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**MURCHISON MINERALS LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE and SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

(Expressed in Canadian Dollars)

(Unaudited)

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**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditor.

**MURCHISON MINERALS LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 69,851	\$ 124,168
Amounts receivable and prepaid expenses (Note 6)	17,186	59,326
Total current assets	87,037	183,494
Property and equipment (Note 7)	-	896
Assets held for sale (Note 7)	294,720	296,479
<b>Total assets</b>	<b>\$ 381,757</b>	<b>\$ 480,869</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 105,831	\$ 138,666
Total liabilities	105,831	138,666
<b>EQUITY</b>		
Share capital (Note 9)	25,416,637	25,416,637
Reserves (Notes 10 and 11)	678,692	684,926
Deficit	(25,819,403)	(25,759,360)
Total equity	275,926	342,203
<b>Total equity and liabilities</b>	<b>\$ 381,757</b>	<b>\$ 480,869</b>

Nature and Continuance of Operations (Note 1)  
Commitments and Contingencies (Note 13)  
Subsequent Events (Note 15)

Approved on Behalf of the Board:

*"signed"*

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Kent Pearson  
Director

*"signed"*

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Denis Arsenault  
Director

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

**MURCHISON MINERALS LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND**  
**COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>EXPENSES</b>				
Exploration expenses Burundi	\$ 3,205	\$ -	\$ 5,952	\$ 786
Exploration expenses Uganda	6,435	25,858	19,208	73,239
Exploration expenses Canada (recovery)	(1,111)	47,877	(492)	78,116
General exploration	16	-	504	6,347
Professional fees	6,538	12,903	17,538	24,269
Management fees and salaries	-	32,089	11,411	72,959
Office and general	6,282	16,981	18,873	37,259
Regulatory and transfer agent	6,612	6,245	16,495	15,873
Investor relations	6,849	6,748	19,279	20,184
Amortization	-	361	-	722
<b>Loss before the under noted</b>	<b>34,826</b>	<b>149,062</b>	<b>108,768</b>	<b>329,754</b>
Interest income	(2)	(86)	(2)	(262)
Foreign exchange loss (gain)	(8,556)	1,357	(8,853)	(253)
Flow-through shares related income	-	(11,572)	-	(20,318)
Gain on disposal of property and equipment	(33,514)	-	(33,636)	-
<b>(Income) Loss for the period</b>	<b>\$ (7,246)</b>	<b>\$ 138,761</b>	<b>\$ 66,277</b>	<b>\$ 308,921</b>
Loss per share - basic and diluted	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
Weighted average number of common shares outstanding - basic and diluted	158,536,884	155,536,884	158,536,884	155,536,884

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

**MURCHISON MINERALS LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

For the six months ended June 30, 2016 and 2015

	<u>Reserves</u>				Total
	Share Capital	Equity settled share-based payments reserve	Warrants reserve	Deficit	
Balance, December 31, 2014	\$ 25,403,089	\$ 455,500	\$ 1,910,330	\$ (26,565,367)	\$ 1,203,552
Expiry of stock options	-	(174)	-	174	-
Expiry of warrants	-	-	(1,680,000)	1,680,000	-
Net loss for the period	-	-	-	(308,921)	(308,921)
<b>Balance, June 30, 2015</b>	<b>\$ 25,403,089</b>	<b>\$ 455,326</b>	<b>\$ 229,630</b>	<b>\$ (25,193,414)</b>	<b>\$ 894,631</b>
<b>Balance, December 31, 2015</b>	<b>\$ 25,416,637</b>	<b>\$ 455,326</b>	<b>\$ 229,600</b>	<b>\$ (25,759,360)</b>	<b>\$ 342,203</b>
Net loss for the period	-	-	-	(66,277)	(66,277)
Expiry of stock options	-	(6,234)	-	6,234	-
<b>Balance, June 30, 2016</b>	<b>\$ 25,416,637</b>	<b>\$ 449,092</b>	<b>\$ 229,600</b>	<b>\$ (25,819,403)</b>	<b>\$ 275,926</b>

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

**MURCHISON MINERALS LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>CASH (USED IN) PROVIDED BY:</b>				
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ 7,246	\$ (138,761)	\$ (66,277)	\$ (308,921)
Amortization	871	1,690	2,175	3,379
Flow-through share related income		(11,572)	-	(20,318)
Gain on sale of property and equipment	(33,514)	-	(33,636)	-
	(25,397)	(148,643)	(97,738)	(325,860)
Net change in non-cash working capital items:				
Amounts receivable and prepaid expenses	2,879	(1,698)	42,140	9,712
Accounts payable and accrued liabilities	9,836	9,891	(32,835)	(69,316)
<b>Net cash flows used in operating activities</b>	<b>(12,682)</b>	<b>(140,450)</b>	<b>(88,433)</b>	<b>(385,464)</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds on sale of property and equipment	33,514	-	34,116	-
<b>Net cash flows provided by investing activities</b>	<b>33,514</b>	<b>-</b>	<b>34,116</b>	<b>-</b>
<b>NET CHANGE IN CASH</b>	<b>20,832</b>	<b>(140,450)</b>	<b>(54,317)</b>	<b>(385,464)</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<b>49,019</b>	<b>322,778</b>	<b>124,168</b>	<b>567,792</b>
<b>CASH, END OF THE PERIOD</b>	<b>\$ 69,851</b>	<b>\$ 182,328</b>	<b>\$ 69,851</b>	<b>\$ 182,328</b>

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

# **MURCHISON MINERALS LTD.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**June 30, 2016 and 2015**

(Expressed in Canadian Dollars)

(Unaudited)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Murchison Minerals Ltd. (the "Company" or "Murchison") was incorporated under the Canada Business Corporations Act on July 25, 2001. The principal business of the Company is the acquisition, exploration and evaluation of mineral property interests. The primary office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada, M5H 1T1.

The condensed interim consolidated financial statements were approved by the Board of Directors on August 16, 2016.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in profitable mining operations. The continuance of the Company is dependent upon completion of the acquisition of the exploration and evaluation properties, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of the Company's assets.

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

As at June 30, 2016, the Company has a cumulative deficit of \$25,819,403 (December 2015 - \$25,759,360), continuing losses and is not yet generating positive cash flows from operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue its operations as a going concern.

