in the Beschefer Township. The 257 staked claims which form the Beschefer property were converted in July 2012 into an aggregate of 115 map designated claims. Yorbeau owns a 100% interest in 50 of these claims and an 80% interest in the remaining 65 claims.

### (c) Ellison property:

In 2002, Yorbeau entered into an agreement with Agnico-Eagle Mines Limited ("Agnico"), pursuant to which Yorbeau transferred to Agnico all of its interests in the Ellison property in consideration of a cash payment of \$1,000,000 of which \$500,000 was received on closing and \$500,000 is receivable upon commencement of commercial production. Yorbeau also retains a 2.5% net smelter return royalty when the current gold price as established by the London Bullion Market Association is over US\$425 per ounce.

### (d) Cancor properties:

Cancor has six Québec properties (Gemini, Turgeon, Kistabiche, Bonfortel, Poirier and Allard). All of these properties are in good standing.

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Nine months ended September 30, 2016 and 2015  
(Unaudited)

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## 9. Mining properties and exploration and evaluation assets (continued):

### (e) Selbaie West:

Yorbeau owns a 100% interest in the Selbaie West property, which is located in the Carheil and Brouillan Townships in Quebec. The property is composed of 105 claims, of which 100 claims are subject to a back-in right in favor of First Quantum Minerals Ltd. ("First Quantum") pursuant to an agreement dated June 29, 2009 as amended on January 15, 2015 (the "Back-in Right Agreement"). Under the terms of the Back-in Right Agreement, First Quantum has the right to earn back a 50% interest in the property by funding, with Yorbeau as operator, the exploration expenditures on the property in an amount equal to twice the amount of expenditures made on such property since it was acquired by Cogitore. If First Quantum does not exercise its back-in right, it will have the right to receive a 1% NSR royalty on the claims which are subject to the said back-in right.

### (f) Scott Lake:

Yorbeau owns a 100% interest in the Scott Lake property, which is composed of three (3) claim blocks totalling 129 claims located in the Scott, Lévy and Obalski Townships in Quebec. Some of these claims are subject to production royalties to third parties, as follows:

Ouje block: no underlying royalty.

Scott-Diagold block: These claims are subject to a 1% NSR royalty in favor of Exploration Diagold Inc., which can be purchased at any time by Yorbeau for an amount of \$750,000.

Thundermin block: These claims are subject to various underlying royalty agreements providing for the following royalties, payable upon commercial production. Effective January 12, 2016, 1948565 Ontario Inc., a wholly owned subsidiary of Rambler Metals and Mining PLC. acquired by way of amalgamation all of the issued and outstanding shares of Thundermin Resources Inc.

(i) a one-time cash payment to 1948565 Ontario Inc. ("1948565") of: (1) \$1,000,000 if the feasibility study in respect of the property indicates contained mineral reserves of less than 5 million tonnes; (2) \$2,000,000 if such reserves are in excess of 5 million tonnes but less than 10 million tonnes; and (3) \$4,000,000 if such reserves are in excess of 10 million tonnes;

(ii) a \$1 per ton royalty, up to a maximum payout of \$300,000; and

(iii) a 4% NSR royalty on mining in excess of 1 million tons.

An advance amount of \$35,000 is payable annually to 1948565 until commercial production is achieved. Such advance payments are recoupable out of the payments payable to 1948565 described under subsection (i) above.

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Nine months ended September 30, 2016 and 2015  
(Unaudited)

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## 9. Mining properties and exploration and evaluation assets (continued):

### (g) Lemoine:

In July 2015, the 199 staked claims which formed the Lemoine property were converted into an aggregate of 102 map designated claims. The property is located in the Lemoine, Rinfret and Dollier Townships in Quebec. Yorbeau has a 79.17% interest in the Lemoine property and the remaining interest of 20.83% is held by First Quantum. Certain claims of this property are subject to a 2% NSR royalty and to a \$1 M payment upon commercial production while other claims of this property are subject to a 1% NSR royalty, 50% of which can be purchased for \$1 M.

### (h) Estrades-Caribou:

The Estrades-Caribou property consists of three (3) contiguous claim blocks totalling 120 claims located in the Estrées Township in Quebec. Yorbeau owns varying interests in these claims, as follows:

Estrades block (7 claims): 65% interest owned by Yorbeau, residual interest owned by First Quantum.

