

**STRATABOUND MINERALS CORP.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**  
**September 30, 2015**

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, Stratabound Minerals Corp. discloses that its auditors have not reviewed the unaudited financial statements for the nine months ended September 30, 2015.

**STRATABOUND MINERALS CORP.**  
**(Unaudited)**  
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

| As At  | <b>September 30, 2015</b> | December 31, 2014   |
|--|---------------------------|---------------------|
| <b>ASSETS</b>                                      |                           |                     |
| <b>CURRENT ASSETS</b>                              |                           |                     |
| Cash and cash equivalents                          | \$ 234,536                | \$ 205,386          |
| Investments  | 1,810                     | 1,810               |
| Other Receivables                                  | -                         | 17,727              |
| Prepaid expenses                                   | 15,766                    | 32,740              |
|  | <b>252,112</b>            | <b>257,662</b>      |
| <b>NON-CURRENT ASSETS</b>                          |                           |                     |
| Property, plant and equipment (Note 5)             | 2,777                     | 3,482               |
| Deposit (Note 4)                                   | 130,000                   | 130,000             |
| Mineral exploration and evaluation assets (Note 6) | 700,000                   | 700,000             |
|  | <b>702,777</b>            | <b>703,482</b>      |
|  | <b>\$ 1,084,889</b>       | <b>\$ 1,091,144</b> |
| <b>LIABILITIES</b>                                 |                           |                     |
| <b>CURRENT</b>                                     |                           |                     |
| Accounts payable and accrued liabilities (Note 7)  | \$ 249,315                | \$ 420,409          |
| Short-term loans payable (Note 8)                  | 194,754                   | 172,749             |
| Flow-through share premium (Note 10)               | -                         | 71,500              |
|  | <b>444,069</b>            | <b>664,658</b>      |
| <b>NON-CURRENT LIABILITIES</b>                     |                           |                     |
| Notes payable (Note 8)                             | 250,000                   | -                   |
| Decommissioning liabilities (Note 9)               | 125,981                   | 127,641             |
| Deferred taxes payable                             | -                         | -                   |
|  | <b>375,981</b>            | <b>127,641</b>      |
|  | <b>820,050</b>            | <b>792,299</b>      |
| <b>SHAREHOLDERS' EQUITY</b>                        |                           |                     |
| SHARE CAPITAL (Note 12)                            | 17,187,438                | 17,187,438          |
| CONTRIBUTED SURPLUS                                | 2,149,481                 | 2,149,481           |
| ACCUMULATED OTHER COMPREHENSIVE INCOME             | (1,822)                   | (1,822)             |
| DEFICIT  | (19,070,258)              | (19,036,252)        |
|  | <b>264,839</b>            | <b>298,845</b>      |
|  | <b>\$ 1,084,889</b>       | <b>\$ 1,091,144</b> |

Approved on behalf of the Board

Director "*Stan Stricker*"

Director "*Michael Page*"

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

**STRATABOUND MINERALS CORP.**  
**(Unaudited)**  
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

|   | Three months ended<br>September 30 |                  | Nine months ended<br>September 30 |                  |
|---|------------------------------------|------------------|-----------------------------------|------------------|
|   | 2015                               | 2014             | 2015                              | 2014             |
| <b>REVENUE</b>  |                                    |                  |                                   |                  |
| Interest income   | \$ -                               | \$ 107           | \$ 53                             | \$ 302           |
| <b>OTHER INCOME AND EXPENSES</b>                              |                                    |                  |                                   |                  |
| Other income (Note 10)  | -                                  | -                | 71,500                            | 53,266           |
| Interest expense  | (2,878)                            | (52,635)         | (8,305)                           | (52,635)         |
| General and administrative (Note 14)                          | (32,479)                           | (74,878)         | (96,549)                          | (195,918)        |
| Amortization (Note 5)   | (235)                              | (327)            | (705)                             | (982)            |
|   | <u>(35,592)</u>                    | <u>(127,840)</u> | <u>(34,059)</u>                   | <u>(196,269)</u> |
| <b>EARNINGS (LOSS) BEFORE TAXES</b>                           | <b>(35,592)</b>                    | <b>(127,733)</b> | <b>(34,006)</b>                   | <b>(195,967)</b> |
| <b>DEFERRED INCOME TAX RECOVERY</b>                           | <b>-</b>                           | <b>-</b>         | <b>-</b>                          | <b>-</b>         |
| <b>EARNINGS (LOSS) FOR THE PERIOD</b>                         | <b>(35,592)</b>                    | <b>(127,733)</b> | <b>(34,006)</b>                   | <b>(195,967)</b> |
| <b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>                 |                                    |                  |                                   |                  |
| Fair value loss on available-for-sale investments, net of tax | -                                  | (1,098)          | -                                 | (4,958)          |
| <b>COMPREHENSIVE LOSS FOR THE PERIOD</b>                      | <b>(35,592)</b>                    | <b>(128,831)</b> | <b>(34,006)</b>                   | <b>(200,925)</b> |
| <b>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE</b>            |                                    |                  |                                   |                  |
|   | \$ (0.001)                         | \$ (0.001)       | \$ (0.001)                        | \$ (0.002)       |
| <b>Weighted average number of shares:</b>                     |                                    |                  |                                   |                  |
| Basic and diluted   | 107,962,611                        | 94,558,263       | 107,962,611                       | 86,830,010       |