These condensed interim consolidated financial statements were prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). Funding for operations has been obtained primarily through private share offerings. Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These condensed interim consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### *Statement of compliance*

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, these unaudited condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *New accounting policies*

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (“IFRS 5”) was amended in September 2014 to add specific guidance for cases in which an entity reclassifies an asset from “held for sale” to “held for distribution” or vice versa and cases in which “held-for-distribution” accounting is discontinued. The amendments are effective for annual periods beginning on or after January 1, 2016. At January 1, 2016, the Company adopted this amendment and there was no material impact on the Company’s condensed interim consolidated financial statements

IFRS 7 – Financial Instruments: Disclosures (“IFRS 7”) was amended in September 2014 to clarify whether a servicing contract is continuing involvement in a transferred asset for purposes of determining the disclosures required. IFRS 7 was also amended to clarify that the additional disclosures relating to offsetting are not specifically required for interim periods unless required by IAS 34. The amendments are effective for annual periods beginning on or after January 1, 2016. At January 1, 2016, the Company adopted this amendment and there was no material impact on the Company’s condensed interim consolidated financial statements

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. At January 1, 2016, the Company adopted this amendment and there was no material impact on the Company’s condensed interim consolidated financial statements

#### *New accounting standards not yet adopted*

The IASB issued the following standard which is relevant but have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standard will have on its condensed interim consolidated financial statements or whether to early adopt any of the new requirement.

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

### 3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015

(Expressed in Canadian Dollars)

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### 3. CAPITAL MANAGEMENT (Continued)

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. At the Annual and Special Meeting of Shareholders of the Company held on April 6, 2016, the shareholders of the Company approved that the common shares in the capital of the Company be changed by the consolidation of the issued and outstanding common shares at a ratio of up to twenty (20) to one (1), such ratio to be determined by the board of directors of the Company, in its sole discretion. See note 15, Subsequent Events.

The Company considers its capital to consist of equity, comprising share capital, reserves and deficit which at June 30, 2016 totalled \$275,926 (December 31, 2015 - \$342,203). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its exploration and development activities. Selected information is regularly provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended June 30, 2016. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

### 4. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures during the three months ended June 30, 2016.

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash balances and amounts receivable. Cash is held with reputable banks, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of sales tax receivable and refundable tax credits from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2016, the Company had a cash balance of \$69,851 (December 31, 2015 - \$124,168) to settle current liabilities of \$105,831 (December 31, 2015 - \$138,666). All of the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. An amount of \$25,000 (December 31, 2015 - \$25,000) that is included in current liabilities only becomes payable when the Company completes its next significant equity financing. See note 15, Subsequent Events.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.



# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015

(Expressed in Canadian Dollars)

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### 4. FINANCIAL RISK FACTORS (Continued)

#### *Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts at major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks. Management believes that interest rate risk is minimal as cash and cash equivalents investments have maturities of three months or less.

#### *Foreign currency risk*

The Company's functional and presentation currency is the Canadian dollar. Certain expenditures are transacted in foreign currencies. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. As at June 30, 2016, approximately \$30,675 of cash was held in US dollars (December 31, 2015 - \$24,032. Approximately \$4,049 (December 31, 2015 - \$11,891) of account payable was held in US dollars.

#### *Commodity price risk*

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of commodities. Commodity prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of commodities may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value. As at June 30, 2016, the Company is not a commodities producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

#### *Sensitivity analysis*

Based on management's knowledge and experience, the Company believes the following movements are "reasonably possible" over a one-year period:

- (i) Based on cash and other working capital balances at June 30, 2016, held in currencies other than the Canadian dollar, a 10% change in the foreign exchange rates relative to the Canadian dollar would result in a corresponding foreign exchange gain or loss of approximately \$2,700.
- (ii) Based on cash balances at June 30, 2016, a 1% change in interest rates would result in a corresponding interest income change of approximately \$700 for the one-year period.

### 5. CATEGORIES OF FINANCIAL INSTRUMENTS

	June 30 2016	December 31 2015
<b>Financial assets:</b>		
Loans and receivables		
Cash	\$ 69,851	\$ 124,168
Amounts receivable	2,574	38,704
<b>Financial liabilities:</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 105,831	\$ 138,666

As of June 30, 2016 and December 31, 2015, the fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	June 30 2016	December 31 2015
Sales tax receivable	\$ 2,574	\$ 32,633
Prepaid expenses and advances	14,612	20,622
Refundable tax credits	-	6,071
	\$ 17,186	\$ 59,326

### 7. PROPERTY AND EQUIPMENT

	Exploration Equipment <sup>(1)</sup>	Computer Equipment	Office Equipment	Total
<b>Six months ended June 30, 2015</b>				
Opening net book amount	\$ 301,529	\$ 1,995	\$ 1,158	\$ 304,682
Amortization for the period	(2,525)	(722)	(131)	(3,379)
<b>Closing net book amount</b>	<b>\$ 299,004</b>	<b>\$ 1,273</b>	<b>\$ 1,027</b>	<b>\$ 301,304</b>
<b>At June 30, 2015</b>				
Cost	\$ 371,087	\$ 34,306	\$ 1,304	\$ 406,697
Accumulated amortization	(72,083)	(33,033)	(277)	(105,393)
<b>Net book amount</b>	<b>\$ 299,004</b>	<b>\$ 1,273</b>	<b>\$ 1,027</b>	<b>\$ 301,304</b>
<b>Year ended December 31, 2015</b>				
Opening net book amount	\$ 301,529	\$ 1,995	\$ 1,158	\$ 304,682
Amortization for the year	(5,050)	(1,995)	(262)	(7,307)
<b>Closing net book amount</b>	<b>\$ 296,479</b>	<b>\$ -</b>	<b>\$ 896</b>	<b>\$ 297,375</b>
<b>At December 31, 2015</b>				
Cost	\$ 371,087	\$ 34,306	\$ 1,304	\$ 406,697
Accumulated amortization	(74,608)	(34,306)	(408)	(109,322)
<b>Net book amount</b>	<b>\$ 296,479</b>	<b>\$ -</b>	<b>\$ 896</b>	<b>\$ 297,375</b>
<b>Six months ended June 30, 2016</b>				
Opening net book amount	\$ 296,479	\$ -	\$ 896	\$ 297,375
Disposals	-	-	(480)	(480)
Amortization for the period	(2,104)	-	(71)	(2,175)
<b>Closing net book amount</b>	<b>\$ 294,375</b>	<b>\$ -</b>	<b>\$ 345</b>	<b>\$ 294,720</b>
<b>At June 30, 2016</b>				
Cost	\$ 330,673	\$ 34,306	\$ 586	\$ 365,565
Accumulated amortization	(36,298)	(34,306)	(241)	(70,845)
<b>Net book amount</b>	<b>\$ 294,375</b>	<b>\$ -</b>	<b>\$ 345</b>	<b>\$ 294,720</b>