Caribou East block (38 claims): 65% interest owned by Yorbeau, residual interest owned by First Quantum.

Caribou West block (75 claims): 100% interest owned by Yorbeau

111 claims on the Caribou East and Caribou West blocks are subject to a 2.5% NSR royalty.

### (i) Normetal West:

Yorbeau owns a 100% interest in the Normetal West property which consists of 18 claims located in the Abbotsford and Adair Townships in Ontario. Three of these claims are subject to a 1% NSR royalty which can be purchased for \$500,000.

### (j) Landrienne:

Yorbeau owns a 100% interest in the Landrienne property which consists of 62 claims located in the Landrienne Township in Quebec. This property is subject to the Back-in Right Agreement with First Quantum. Also, 22 claims of the property are subject to a 2% NSR royalty and 24 claims of the property are subject to a 1% NSR royalty.

### (k) Other properties:

Yorbeau owns a 100% interest in the Hébécourt (23 claims subject to the Back-in Right Agreement and 1% NSR royalty) and Castagnier (1 claim subject to the Back-in Right Agreement) properties.

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Nine months ended September 30, 2016 and 2015  
(Unaudited)

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## 10. Accounts payable and accrued liabilities:

	September 30		December 31
	2016		2015
Accounts payable	\$ 234,868	\$	480,700
Accrued liabilities	60,537		109,747
Accounts payable and accrued liabilities	\$ 295,405	\$	590,447

## 11. Provisions:

The Company's provisions consist of obligations for site restoration costs associated with mine reclamation and closure activities at the Astoria and Augmitto sites on the Rouyn property as required under the *Regulation respecting mineral substances other than petroleum, natural gas and brine and the Act Respecting the Preservation of Agricultural Land and Agricultural Activities*. In determining the estimated costs, the Company considered such factors as changes in laws and regulations and requirements under existing permits. The Company estimates the total restoration costs required in connection with the above-mentioned regulations to be approximately \$255,000 and \$24,000, respectively. Provisions are measured at each reporting date based on its best estimate of cash outflows. Any future changes to the estimated restoration provisions as a result of amended laws, regulations and operating assumptions will be added to the cost of the related assets and could be significant.

The Company has already deposited amounts of \$173,380 and \$24,000 with governmental authorities (refer to Note 5) in partial satisfaction of the required financial guarantees for the Astoria and Augmitto sites.

During the period, the provisions for site restoration costs have changed as follows:

	September 30		December 31
	2016		2015
Balance, beginning of year	\$ 615,875	\$	615,875
Revised provisions during the period	(336,875)		-
Balance end of period	\$ 279,000	\$	615,875

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
 Nine months ended September 30, 2016 and 2015  
 (Unaudited)

## 12. Share capital and warrants:

Authorized:

An unlimited number of Class A common shares, without nominal or par value

Shares fluctuated as follows during the period:

	September 30 2016		December 31 2015	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	243,678,359	48,532,227	208,792,001	46,134,500
Shares issued:				
Private placement – common shares	12,142,859	850,000	-	-
Private placement – flow-through	17,719,048	2,062,500	9,886,358	1,150,000
Liability related to flow-through	-	(543,976)	-	(252,273)
Pursuant to asset acquisition from Cogitore	-	-	25,000,000	1,500,000
Balance, end of period	273,540,266	50,900,751	243,678,359	48,532,227

On March 10, 2016, the Company completed a private placement financing. The Company issued a total of 7,142,859 units at a price of \$0.07 per unit for gross proceeds of \$500,000. Each unit consists of one Class A common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Class A common share at a price of \$0.10 until March 10, 2018.

On March 31, 2016, the Company completed a private placement financing. The Company issued a total of 5,952,381 flow-through shares at a price of \$0.105 per share for gross proceeds of \$625,000. At closing, the Company paid 8% of the gross proceeds as a finder's fee.

On April 20, 2016, the Company completed a private placement financing. The Company issued a total of 3,571,428 units at a price of \$0.07 per unit for gross proceeds of \$250,000. Each unit consists of one Class A common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Class A common share at a price of \$0.10 until April 20, 2018.