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

**STRATABOUND MINERALS CORP.**  
**(Unaudited)**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
For the Nine Month Period Ended September 30, 2015

|  | Number of issued<br>and outstanding<br>shares | Share<br>capital  | Contributed<br>surplus | Accumulated<br>other<br>comprehensive<br>income | Deficit             | Shareholders'<br>Equity |
|--|---|-------------------|------------------------|---|---------------------|-------------------------|
|  | #   | \$                | \$                     | \$  | \$                  | \$                      |
| <b>Balance at<br/>January 1, 2015</b>  | <b>107,962,611</b>                            | <b>17,187,438</b> | <b>2,149,481</b>       | <b>(1,822)</b>                                  | <b>(19,036,252)</b> | <b>298,845</b>          |
| Comprehensive loss<br>for the period   | -   | -                 | -                      | -   | -                   | -                       |
| Loss for the period  | -   | -                 | -                      | -   | <b>(34,006)</b>     | <b>(34,006)</b>         |
| <b>Balance at<br/>September 30,<br/>2015</b>   | <b>107,962,611</b>                            | <b>17,187,438</b> | <b>2,149,481</b>       | <b>(1,822)</b>                                  | <b>(19,070,258)</b> | <b>264,839</b>          |
| <b>Balance at<br/>January 1, 2014</b>  | <b>78,412,611</b>                             | <b>16,052,458</b> | <b>1,753,129</b>       | <b>(143)</b>                                    | <b>(12,876,398)</b> | <b>4,929,046</b>        |
| Common shares<br>and warrants issued<br>in private<br>placement (Note<br>12)               | 24,000,000                                    | 662,869           | 465,631                | -   | -                   | 1,128,500               |
| Common shares<br>and warrants issued<br>for payment of net<br>smelter royalty<br>(Note 12) | 950,000                                       | 28,500            | 27,455                 | -   | -                   | 70,948                  |
| Commander shares<br>(Note 12)  | 100,000                                       | 5,000             | -                      | -   | -                   | 5,000                   |
| Common shares<br>issued on exercise<br>of warrants (Note<br>12)                            | 4,500,000                                     | 446,734           | (96,734)               | -   | -                   | 350,000                 |
| Share issuance<br>costs  | -   | (8,123)           | -                      | -   | -                   | (8,123)                 |
| Comprehensive loss<br>for the period   | -   | -                 | -                      | (1,679)   | -                   | (1,679)                 |
| Loss for the year  | -   | -                 | -                      | -   | <b>(6,188,771)</b>  | <b>(6,188,771)</b>      |
| <b>Balance at<br/>December 31, 2014</b>  | <b>107,962,611</b>                            | <b>17,187,438</b> | <b>2,149,481</b>       | <b>(1,822)</b>                                  | <b>(19,036,252)</b> | <b>298,845</b>          |

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

**STRATABOUND MINERALS CORP.**

(Unaudited)