<sup>(1)</sup> The Company is looking for a buyer for its exploration equipment located in Africa. The exploration equipment has therefore been classified as held for sale on the statement of financial position as at June 30, 2016 and December 31, 2015 and is presented at the carrying value which is the lower of its carrying amount and its estimated fair value less costs to sell, as determined by management.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 8. EXPLORATION AND EVALUATION PROPERTIES

	Canada	Uganda	Total
<b>Balance, December 31, 2013</b>	\$ -	\$ 4,188	\$ 4,188
Acquisition - RTO (Note 6)	475,774	-	475,774
Additions	61,000	-	61,000
Impairment	(56,774)	-	(56,774)
<b>Balance, December 31, 2014</b>	\$ 480,000	\$ 4,188	\$ 484,188
Impairment	(480,000)	(4,188)	(484,188)
<b>Balance, December 31, 2015 and June 30, 2016</b>	\$ -	\$ -	\$ -

#### *Canada*

##### Brabant Lake Property – Saskatchewan

As at June 30, 2016, the Company held a 100% interest in certain claims forming the Brabant Lake property in Saskatchewan.

##### Pickle Lake Properties - Ontario

At June 30, 2016, the Company had a 51% interest in the Dorothy-Dobie Lake property and the Kasagiminnis property. The properties are located in the Pickle Lake Greenstone Belt. See note 15, Subsequent Events.

At June 30, 2016, the Company had a 100% interest Pickle Lake Gold property consisted of certain claims acquired in 2009. See note 15, Subsequent Events.

In August 2014, the Company entered into an agreement with Frontline Gold Corporation ("FGC") and White Metal Resources Corp. ("WMRC") whereby FGC acquired 100% of the Company's 51% interest and the 49% interest held by WMRC in two claims known as the Pickle Lake East property. As part of the agreement, the Company received 33,500 common shares of PC Gold Inc. The claims will be subject to a 2% net smelter royalty (1% for the Company and 1% to WMRC for which 0.5% can be purchased for \$500,000 from each of WMRC and the Company).

##### HPM Property - Quebec

During 2015, the Company acquired certain claims at HPM property. As at June 30, 2016, the property consisted of 36 claims for which Pure Nickel Inc. has a 50% interest.

##### Cloridorme Property - Quebec

As at June 30, 2016, the Company owned 100% of the claims forming the Cloridorme property. The property is subject to a royalty equivalent to a 2% Net Smelter Royalty ("NSR"). The Company has the right to purchase the 2% NSR at any time for \$1,000,000. In December 2015, the Company has written-off the carrying value of the Cloridorme property as no further work is planned on the property.

#### *Uganda*

The Company holds exploration licences in Uganda forming the Murchison property and some of the properties are secured via a property acquisition agreement. During 2015, three licences were not renewed as no exploration was planned on the properties.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 9. SHARE CAPITAL

(a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares.

(b) Issued

	Number of Shares	Amount
<b>Balance - December 31, 2014 and June 30, 2015</b>	<b>155,536,884</b>	<b>\$ 25,403,089</b>
<b>Balance - December 31, 2015 and June 30, 2016</b>	<b>158,536,884</b>	<b>\$ 25,416,637</b>

See note 15, Subsequent Events.

### 10. WARRANTS

The following summarizes the warrants activity for the six months ended June 30, 2016 and June 30, 2015:

	Number of Warrants	Grant Date Fair Value	Weighted Average Exercise Price
<b>Balance - December 31, 2014</b>	<b>75,986,196</b>	<b>\$ 1,910,330</b>	<b>\$ 0.12</b>
Expired	(52,500,000)	(1,680,700)	0.15
<b>Balance - June 30, 2015</b>	<b>23,486,196</b>	<b>229,630</b>	<b>0.12</b>
<b>Balance - December 31, 2015 and June 30, 2016</b>	<b>23,481,196</b>	<b>\$ 229,600</b>	<b>\$ 0.05</b>

As at June 30, 2016, the Company had warrants outstanding as follows:

<b>Date of Grant</b>	<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Grant Date Fair Value (\$)</b>	<b>Expiry Date</b>
November 18, 2014	21,670,000	0.05	211,900	November 18, 2016
December 3, 2014	1,811,196	0.05	17,700	December 3, 2016
	<b>23,481,196</b>		<b>229,600</b>	

See note 15, Subsequent Events.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 11. STOCK OPTIONS

The Company maintains a stock option plan whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that is issuable under the plan was fixed at 10% of the number of common shares issued and outstanding (a maximum of 5% of the number of common shares issued and outstanding may be held by any one person). Options expire after a maximum period of five years following the date of grant. Vesting provisions are determined at the time of each grant.

The following summarizes the stock option activity for the six months ended June 30, 2016 and June 30, 2015:

	Number of Stock Options	Weighted Average Exercise Price
<b>Balance - December 31, 2014</b>	<b>14,103,100</b>	<b>\$ 0.08</b>
Expired	(42,100)	5.00
<b>Balance – June 30, 2015</b>	<b>14,061,000</b>	<b>0.06</b>
<b>Balance - December 31, 2015</b>	<b>14,061,000</b>	<b>\$ 0.06</b>
Expired	(181,000)	0.75
<b>Balance – June 30, 2016</b>	<b>13,880,000</b>	<b>0.05</b>

As at June 30, 2016, the Company had incentive stock options issued to directors, officers, employees and key consultants of the Company outstanding as follows:

Date of Grant	Options Outstanding <sup>(1)</sup>	Exercise Price (\$)	Grant Date Fair Value (\$)	Expiry Date	Weighted Average Remaining Contractual Life (years)
June 6, 2014	61,000	0.75	2,074	February 10, 2017	0.66
February 28, 2014	6,695,000	0.07	361,530	February 28, 2019	2.67
December 2, 2014	7,124,000	0.03	85,488	December 2, 2019	3.42
	<b>13,880,000</b>	<b>0.05</b>	<b>449,092</b>		<b>3.05</b>

<sup>(1)</sup> All options are exercisable.