On April 28, 2016, the Company completed a private placement financing. The Company issued a total of 1,428,572 units at a price of \$0.07 per unit for gross proceeds of \$100,000. Each unit consists of one Class A common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Class A common share at a price of \$0.10 until April 28, 2018.



# YORBEAU RESOURCES INC.

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## 12. Share capital and warrants (continued):

On April 28, 2016, the Company completed a private placement financing. The Company issued a total of 1,666,667 flow-through shares at a price of \$0.105 per share for gross proceeds of \$175,000.

On July 19, 2016, the Company completed a private placement financing. The Company issued a total of 6,200,000 flow-through shares at a price of \$0.125 per share for gross proceeds of \$775,000. At closing, the Company paid 7% of the gross proceeds as a finder's fee.

On August 29, 2016, the Company completed a private placement financing. The Company issued a total of 3,200,000 flow-through shares at a price of \$0.125 per share for gross proceeds of \$400,000.

On September 13, 2016, the Company completed a private placement financing. The Company issued a total of 700,000 flow-through shares at a price of \$0.125 per share for gross proceeds of \$87,500. At closing, the Company paid 7% of the gross proceeds as a finder's fee.

The carrying amount of these flow-through shares is presented net of the liability related to flow-through shares of \$543,976 that was recorded when the flow-through shares were issued during the financings on March 31, 2016, April 28, 2016, July 19, 2016, August 29, 2016, and September 13, 2016.

On January 31, 2015, the Company completed an asset acquisition, the details of which are described in Note 7, whereby it issued a total of 25,000,000 Class A common shares for the mining properties as well as a building from Cogitore. The closing market price on the day of the transaction was \$0.06, which is the price used in calculating the value of the shares issued.

On November 3, 2015, the Company completed a private placement financing. The Company issued a total of 6,249,995 flow-through shares at a price of \$0.12 per share for gross proceeds of \$750,000.

On December 21, 2015, the Company completed a non-brokered private placement financing and issued a total of 3,636,363 flow-through shares at a price of \$0.11 per share for gross proceeds of \$400,000. At closing, the Company paid 8% of the gross proceeds as a finder's fee.

The number of outstanding share purchase warrants fluctuated as follows during the period:

	September 30 2016	December 31 2015
Balance, beginning of year	875,000	9,978,926
Warrants issued:		
Pursuant to private placement	6,071,427	-
Warrants expired	-	(9,103,926)
Balance, end period	6,946,427	875,000

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
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## 12. Share capital and warrants (continued):

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

- 875,000 warrants at \$0.08 per warrant expiring on December 3, 2016.
- 3,571,427 warrants at \$0.10 per warrant expiring on March 10, 2018.
- 1,785,714 warrants at \$0.10 per warrant expiring on April 20, 2018.
- 714,286 warrants at \$0.10 per warrant expiring on April 28, 2018.

All options and warrants outstanding at the end of the period could potentially dilute basic earnings per share in the future.

## 13. Share option plan:

As at September 30, 2016, 13,983,334 Class A common shares were reserved for future issuances under the share option plan for the benefit of the directors, employees and service providers of the Company. Options are issued at an exercise price corresponding to the latest closing price of the Class A common shares on the TSX prior to the grant of the option.

The option plan provides that directors shall determine, in their sole discretion, whether vesting conditions should be applicable to any option granted thereunder at the time of such grant.

On June 28, 2016, the Company granted 300,000 share options to a director exercisable at \$0.10 per share. These options vested immediately and will expire after a period of five years. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of options granted was \$0.04 per option for a total value of \$12,395.

On April 13, 2015, the Company granted 3,425,000 share options to directors, employees, and service providers, exercisable at \$0.18 per share. 925,000 share options vested immediately. 1/3 of the remaining share options vested at the date of the grant, with an additional 1/3 vesting at each anniversary date thereafter. These options will expire after a period of five years. The fair value of each option was determined using the Black-Scholes option-pricing model. At the date of the grant, the weighted average fair value of options granted was \$0.006 per option for a total value of \$20,593.

On November 5, 2015, the Company granted 300,000 share options to a director exercisable at \$0.18 per share. These options vested immediately and will expire after a period of five years. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of options granted was \$0.03 per option for a total value of \$8,694.