CONDENSED INTERIM STATEMENT OF CASH FLOWS

|   | Three months ended<br>September 30 |              | Nine months ended<br>September 30 |           |
|---|------------------------------------|--------------|-----------------------------------|-----------|
|   | 2015                               | 2014         | 2015                              | 2014      |
| <b>OPERATING ACTIVITIES</b>                           |                                    |              |                                   |           |
| Net and comprehensive earnings (loss)                 | \$ (35,592)                        | \$ (128,831) | \$ (34,006)                       | (200,925) |
| Items not affecting cash:                             |                                    |              |                                   |           |
| Amortization, depletion and impairment                | 235                                | 327          | 705                               | 982       |
| Accretion of decommissioning liability                | -                                  | 1,312        | -                                 | 3,845     |
| Interest  | 2,878                              | -            | 8,305                             | -         |
| Payment of net smelter royalty with share issuance    | -                                  | -            | -                                 | 70,948    |
| Other income  | -                                  | -            | (71,500)                          | (53,266)  |
| Unrealized loss on available-for-sale investments     | -                                  | 1,098        | -                                 | 4,958     |
|   | <b>(32,479)</b>                    | (126,094)    | <b>(96,496)</b>                   | (173,458) |
| Change in non-cash working capital items (Note 3)     | <b>(8,006)</b>                     | 74,024       | <b>(136,394)</b>                  | (251,998) |
| <b>Net cash from(used in) operations</b>              | <b>(40,485)</b>                    | (52,070)     | <b>(232,890)</b>                  | (425,456) |
| <b>INVESTING ACTIVITIES</b>                           |                                    |              |                                   |           |
| Exploration and evaluation assets                     | 10,453                             | (246,934)    | -                                 | (319,570) |
| Reclamation bond (Note 4)                             | -                                  | -            | -                                 | -         |
| Reclamation expenditures                              | -                                  | (36,743)     | (1,660)                           | (44,070)  |
| <b>Net cash used in investing activities</b>          | <b>10,453</b>                      | (283,677)    | <b>(1,660)</b>                    | (363,640) |
| <b>FINANCING ACTIVITIES</b>                           |                                    |              |                                   |           |
| Proceeds from short-term loans                        | -                                  | -            | 13,700                            | -         |
| Proceeds from notes payable                           | 250,000                            | -            | 250,000                           | -         |
| Proceeds from share issuance, net of transaction cost | -                                  | 670,972      | -                                 | 1,191,880 |
| <b>Net cash provided by financing</b>                 | <b>250,000</b>                     | 670,972      | <b>263,700</b>                    | 1,191,880 |
| Change in cash and equivalents position               | 219,968                            | 335,225      | 29,150                            | 402,784   |
| Cash and equivalents – beginning of period            | 14,568                             | 106,410      | 205,386                           | 38,851    |
| <b>Cash and equivalents – end of period</b>           | <b>\$ 234,536</b>                  | \$ 441,635   | <b>\$ 234,536</b>                 | 441,635   |

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

STRATABOUND MINERALS CORP.  
(Unaudited)  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

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**1. CORPORATE INFORMATION**

Stratabound Minerals Corp.'s business activity is the exploration and evaluation of mineral properties in Canada. Stratabound Minerals Corp. (the "Company") was incorporated under the Canada Business Corporations Act on March 5, 1986, and has continued as a company under the Business Corporations Act of Alberta. The Company is listed on the TSX Venture Exchange, having the symbol TSX.V: SB, as a Tier 2 mining issuer and is in the process of exploring its mineral properties in the province of New Brunswick.

The business of exploring for mineral resources involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable operations. The Company's ability to meet its obligations arising from exploration activity and normal business operations is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing, and future profitable production or proceeds from the disposition of its properties. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

The address of the Company's registered office is 3700, 400 Third Avenue SW, Calgary, Alberta T2P 4H2.

These condensed interim financial statements were authorized for issue by the Board of Directors on November 30, 2015.

**2. BASIS OF PRESENTATION**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

STRATABOUND MINERALS CORP.  
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FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

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**3. SUPPLEMENTAL CASH FLOW INFORMATION**

| For the three month period ended September 30    | 2015              | 2014             |
|--|-------------------|------------------|
| <b>Changes in non-cash working capital items</b> |                   |                  |
| Accounts receivable                              | \$ -              | \$ -             |
| Accounts payable and accrued liabilities         | (8,006)           | 54,039           |
| Prepaid expenses                                 | -                 | 19,985           |
|  | <b>\$ (8,006)</b> | <b>\$ 74,024</b> |

| For the nine month period ended September 30     | 2015                | 2014                |
|--|---------------------|---------------------|
| <b>Changes in non-cash working capital items</b> |                     |                     |
| Accounts receivable                              | \$ 17,727           | \$ -                |
| Accounts payable and accrued liabilities         | (171,095)           | (209,065)           |
| Prepaid expenses                                 | 16,974              | (42,933)            |
|  | <b>\$ (136,394)</b> | <b>\$ (251,998)</b> |

**4. DEPOSIT**

During 2013, \$850,000 was posted with the New Brunswick Department of Energy and Mines for reclamation and environmental security. Of this deposit, \$720,000 was returned to the Company during 2013 upon successful completion of the reclamation work on the mine. The Company expects the remaining \$130,000 to be returned in fiscal 2017 upon achievement of mine closure. The deposit has been pledged as security for the Company's financings from its largest shareholder and must be paid to him upon receipt of refund from the Province of New Brunswick (see note 8).