### 12. RELATED PARTY TRANSACTIONS

*Remuneration of directors and the officers was as follows:*

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Salaries and benefits	\$ -	\$ 27,750	\$ 10,150	\$ 57,500
	<b>\$ -</b>	<b>\$ 27,750</b>	<b>\$ 10,150</b>	<b>\$ 57,500</b>

The amounts in the above table include \$3,000 for the six months ended June 30, 2016 (2015 - \$20,000) for fees invoiced by a corporation controlled by the CFO of the Company for his services. Also included in the above table include \$7,150 for the six months ended June 30, 2016 (2015 - \$nil) for fees invoiced by a corporation controlled by the CEO of the Company for his services as CEO. Included in accounts payable and accrued liabilities at June 30, 2016 is \$nil (December 2015 - \$1,150) owed to the corporation controlled by the CFO.

**MURCHISON MINERALS LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**June 30, 2016 and 2015**  
(Expressed in Canadian Dollars)  
(Unaudited)

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**13. COMMITMENTS AND CONTINGENCIES**

*Office Equipment Lease*

In 2011, the Company entered into a 66-month lease for office equipment. As at June 30, 2016, the commitment balance under this lease is \$1,731 for 2016.

*Environmental*

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

*Management Contract*

The Company is party to a management contract. This contract requires that an additional payment of up to \$500,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payment has not been reflected in these condensed interim consolidated financial statements. Minimum commitment upon termination of this contract is \$128,700. Minimum commitment due within one year under the terms of this contract is \$85,800. The Company committed to issue 6,000,000 stock options as part of this management contract. As at June 30, 2016, no stock options have been issued.

*Burundi Litigation*

In August 2014, Flemish Investment Burundi S.A. was informed that three Burundian ex-employees have filed claims against Flemish Burundi S.A. pertaining to severance payments totaling approximately US\$10,500 and damages of approximately US\$188,000. In 2015, the Court of Appeal of Bujumbura found in favour of the former employees for an aggregate amount of approximately \$117,000 plus 6% interest. The Company no longer operates or owns assets in Burundi and according to Burundian law, the subsidiary's liability is being limited to:

- the value of the assets of the subsidiary in Burundi (\$nil at June 30, 2016) or;
- the share capital originally invested of US\$10,000.

**14. SEGMENTED INFORMATION**

The Company currently operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral property interests. Non-current assets segmented by geographical area are as follows:

	<b>June 30 2016</b>	<b>December 31 2015</b>
Canada	\$ -	\$ -
Africa	294,720	297,375
	<b>\$ 294,720</b>	<b>\$ 297,375</b>

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### 15. SUBSEQUENT EVENTS

a) On July 4, 2016, the Company entered into an Agreement with White Metal Resources Corp. ("White Metal") whereby White Metal can acquire all of the Company's 51% interest ("Earned Interest") in its Pickle Lake Gold properties (the "Properties"). White Metal may exercise the option (the "Option") and acquire the Earned Interest by completing all of the following expenditures and cash payments ("Option Payments"):

(i) pay \$10,000 in cash to Murchison at the signing of the Agreement (Received);

(ii) pay \$15,000 in cash to Murchison on or before the date which is 12 months from the date of the Agreement;

(iii) pay \$20,000 in cash to Murchison on or before the date which is 24 months from the date of the Agreement.

(iv) spend \$1,200,000 over three years beginning on the date of the Agreement (collectively, the "Expenditures") as follows:

i. complete a work commitment of \$200,000 on or before the date which is twelve (12) months from the date of the Agreement;

ii. complete a cumulative work commitment of \$700,000 on or before the date which is twenty four (24) months from the date of the Agreement (with at least \$250,000 on drilling); and

iii. complete a cumulative work commitment of \$1,200,000 on or before the date which is thirty-six (36) months from the date of the Agreement (with at least \$700,000 on drilling).

(v) once the Earned Interest is completed, Murchison will be entitled to a 1% Net Smelter Return (the "NSR") of which fifty percent (50%) can be purchased by White Metal for \$1,000,000 and the balance of the other fifty percent (50%) of the said NSR can be purchased for \$1,500,000.

Upon completion of the Option Payments and Expenditures, White Metal will deliver a notice to the Company (the "Option Notice") setting out that it has exercised the Option, and the date of the Option Notice shall be deemed to be the date in which White Metal's Earned Interest in the Properties pursuant to the Option shall be effective, subject to the Murchison's NSR.

b) On July 29, 2016, the Company announced the consolidation of its Common Shares on a ten (10) old for one (1) with a record date of August 12, 2016.

c) In conjunction with the consolidation of its common shares, the Company completed the first tranche ("First Tranche") of a non-brokered private placement (the "Offering") through the issuance of 4,103,000 units (each a "Unit") at a price of \$0.25 per Unit for gross proceeds of \$1,025,750 and 783,400 Flow Through Units (each an "FT Unit") at a price of \$0.30 per FT Unit for gross proceeds of \$235,020 that closed on August 10, 2016. Each Unit consists of one common share (a "Common Share") and one common share purchase warrant (a "Warrant"). Each FT Unit consists of one common share to be issued on a "flow through" basis and one-half of a Warrant. Each whole Warrant will entitle the holder to purchase one common share at an exercise price of \$0.30 until August 10, 2018. All securities issued under the Offering are subject to a four-month and one day statutory hold period expiring on December 11, 2016. Certain directors, officers and an insider participated in the First Tranche for an aggregate total of \$532,520. In connection with the closing of the First Tranche, certain eligible persons ("Finders") were paid a cash commission equal to 7% of the proceeds raised from subscribers introduced to the Company by such Finder in the amount of \$29,575 and the Company also issued an aggregate of 112,700 broker warrants, each broker warrant entitling the holder to acquire one common share at a price of \$0.30 for a period of two years from the date of issuance.