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Notes to Condensed Consolidated Interim Financial Statements, Continued  
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## 13. Share option plan (continued):

The following weighted average assumptions were used in these calculations:

	September 30, 2016	December 31, 2015
Risk-free interest rate	0.575%	0.77%, 0.97%
Expected life	5 years	5 years
Expected volatility	57.412%	49.237%, 58.22%
Expected dividend	-	-

The number of stock options outstanding under the Company's plan fluctuated as follows during the period:

	September 30 2016		December 31 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	9,275,000	\$ 0.23	6,360,000	\$ 0.26
Granted	300,000	0.10	3,725,000	0.18
Expired	(50,000)	0.24	(810,000)	0.26
Balance, end of period	9,525,000	0.22	9,275,000	0.23
Exercisable options, end of period	8,800,000	\$ 0.23	6,641,667	\$ 0.24

As at September 30, 2016, the following options were outstanding:

- 2,400,000 options at \$0.27 per share until February 2, 2017
- 200,000 options at \$0.27 per share until May 1, 2017
- 1,075,000 options at \$0.25 per share until December 31, 2017
- 950,000 options at \$0.18 per share until December 31, 2017
- 1,825,000 options at \$0.25 per share until August 12, 2018
- 2,475,000 options at \$0.18 per share until April 12, 2020
- 300,000 options at \$0.18 per share until November 4, 2020
- 300,000 options at \$0.10 per share until June 27, 2021

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## 14. Income tax:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.9% (2015 - 26.9%) as a result of the following:

	September 30 2016	September 30 2015
Loss and comprehensive loss	\$ (336,293)	\$ (500,639)
Computed "expected" tax recovery	(90,463)	(134,672)
Increase in income taxes resulting from:		
Non-deductible share-based payments	10,529	22,393
Tax expense related to flow-through share deduction	413,055	354,868
Permanent difference arising from the non taxable income related to flow-through shares	(108,240)	(66,538)
Other	(224,881)	(176,051)
<b>Total income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

As at September 30, 2016, the Company has exploration expenditures and other costs of approximately \$30,412,000 which are being carried forward for income tax purposes indefinitely and which may be deducted from future taxable income. The Company also has \$16,698,000 in tax losses available to reduce future years' income. These tax losses, for which the tax effect has not been recorded in the consolidated financial statements, expire as follows:

2024	346,000
2025	469,000
2026	1,229,000
2027	1,648,000
2028	1,765,000
2029	2,015,000
2030	1,873,000
2031	1,685,000
2032	1,631,000
2033	1,313,000
2034	728,000
2035	904,000
2036	1,092,000
<b>Total</b>	<b>\$ 16,698,000</b>

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
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## 14. Income tax (continued):

Deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised. Deferred tax assets have not been recognized in respect of the following items:

	September 30	December 31
	2016	2015
Operating losses	\$ 4,351,000	\$ 4,382,000
Equity financing costs	86,000	61,000
Equipment	142,000	136,000
Mining properties	1,712,000	1,590,000
Exploration and evaluation assets	178,000	574,000
Provisions	75,000	166,000
Unrecognized tax deferred assets	\$ 6,544,000	\$ 6,909,000

## 15. Commitments and contingencies:

The Company has commitments under the terms of operating leases for premises, surface vehicle and plotter. Minimum lease payments are as follows:

	September 30	December 31
	2016	2015
One year and less	\$ 16,258	\$ 50,344
More than one and less than five years	45,422	419
	\$ 61,680	\$ 50,763

The lease contracts are standard industry contracts. The lease for the premises is primarily based on square footage. Lease payments for the surface vehicle and plotter are based on the cost of the units plus related financing costs.

The Company is committed to incur eligible exploration and evaluation expenses of \$2,062,500 by December 31, 2017, related to its flow-through share financings completed in 2016. As at September 30, 2016, the Company has incurred \$1,039,900 of eligible expenses.

The Company is committed to incur eligible exploration and evaluation expenses of \$1,150,000 by December 31, 2016, related to its flow-through share financings completed in 2015. As at September 30, 2016, the Company has incurred \$1,150,000 of eligible expenses.