STRATABOUND MINERALS CORP.  
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FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

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**5. PROPERTY, PLANT AND EQUIPMENT**

|  | Office<br>equipment | Computer<br>equipment | Mineral<br>properties | Total               |
|--|---------------------|-----------------------|-----------------------|---------------------|
| <b>Cost</b>  |                     |                       |                       |                     |
| Balance at January 1, 2014                                     | \$ 23,079           | \$ 27,538             | \$ 3,383,660          | \$ 3,434,277        |
| Additions  | -                   | -                     | -                     | -                   |
| <b>Balance at December 31, 2014<br/>and September 30, 2015</b> | <b>\$ 23,079</b>    | <b>\$ 27,538</b>      | <b>\$ 3,383,660</b>   | <b>\$ 3,434,277</b> |
| <b>Accumulated amortization</b>                                |                     |                       |                       |                     |
| Balance at January 1, 2014                                     | \$ 21,799           | \$ 24,027             | \$ 3,383,660          | \$ 3,429,486        |
| Amortization and<br>depletion for the year                     | 256                 | 1,053                 | -                     | 1,309               |
| Balance at December 31, 2014                                   | \$ 22,055           | \$ 25,080             | \$ 3,383,660          | \$ 3,430,795        |
| Amortization   | 153                 | 552                   | -                     | 705                 |
| <b>Balance at September 30, 2015</b>                           | <b>\$ 22,208</b>    | <b>\$ 25,632</b>      | <b>\$ 3,383,660</b>   | <b>\$ 3,431,500</b> |
| <b>Carrying amounts</b>  |                     |                       |                       |                     |
| At January 1, 2014   | \$ 1,280            | \$ 3,511              | \$ -                  | \$ 4,791            |
| At December 31, 2014   | \$ 1,024            | \$ 2,458              | \$ -                  | \$ 3,482            |
| <b>At September 30, 2015</b>                                   | <b>\$ 871</b>       | <b>\$ 1,906</b>       | <b>\$ -</b>           | <b>\$ 2,777</b>     |



STRATABOUND MINERALS CORP.  
(Unaudited)  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

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**6. MINERAL EXPLORATION AND EVALUATION ASSETS**

|                                      |                   |
|--------------------------------------|-------------------|
| Balance at January 1, 2014           | \$ 5,980,164      |
| Acquisition and renewal costs        | 19,541            |
| Exploration expenditures             | 839,045           |
| Decommissioning asset                | 126,915           |
| Provincial government incentives     | (49,000)          |
| E&E assets impaired                  | (6,214,664)       |
| Balance at December 31, 2014         | \$ 700,000        |
| Acquisitions and renewals            | -                 |
| Exploration expenditures             | -                 |
| Provincial government incentives     | -                 |
| <b>Balance at September 30, 2015</b> | <b>\$ 700,000</b> |

**a) Bathurst, New Brunswick**

The Company holds a 100% interest in 158 units and one mining lease in the Bathurst base metal mining camp in New Brunswick, Canada. The properties include the CNE/Captain Group, CNE Mining Lease, and Taylor Brook claim groups. All are subject to a 1% net smelter return on production, other than the portion of the CNE/Captain Group formerly known as Captain East which is royalty-free. The carrying value of the Bathurst Group at September 30, 2015 is \$450,000 (December 31, 2014 - \$450,000).

**b) Enja, Quebec**

The Company had a 100% interest, subject to a 2% net smelter return royalty, in this gold and base metal prospect. The property was dropped in March 2015 and its carrying value at September 30, 2015 is \$ Nil (December 31, 2014 - \$ Nil).