# **MURCHISON MINERALS LTD. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016**

This Management's Discussion and Analysis ("MD&A") is intended to supplement the condensed interim consolidated financial statements and notes of Murchison Minerals Ltd. (the "Company" or "Murchison") for the three and six months ended June 30, 2016. The unaudited condensed interim consolidated financial statements including comparative figures have been prepared by the Company in accordance with International Financial Reporting Standards ("IFRS") applicable to preparation of interim financial statements. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2015, which have been prepared in accordance with IFRS and available on the Company's web-site ([www.murchisonminerals.com](http://www.murchisonminerals.com)). This MD&A covers the most recently completed financial quarter and the subsequent period up to August 16, 2016. The information is presented in Canadian dollars unless stated otherwise.

## **OVERALL PERFORMANCE**

### **Description of Business**

Murchison is a Canadian based exploration company with a diversified portfolio of properties, including the high-grade Brabant-McKenzie zinc-copper-silver deposit in north-central Saskatchewan, the HPM Nickel/Copper/Cobalt project in Quebec and holds gold claims in the Pickle Lake area of northwestern Ontario. Murchison also owns the Cloridorme high alumina shale formation, which is contiguous and essentially an extension of the Marin deposit of Orbite Technologies Inc. located on the Gaspé Peninsula in eastern Quebec. The Company expects to acquire additional properties as attractive opportunities are identified. The Company does not have any projects that generate revenue at this time. The Company's ability to carry out its business plan in the future rests entirely on its ability to secure equity and other financings or realize cash from the sale of assets.

### **Trends**

The financing, exploration and development of any properties the Company holds or may acquire in the future will be subject to a number of factors including the price of gold or other minerals, applicable laws and regulations, political conditions, currency fluctuations, the hiring of qualified people, and obtaining necessary services in jurisdictions where the Company operates. The current trends relating to these factors could change at any time and negatively affect the Company's operations and business. Apart from these, the risk factors noted under the heading "Uncertainties and Risk Factors" and "Forward Looking Statement" included in MD&A for the year ended December 31, 2015, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

## **OUTLOOK**

On August 10, 2016, the Company completed the first tranche of a non-brokered private placement for gross proceeds of \$1,260,770. A second tranche in the amount of approximately \$1.25 million is expected to close on or around August 23, 2016. The combined gross proceeds of approximately \$2.5 million will allow the Company to advance the exploration on its mineral properties with the focus on the resource expansion at the high-grade Brabant-McKenzie zinc-copper-silver deposit (the "Deposit") in north-central Saskatchewan.

A late summer/fall program is currently planned for the Deposit which will include a partial re-log and a magnetic susceptibility and EM study of previously drilled core, important for further defining mineralization and country rock geological and geophysics characteristics and, as accessible, borehole EM geophysics. The borehole geophysics program will be used to help provide better definition of proposed drill targets, from both off-hole and off-deposit EM conductor anomalies.



Regionally, the company plans to conduct detailed ground follow up of a number of known mineralized showings and previously identified airborne conductor anomalies along the 16 kilometre strike of the property.

The Company's drill program is currently planned for early winter (December 2016) and is initially targeted to be up to an 8,000 metre program. Drill targets are expected to focus along strike, up dip and down plunge of the known identified mineralized domains. Drilling is also expected to test internal targets, as applicable, within the inferred domains in order to capture additional tonnage via deposit thickening. Final drill targets will be refined based on all results obtained from a late summer/fall program.

In conjunction with the August 10, 2016 non-brokered private placement, the Company consolidated its common shares on a ten (10) old for one (1) new common share with a record date of August 12, 2016. On a post-consolidation and post-tranche 1 financing, the Company now has 20.7 million common shares outstanding.

As disclosed previously, the CEO and CFO had been providing services to the Company without compensation since February 1, 2016. Following the recent financing, it is expected that the compensation of the executives will resume with an effective date of July 1, 2016.

In the light of the recent financing, management will revise its 2016/2017 budget with an objective to maximize the money spent "in the ground". The long-term goal remains to develop the Company's properties and achieve commercial production. The Company may enter into partnerships in order to fully exploit the production potential of its exploration assets.

## **MINERAL PROPERTIES – EXPLORATION ACTIVITIES**

### **Brabant Property – Saskatchewan**

The Brabant property is owned 100% by Murchison and is strategically located along Highway 102 between the town of La Ronge to the south and the Athabasca Basin to the north, near major infrastructure. The Brabant property consists of the Deposit and number of additional zinc and copper occurrences along the 16 kilometer strike of favourable geological horizon, all of which remain under-explored. The project area shares geological characteristics, including similar age, with the Flin Flon volcanogenic massive sulphide (VMS) mining camp in Manitoba. The current (2008) mineral resource for the Deposit consists of 1.5 Mt grading 9.2% zinc, 0.8% copper and 1 ounce silver in indicated resources and 3.0 Mt grading 5.6% zinc, 0.6% copper and 0.5 ounces silver in inferred resources (for additional details, refer to Murchison's website: [www.murchisonminerals.com](http://www.murchisonminerals.com)). The Deposit consists of two sub-parallel massive sulphide zones, which average 5 metres in thickness and have been traced in drilling for approximately 1,000 metres along strike and 500 metres down dip. Re-interpretation of VTEM and BHEM surveys has identified numerous conductors laterally and down dip from known mineralization and confirms that the deposit remains open to expansion by drilling in all directions.

In December 2015, the Company completed a TDEM and magnetic geophysical program (the "Program") conducted on the Deposit.

The Program was designed to confirm and define known conductors with coincident magnetic anomalies situated immediately south, along strike and to depth of the Deposit. This was the first of a number of planned ground geophysical programs designed to test numerous anomalies identified along the 16 kilometre strike of the property.