There is no guarantee that the funds spent by the Company in the future will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors. In such event, the Company will indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
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## 16. Administrative charges:

	For three months ended		For nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
Professional fees	37,650	52,129	132,077	214,190
Investor relations	22,177	21,090	73,869	42,929
Salaries	82,610	77,562	256,627	243,436
Miscellaneous	18,786	9,787	45,492	34,124
Rent	16,653	16,020	49,726	48,729
Insurance	2,996	3,071	8,888	9,647
Taxes, licenses, fees	311	111	1,874	5,238
Total	181,183	179,770	568,553	598,293

## 17. Chibougamau building expenses:

	For three months ended		For nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
Building maintenance	1,050	176	32,258	(1,074)
Insurance	307	308	912	968
Heating	591	960	4,168	2,595
Taxes, licenses, fees	2,818	2,221	6,796	8,563
Miscellaneous	631	747	1,776	2,457
Amortization expense	2,638	2,739	7,915	7,304
Total	8,035	7,151	53,825	20,813

# YORBEAU RESOURCES INC.

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## 18. Related party transactions:

### *Transactions with key management personnel*

The compensation of directors and executive officers of the Company comprises:

		For nine months ended September 30 2016		For nine months ended September 30 2015
Short-term employee benefits	\$	187,867	\$	186,790
Share-based payments		32,976		64,499
Total	\$	220,843	\$	251,289

### *Other related party transactions*

During the period, a law firm, in which a former director and officer of the Company is a partner, rendered legal and consulting services in the amount of \$106,220 (2015 - \$170,450), charged to administrative charges, as well as with respect to financing in the amount of \$40,940 (2015 - \$23,196) charged to equity financing expenses, as well as with respect to acquisition of properties in the amount of nil (2015 - \$50,179) charged to mining properties totaling an aggregate amount of \$147,160 (2015 - \$243,825). As at September 30, 2016, the accounts payable include \$104,942 (2015 - \$56,207) owed to this legal firm.

Property maintenance in the consolidated statements of loss and comprehensive loss include an amount of \$50,000 (2015 - \$37,500) paid as a royalty to Société Minière Alta Inc., of which a director of Yorbeau is the sole shareholder (Note 9 (a)).

A director of the Company rendered investor relations services in the amount of \$20,000 (2015 - nil) charged to administrative charges. As at September 30, 2016, the accounts payable include nil (2015 - nil) payable to this director.

These transactions, made in the normal course of business, were measured at the exchange amount, which is the amount established and agreed to by the parties.

## 19. Subsequent events:

On October 17, 2016, the Company completed a private placement financing. The Company issued a total of 150,000 flow-through shares at a price of \$0.125 per share for gross proceeds of \$18,750.

# YORBEAU RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
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## 19. Subsequent events (continued):

On October 25, 2016, the Company signed a definitive option agreement with an affiliate of Kinross Gold Corporation ("Kinross") pursuant to which the Company granted to Kinross an option to purchase a 100% interest in the Rouyn property. The definitive option agreement provides that Kinross must complete a resource estimate for the Rouyn property after funding C\$12 million of exploration expenditures, including a firm commitment to spend C\$3 million in the first 18 months including no less than 12,500 metres of diamond drilling. Kinross will be the operator and project manager of the property during the option period. Upon completion of the resource estimate, Kinross will have the option to acquire a 100% interest in the property for a single cash payment consisting of (i) USD \$25,000,000, plus (ii) 2% of the prevailing gold price multiplied by the number of ounces of gold in measured, indicated and inferred resources identified in the resource estimate. In addition to the cash payment, Yorbeau will retain a 2% NSR on any ounces produced in excess of the number of ounces identified by Kinross in the resource estimate. The definitive option agreement is subject to the approval of the shareholders of Yorbeau which will be sought at a special meeting to be held on December 14, 2016. Shareholders holding 15.3% of the issued and outstanding common shares of Yorbeau have entered into voting support agreements pursuant to which they have agreed to vote in favour of the transaction at such special meeting.

Conditional upon the approval of the definitive option agreement by the shareholders of Yorbeau, Kinross has committed to participate in a \$1 million private placement of units in the Company. The subscription price of each unit (a "Unit") is \$0.09. Each Unit will consist of one common share in the capital of the Company and one-half of one common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase an additional common share of the Company (a "Warrant Share") at an exercise price of \$0.12 per Warrant Share for a period of 24 months from closing. The closing of the private placement of the Units is scheduled to occur following the approval of the definitive option agreement by the shareholders of Yorbeau.