**c) Commander Option, New Brunswick**

In 2010, the Company entered into an agreement with Commander Resources Ltd. ("Commander") whereby the Company has the option to acquire up to a 65% interest in a 1,049 hectare claim group adjoining the Company's CNE/Captain claim group in New Brunswick, Canada. The Company is currently in negotiations to revise the option agreement and extend the term of the option. The carrying value at September 30, 2015 is \$250,000 (December 31, 2014 -

**d) \$250,000).**

**Green Point, New Brunswick**

The Company had a 100% interest, subject to a 2% net smelter return royalty in 41 units located near Bathurst, New Brunswick, Canada. The property was dropped in August 2015 and its carrying value at September 30, 2015 is \$Nil (December 31, 2014 - \$Nil).

STRATABOUND MINERALS CORP.  
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of:

| As at   | September 30, 2015 | December 31<br>2014 |
|---|--------------------|---------------------|
| Trade payables  | \$ 239,063         | \$ 390,623          |
| GST payable   | 600                | 28,439              |
| Interest payable                                      | 9,652              | 1,347               |
| <b>Total accounts payable and accrued liabilities</b> | <b>\$ 249,315</b>  | <b>\$ 420,409</b>   |

**8. LOANS AND NOTES PAYABLE**

**SHORT-TERM LOANS**

During 2013, the Company entered into an unsecured loan facility with a private company controlled by its largest shareholder in the amount of \$850,000, subsequently repaid \$720,000 of the loan. During the first quarter of 2015 the same company made an additional loan of \$13,700 to the Company.

The principal balance of \$143,700 bears interest at 6% per annum and is due at such time as the water monitoring is completed on the CNE open pit mine. As at December 31, 2014 the amount of the loan including accrued interest was \$172,749. As at September 30, 2015 the Company owes approximately \$194,754 on the above facility, including 2015 interest expense of \$8,305 and the \$13,700 advance during the first quarter.

**LONG-TERM NOTES**

In addition to the above loan, on August 25, 2015 the Company borrowed \$250,000 from the same shareholder under two notes, to fund water sampling/monitoring and reclamation obligations at the CNE mine site, to pay fines related to the Fisheries Act charges brought against the Company in relation to the CNE mine operations, and to provide for ongoing administration of the corporation. The notes do not bear interest, mature December 31, 2017 if not repaid sooner, and are secured by the CNE leases as well as the environmental bond that has been posted with the Province of New Brunswick (see note 4).

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**9. DECOMMISSIONING LIABILITIES**

Upon commencement of mining operations during the first quarter of fiscal 2013, the Company accrued an estimated liability related to reclamation and closure costs based on the total expected future remediation cost.

The Company's expected decommissioning liabilities are as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| Balance at January 1, 2014           | \$ 62,102         |
| Changes in estimates                 | 126,915           |
| Payment of obligations               | (66,174)          |
| Accretion expense                    | 4,798             |
| <b>Balance at December 31, 2014</b>  | <b>\$ 127,641</b> |
| Changes in estimates                 | (1,660)           |
| Payment of obligations               | -                 |
| Accretion expense                    | -                 |
| <b>Balance at September 30, 2015</b> | <b>\$ 125,981</b> |

**10. FLOW-THROUGH SHARE PREMIUM**

Other liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

**Flow-through shares**

|  |                  |
|--|------------------|
| Balance at January 1, 2014                                 | \$ 53,266        |
| Liability incurred on flow-through shares issued           | 71,500           |
| Settlement of flow-through share liability on renouncement | (53,266)         |
| Balance at December 31, 2014                               | <b>\$ 71,500</b> |
| Liability incurred on flow-through shares issued           | -                |
| Settlement of flow-through share liability on renouncement | (71,500)         |
| <b>Balance at September 30, 2015</b>                       | <b>\$ -</b>      |

On June 16, 2014, the Company completed a non-brokered private placement of 5.2 million flow-through shares, 1.3 million common shares and 3.25 million warrants. The gross proceeds related to flow-through shares related to this transaction were \$227,500. A premium of \$71,500 was recognized as a liability related to the issuance of the flow-through shares. These flow-through shares have been renounced for tax purposes in fiscal 2015, at which time the liability was recognized in profit or loss as "other income".

STRATABOUND MINERALS CORP.  
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**10. FLOW-THROUGH SHARE PREMIUM (CONTINUED)**

On August 29, 2014, the Company completed a non-brokered private placement of 10.8 million flow-through shares, 2.7 million common shares and 6.750 million warrants. The gross proceeds related to flow-through shares related to this transaction were \$540,000. No premium was recognized as a liability related to the issuance of the flow-through shares. These flow-through shares have been renounced for tax purposes in fiscal 2015.