### ***Deposit Upside Potential Supported***

Modeled results from the Program reveal a higher conductive plate within the northern portion of a larger conductive horizon described below. This plate continues into and is coincident with mineralization associated with the Deposit along strike and extends to depth below historically intersected mineralization. The plate measures 350 metres in strike with a depth extent of over 500 metres and a 54 degree dip to the northwest. As reported in the Technical Report, this portion of the Deposit has seen limited historic drilling with reported intersections of up to 13.3% Zn over 1.8 m in Hole 38 and 15.4% Zn over 1.5 m in Hole 40. Past drilling reveals that the Deposit has been drilled to a depth of over 500 metres down-dip, and remains open down-dip and along strike to the south. These results confirm that this area remains a priority drill target with potential to add tonnage to the Deposit.

### ***Large Untested Horizon Defined***

Modeling of the data from this survey also reveals an open ended, 1.3 kilometre long conductive and magnetic horizon extending south from the Deposit with a depth extent of over 1 kilometre and a dip of approximately 50 degrees to the northwest. The direction, length, dip and depth of the modeled data are consistent with the known airborne conductor extent and historical drill results.

Historical drilling along the 2015 TDEM conductor south of the Deposit area consisted of several short, near surface holes which do not appear to have adequately tested the horizon of the newly modeled conductor.

The Program consisted of a fixed loop TDEM and magnetic ground survey which was conducted over 200 metres of the southern portion of the Deposit and a further 600 metres along strike to the south along 100 metre spaced lines. One line of EM surveying was conducted using a SQUID sensor for comparative purposes and confirms the higher conductive zone identified in the northern part of the survey area.

The geophysical data obtained during the 2015 program will aid the Company with drill programs going forward, designed to increase the resource of the known Deposit. The data will also be utilized in regional programs as exploration vectors to rank the numerous airborne electromagnetic and magnetic anomalies that occur within similar host rock lithologies along the 16 kilometre strike length of the Brabant property.

For the six months ended June 30, 2016, no active exploration program was completed at the Brabant-McKenzie property. The Company incurred \$619 (2015 - \$57,320) in exploration expenses for the Brabant-McKenzie property.

### **Pickle Lake Properties – Ontario**

On July 4, 2016, the Company entered into an Agreement with White Metal Resources Corp. ("White Metal") whereby White Metal can acquire all of the Company's 51% interest ("Earned Interest") in its Pickle Lake Gold properties (the "Properties"). White Metal may exercise the option (the "Option") and acquire the Earned Interest by completing all of the following expenditures and cash payments ("Option Payments"):

- (i) pay \$10,000 in cash to Murchison at the signing of the Agreement (received);
- (ii) pay \$15,000 in cash to Murchison on or before the date which is 12 months from the date of the Agreement;
- (iii) pay \$20,000 in cash to Murchison on or before the date which is 24 months from the date of the Agreement.
- (iv) spend \$1,200,000 over three years beginning on the date of the Agreement (collectively, the "Expenditures") as follows:

- i. complete a work commitment of \$200,000 on or before the date which is twelve (12) months from the date of the Agreement;
  - ii. complete a cumulative work commitment of \$700,000 on or before the date which is twenty four (24) months from the date of the Agreement (with at least \$250,000 on drilling); and
  - iii. complete a cumulative work commitment of \$1,200,000 on or before the date which is thirty-six (36) months from the date of the Agreement (with at least \$700,000 on drilling).
- (v) once the Earned Interest is completed, Murchison will be entitled to a 1% Net Smelter Return (the "NSR") of which fifty percent (50%) can be purchased by White Metal for \$1,000,000 and the balance of the other fifty percent (50%) of the said NSR can be purchased for \$1,500,000.

Upon completion of the Option Payments and Expenditures, White Metal will deliver a notice to the Company (the "Option Notice") setting out that it has exercised the Option, and the date of the Option Notice shall be deemed to be the date in which White Metal's Earned Interest in the Properties pursuant to the Option shall be effective, subject to the Murchison's NSR.

### **Qualified Person**

Exploration programs at the Company's project in Saskatchewan are being carried out under the supervision of Graham Gill, P.Geo., Independent Consultant, a "Qualified Person" within the meaning of NI43-101. Mr. Gill has supervised the preparation of, and confirmed all of the scientific and technical disclosure in this MD&A.

### **Access to Properties**

The Company's access to its Canadian properties is dependent on climate and weather conditions. The Brabant property in Saskatchewan is accessible all year round. Typically, properties in Ontario are generally accessible all year round. Access to the Kasagiminnis and Dorothy-Dobie properties is by floatplane or helicopter. All projects in Québec can be accessed from January to September as weather limits the activities during other times of the year.

## **RESULTS OF OPERATIONS**

For the six months ended June 30, 2016, the Company incurred a loss of \$66,277 (2015 - \$308,921). The decrease of \$242,644 is mainly related to the following factors: **1.** lower exploration expenses in Canada of \$78,608 (2016 – recovery of \$492 vs 2015 – expenses of \$78,116) explained by the compilation and re-interpretation of prior years' results for the Brabant-McKenzie deposit completed in 2015 combined a cost recovery of \$1,600 in June 2016 related to the sale of previously expensed exploration supplies; **2.** lower management fees and salaries of \$61,548 (2016 - \$11,411 vs 2015 - \$72,959) as the CEO and CFO were providing services to the Company without compensation since February 1, 2016; **3.** lower exploration expenses in Uganda of \$54,031 (2016 – \$19,208 vs 2015 – \$73,239) as the Company is continuing to reduce its presence and activities in the country, offset by **4.** a gain on sale of assets of \$33,636 (2016 - \$33,636 vs 2015 - \$nil) as the Company sold exploration equipment in Africa.

For the six months ended June 30, 2016, exploration expenses totaled \$25,172 (2015 - \$158,488) with Canada, a recovery of \$492 (2015 – expenses of \$78,116), Uganda \$19,208 (2015 - \$73,239) and general exploration (including Burundi) \$6,456 (2015 - \$7,133).

For the three months ended June 30, 2016, the Company had a profit of \$7,246 compared to a loss of \$138,761 for the same period a year earlier. The decrease of \$146,007 is mainly related to the following factors: **1.** a gain on sale of assets of \$33,514 (Q2-2015 - \$nil) as the Company sold exploration equipment in Africa; **2.** lower exploration expenses in Canada of \$48,988 (Q2-2016 – recovery of \$1,111 vs Q2-2015 – expenses of \$47,877) explained by the compilation and re-interpretation of prior years' results for the Brabant-McKenzie deposit completed in 2015 combined with the recovery of \$1,600 in June 2016 related to the sale of previously expensed exploration supplies, and; **3.** lower management fees and salaries of \$32,089 (Q2-2016 - \$nil vs Q2-2015 - \$32,089) as the CEO and CFO provided services to the Company without compensation during the quarter.