There were no flow-through share issuances completed during the nine month period ended September 30, 2015, and as a result, there were no additions to flow-through share premiums.

**11. RELATED PARTY TRANSACTIONS**

During the nine month period, the Company paid rent of \$1,800 (2014 - \$5,400) for office space owned by officers of the Company.

Of total salaries and benefits paid to key management \$ Nil (2014 - \$15,000) were capitalized as mineral exploration and evaluation assets during the nine month period.

**Key Management Compensation**

Key Management personnel compensation comprised:

| For the nine month period ended September 30 | 2015      | 2014      |
|--|-----------|-----------|
| Salaries and benefits                        | \$ 16,000 | \$ 72,000 |

**12. SHARE CAPITAL**

**a) Authorized**

Unlimited number of common shares, without nominal or par value.

**b) Issuance of securities**

- i) During October 2013, 2.5 million common flow-through shares were issued for total proceeds of \$250,000. Included in this issuance were 2.5 million warrants with a strike price of \$0.20, and expiring 5 years from the date of issue. Of the \$250,000 raised, \$100,000 was allocated to share capital, \$53,266 was allocated to the flow-through share premium, and \$96,734 was allocated to contributed surplus in respect of the warrants issued.

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**12. SHARE CAPITAL (CONTINUED)**

- ii) During October 2013, 25,000 common shares were issued for an extension of the Commander agreement. The fair value of this transaction was \$1,250.
- iii) During January 2014, the Company closed a non-brokered private placement of 4 million units priced at \$0.05 per unit for total proceeds of \$200,000. Each unit consisted of one common share of the Company and one half-warrant exercisable for three years at a strike price of \$0.05. Of the \$200,000 raised, \$120,000 was allocated to share capital, and \$80,000 was allocated to contributed surplus in respect of the warrants issued.
- iv) During February 2014, the Company issued 950,000 units, each unit consisting of one share and one warrant exercisable for 5 years at \$0.05, in full settlement of an arms-length 1% net smelter return royalty debt of \$70,948 payable following production from the CNE open pit mine. Of the total value of the units, \$28,500 was allocated to share capital and \$42,448 was allocated to contributed surplus in respect of the warrants issued.
- v) During June 2014, the Company issued 1.3 million units priced at \$0.25 per unit for total proceeds raised of \$325,000. Each unit consisted of 1 common share, four flow-through shares and 2.5 warrants exercisable for two years with a strike price of \$0.10. Of the \$325,000 raised, \$195,072 was allocated to share capital, \$71,500 was allocated to the flow-through share premium, and \$58,428 was allocated to contributed surplus in respect of the warrants issued.
- vi) During June 2014, 100,000 common shares were issued with respect to the Commander agreement at \$0.05 per share.
- vii) During August 2014, the Company issued 2.7 million units priced at \$0.25 per unit for total proceeds raised of \$675,000. Each unit consisted of 4 flow-through common shares, one non-flow through common share, and 2.5 warrants, with each whole warrant entitling the holder to subscribe for one additional share for two years for \$0.10 per share. Of the \$675,000 raised, \$409,997 was allocated to share capital and \$265,003 was allocated to contributed surplus in respect of the warrants issued.
- viii) In October 2014, 4,500,000 common shares were issued upon the exercise of warrants for cash proceeds to the Company of \$350,000.

**c) Stock options**

The Company has a stock-based compensation plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the plan. The fair value of each option granted estimated using the Black-Scholes option pricing model for the last issuance of options was \$0.078 using the following assumptions: weighted average life of 5 years; risk-free rate of 4.00%; expected volatility of 201%; and, a dividend yield of 0%. All options granted vest immediately, and therefore a forfeiture rate of 0% was used. There were no options granted during 2014 or the nine month period ended September 30, 2015.

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**12. SHARE CAPITAL (CONTINUED)**

The following table summarizes the stock option transactions:

|  | Number      | Weighted<br>average exercise<br>price |
|--|-------------|---------------------------------------|
| <b>Outstanding January 1, 2014</b>       | 7,540,000   | \$ 0.13                               |
| Expired and cancelled during the year    | (2,925,000) | 0.10                                  |
| <b>Outstanding at December 31, 2014</b>  | 4,615,000   | \$ 0.10                               |
| Expired and cancelled during the period  | (650,000)   | 0.10                                  |
| <b>Outstanding at September 30, 2015</b> | 3,965,000   | \$ 0.103                              |

The following table summarizes the options outstanding and exercisable as at September 30, 2015:

| Options outstanding | Exercise price | Expiry date   |
|---------------------|----------------|---------------|
| 365,000             | 0.13           | July 12, 2016 |
| 1,975,000           | 0.10           | May 17, 2017  |
| 1,625,000           | 0.10           | April 8, 2018 |
| 3,965,000           | \$ 0.103       |               |

**d) Nature and purpose of equity and reserves**

The reserves recorded in equity on the Company's Interim statement of financial position included 'Contributed Surplus,' Accumulated Other Comprehensive Income,' and 'Deficit.'

Contributed surplus is used to recognize the value of stock option grants and share warrants prior to exercise. Any proceeds received prior to the issuance of shares will be recorded as contributed surplus until the shares are issued, at which time the amount will be recognized as share capital.

Accumulated Other Comprehensive Income is an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

Deficit is used to record the Company's change in deficit from its income or losses from period to period.

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**12. SHARE CAPITAL (CONTINUED)**

e) **Warrants**

The following table summarizes the warrants transactions:

|  | Number      | Weighted average<br>exercise price |
|--|-------------|------------------------------------|
| <b>Outstanding January 1, 2014</b>       | 5,500,000   | \$ 0.20                            |
| Issued during the year                   | 12,950,000  | \$ 0.09                            |
| Expired during the year                  | (3,000,000) | 0.20                               |
| Exercised during the year                | (4,500,000) | 0.078                              |
| <b>Outstanding at December 31, 2014</b>  | 10,950,000  | \$ 0.118                           |
| Issued during the period                 | -           | -                                  |
| Expired during the period                | -           | -                                  |
| <b>Outstanding at September 30, 2015</b> | 10,950,000  | \$ 0.118                           |

The following table summarizes the warrants outstanding and exercisable as at September 30, 2015:

| Warrants outstanding | Exercise price | Expiry date      |
|----------------------|----------------|------------------|
| 750,000              | \$ 0.10        | June 16, 2016    |
| 6,750,000            | 0.10           | August 29, 2016  |
| 2,500,000            | 0.20           | October 9, 2018  |
| 950,000              | 0.05           | February 5, 2019 |

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**13. GENERAL AND ADMINISTRATIVE EXPENSES**

| For the three month period ended September 30 | 2015             | 2014             |
|---|------------------|------------------|
| Salaries and benefits                         | \$ -             | \$ 17,287        |
| Filing fees and investor communications       | 8,316            | 28,924           |
| Professional fees                             | 4,850            | 12,819           |
| Office, property expenses and other           | 19,313           | 10,770           |
| Finance charges                               | -                | 3,278            |
| Rent  | -                | 1,800            |
|   | <b>\$ 32,479</b> | <b>\$ 74,878</b> |

  

| For the nine month period ended September 30 | 2015             | 2014             |
|--|------------------|------------------|
| Salaries and benefits                        | \$ 17,155        | \$ 61,753        |
| Filing fees and investor communications      | 23,369           | 47,397           |
| Professional fees                            | 28,450           | 39,725           |
| Office, property expenses and other          | 25,775           | 31,964           |
| Finance expense                              | -                | 9,679            |
| Rent   | 1,800            | 5,400            |
|  | <b>\$ 96,549</b> | <b>\$195,918</b> |

**14. COMMITMENTS**

At September 30, 2015, the Company has committed to spending an additional \$182,932 on exploration to complete the year 5 requirements under the option agreement with Commander Resources. The Company is currently in negotiations to revise the option agreement and extend the term of the option. (Note 6(c)).

**15. SUBSEQUENT EVENTS**

On October 14, 2015 the New Brunswick Provincial Court issued an order mandating fines against the Company for violations of the Fisheries Act and the Metal Mining Effluent Regulations. The fines total \$75,000 and are payable as follows: \$25,000 on or before January 29, 2016; and \$50,000 on or before October 14, 2016.

On November 27, 2015 the Company received notice of the revocation by the Alberta Securities Commission and the British Columbia Securities Commission of the cease-trade order that had been issued on May 6, 2015 for the Company's failure to file its December 31, 2014 audited financial statements. The Company has applied to the TSX Venture Exchange for reinstatement of trading.