For the three months ended June 30, 2016, exploration expenses totaled \$8,545 (Q2-2015 - \$73,735) with Canada, a recovery of \$1,111 (Q2-2015 – expenses of 47,877), Uganda \$6,435 (Q2-2015 - \$25,858) and general exploration (including Burundi) \$3,221 (Q2-2015 - \$nil).

## SUMMARY OF QUARTERLY RESULTS

	Second Quarter 2016	First Quarter 2016	Fourth Quarter 2015	Third Quarter 2015
Total Assets	\$381,757	\$364,675	\$480,869	\$1,079,417
Current Assets	\$87,037	\$69,084	\$183,494	\$295,615
Non-current Assets	\$294,720	\$295,591	\$297,375	\$783,802
Total Liabilities	\$105,831	\$95,995	\$138,666	\$140,207
Interest Income	\$2	\$nil	\$43	\$59
Loss (profit)	(\$7,246)	\$73,523	\$610,555	(\$44,579)
Loss Per Share <sup>(1)</sup>	\$0.00	\$0.00	\$0.01	\$0.00

	Second Quarter 2015	First Quarter 2015	Fourth Quarter 2014	Third Quarter 2014
Total Assets	\$1,043,784	\$1,184,225	\$1,442,338	\$1,103,661
Current Assets	\$258,292	\$397,044	\$653,468	\$279,189
Non-current Assets	\$785,492	\$787,181	\$788,870	\$824,472
Total Liabilities	\$149,153	\$150,833	\$238,786	\$452,258
Interest Income	\$86	\$176	\$232	\$782
Loss	\$138,761	\$170,160	\$320,833	\$588,499
Loss Per Share <sup>(1)</sup>	\$0.00	\$0.00	\$0.01	\$0.00

<sup>(1)</sup> Loss per share remains the same on a diluted basis

Due to the nature of the business, the cash balance and short-term investments generating interest income are subject to fluctuations from quarter to quarter. The timing of equity financing and ensuing exploration and operating expenses are the main factors affecting the level of funds invested from time to time. The variation in interest rates also has an impact on the interest income.

In Q2, 2016, the profit of \$7,246 is a direct result of a \$33,514 gain on sale of assets held in Africa combined with lower management fees as the CEO and CFO provided services to the Company without compensation during the quarter. In Q1-2016, the lower loss is reflecting of the efforts made by management to control all administrative expenses. In Q4-2015, the Company wrote-off the carrying value of the Cloridorme property of \$480,000 and conducted an exploration program at Brabant of \$90,556. In Q3-2015, the profit of \$44,579 relates mainly to a VAT refund of \$190,834 (US\$143,000) from the Government of Burundi. In Q1-2015 and Q2-2015, the exploration expenses were limited to Canada as the Company benefited from flow-through funds raised in Q4-2014. In Q4-2014, exploration expenses in Uganda were \$355,564. In Q3-2014, there was a significant reduction in expenses incurred in Burundi.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2016, the Company had no debt, cash of \$69,851 and working capital deficit of \$18,794 (December 31, 2015 – \$124,168 of cash and working capital of \$44,828). The Company's excess cash, when available, is deposited into interest-bearing accounts or invested in redeemable GICs with major Canadian chartered banks.

As at June 30, 2016, the Company had amounts receivable and prepaid expenses totaling \$17,186 which included sales tax receivable of \$2,574 and prepaid expenses of \$14,612.

In April 2016, the Company received \$6,071 of refundable tax credits from the Government of Québec.

In Q2-2016, the Company generated approximately US\$33,514 from the sale of exploration equipment.

The June 30, 2016, condensed interim consolidated financial statements were prepared in accordance accounting principles to a going concern, which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on its ability to raise new funds to meet its obligations and continue its exploration activities.

### ***Equity Financing***

The Company's exploration projects are at an early stage and it has not yet been determined whether any of its properties contain economically recoverable ore. As a result, the Company has no current sources of revenue and has relied on the issuance of shares to generate the funds required to further its projects.

### ***Common Shares Consolidation***

On July 29, 2016, the Company confirmed that it was consolidating its current issued and outstanding share capital on a 10 old for 1 new basis. The record date for the Consolidation was August 12, 2016.

At an annual and special meeting of the shareholders of the Company held on April 6, 2016, shareholders of the Company approved a consolidation of the outstanding common shares on the basis of one post-Consolidation common share for up to twenty (20) outstanding pre-Consolidation common shares. The Company will not issue any fractional post-Consolidation common shares as a result of the Consolidation. Instead, all fractional shares will be rounded up to the next whole common share.

The post-Consolidation common shares commenced trading on the Canadian Securities Exchange ("CSE") under same name and ticker symbol (MUR) on August 10, 2016, at which time the CUSIP and ISIN numbers of the Company became 626426209 and CA6264262099, respectively. Following the Consolidation, the Company had 15,853,695 common shares outstanding.

### ***Private Placement - \$1,260,770***

On August 10, 2016, the Company completed, on a post-Consolidation basis, the first tranche ("First Tranche") of a non-brokered private placement (the "Offering") through the issuance of 4,103,000 units (each a "Unit") at a price of \$0.25 per Unit for gross proceeds of \$1,025,750 and 783,400 Flow Through Units (each an "FT Unit") at a price of \$0.30 per FT Unit for gross proceeds of \$235,020. Each Unit consists of one common share (a "Common Share") and one common share purchase warrant (a "Warrant"). Each FT Unit consists of one common share to be issued on a "flow through" basis and one-half of a Warrant. All securities issued under the Offering are subject to a four-month and one day statutory hold period expiring on December 11, 2016. Certain directors, officers and insiders participated in the First Tranche for an aggregate total of \$532,520. In connection with the closing of the First Tranche, certain eligible persons ("Finders") were paid a cash commission equal to 7% of the proceeds raised from subscribers introduced to the Company by such Finder in the amount of \$29,575 and the Company also issued an aggregate of 112,700 broker warrants.

### Warrants

In conjunction with the August 10, 2016 First Tranche, the Company issued 4,494,700 warrants and 98,700 broker warrants. All warrants entitle the holder to purchase one common share at an exercise price of \$0.30 until August 10, 2018.

### Stock Options

On July 19, 2016, the Company cancelled a total of 7,124,000 options previously granted to certain directors, officers, consultants and employees on December 2, 2014 at a price of pre-consolidation of \$0.03. The Company expects to re-issue 712,400 options (post-consolidation) at a minimum exercise price of \$0.30 per common share on or later than thirty (30) days from the date of cancellation and subject to CSE approval.

The Company's ability to successfully acquire mineral projects or recover amounts expended on mineral properties is conditional on its ability to secure financing when required. The Company expects to meet additional financing requirements through equity financing. The Company may seek other alternatives for financing in the future depending on market conditions and exploration results; however, there can be no assurance that such financing attempts will be successful. The impact on our business and the cost and availability of financing remain uncertain and could affect our overall liquidity.

### **Commitments and Obligations**

In 2011, the Company entered into a 66 month lease for office equipment. As at June 30, 2016, the commitment balance under this lease is \$1,731.

In August 2014, Flemish Investment Burundi S.A. was informed that three Burundian ex-employees have filed claims against Flemish Burundi S.A. pertaining to severance payments totaling approximately US\$10,500 and damages of approximately US\$188,000. In 2015, the Court of Appeal of Bujumbura found in favour of the former employees for an aggregate amount of approximately \$117,000 plus 6% interest. The Company no longer operates or owns assets in Burundi and according to Burundian law, the subsidiary's liability is being limited to:

- the value of the assets of the subsidiary in Burundi (\$nil at June 30, 2016) or;
- the share capital originally invested of US\$10,000.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company is party to a management contract. This contract requires that an additional payment of up to \$500,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payment has not been reflected in these condensed interim consolidated financial statements. Minimum commitment upon termination of this contract is \$128,700. Minimum commitment due within one year under the terms of this contract is \$85,800. The Company committed to issue 6,000,000 stock options as part of this management contract. As at June 30, 2016, no stock options have been issued.

The Company has no long-term contractual obligations.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

Remuneration of directors and the officers was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Salaries and benefits	\$ -	\$ 27,750	\$ 10,150	\$ 57,500
	<b>\$ -</b>	<b>\$ 27,750</b>	<b>\$ 10,150</b>	<b>\$ 57,500</b>

The amounts in the above table include \$3,000 for the six months ended June 30, 2016 (2015 - \$20,000) for fees invoiced by a corporation controlled by the CFO of the Company for his services. Also included in the above table include \$7,150 for the six months ended June 30, 2016 (2015 - \$nil) for fees invoiced by a corporation controlled by the CEO of the Company for his services as CEO. Included in accounts payable and accrued liabilities at June 30, 2016 is \$nil (December 2015 - \$1,150) owed to the corporation controlled by the CFO.

As part of the Tranche 1 non-brokered private placement closed on August 10, 2016, certain directors, officers and an insider participated for an aggregate total of \$532,520.

## PROPOSED TRANSACTIONS

The Company continues to evaluate quality exploration projects and financing opportunities. There are no transactions currently pending.

## CHANGES IN ACCOUNTING POLICIES

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (“IFRS 5”) was amended in September 2014 to add specific guidance for cases in which an entity reclassifies an asset from “held for sale” to “held for distribution” or vice versa and cases in which “held-for-distribution” accounting is discontinued. The amendments are effective for annual periods beginning on or after January 1, 2016. At January 1, 2016, the Company adopted this amendment and there was no material impact on the Company’s condensed interim consolidated financial statements.

IFRS 7 – Financial Instruments: Disclosures (“IFRS 7”) was amended in September 2014 to clarify whether a servicing contract is continuing involvement in a transferred asset for purposes of determining the disclosures required. IFRS 7 was also amended to clarify that the additional disclosures relating to offsetting are not specifically required for interim periods unless required by IAS 34. The amendments are effective for annual periods beginning on or after January 1, 2016. At January 1, 2016, the Company adopted this amendment and there was no material impact on the Company’s condensed interim consolidated financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. At January 1, 2016, the Company adopted this amendment and there was no material impact on the Company’s condensed interim consolidated financial statements.

### New accounting standards not yet adopted

The IASB issued the following standards which are relevant but have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

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

## FINANCIAL INSTRUMENTS

As at,	June 30, 2016	December 31, 2015
Financial assets:		
Loans and receivables		
Cash and cash equivalents	\$ 69,851	\$ 124,168
Amounts receivable	2,574	38,704
Financial liabilities:		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 105,831	\$ 138,666

As of June 30, 2016 and December 31, 2015, the fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature.

#### Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

#### Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.



Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

**Impairment of financial assets:**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**Financial instruments recorded at fair value:**

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

As at June 30, 2016 and December 31, 2015, none of the Company's financial instruments are recorded at fair value on the consolidated statements of financial position.

**Significant accounting judgments and estimates:**

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas that require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to the following:

- *Assets' carrying values and impairment charges*  
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective

evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- *Estimation of decommissioning and restoration costs and the timing of expenditure*  
The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- *Impairment of exploration and evaluation properties*  
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's exploration and evaluation properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.
- *Income and other taxes*  
In assessing the probability of realizing income and other tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income and other tax assets and liabilities recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets or could result in taxes owing,
- *Share-based payments*  
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgments used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these

assumptions affect the fair value estimates. The Company currently estimates the expected volatility of its common shares based on historical volatility taking into consideration the expected life of the options and warrants.

### **Capital Management:**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis. At the Annual and Special Meeting of Shareholders of the Company held on April 6, 2016, the shareholders of the Company approved that the common shares in the capital of the Company be changed by the consolidation of the issued and outstanding common shares at a ratio of up to twenty (20) to one (1), such ratio to be determined by the board of directors of the Company, in its sole discretion. In July 2016, the Board of directors determined that the consolidation would be effective to the shareholders of record as of August 12, 2016 with a consolidation ratio of ten (10) to one (1).

The Company considers its capital to consist of equity, comprising share capital, reserves and deficit. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its exploration and development activities. Selected information is regularly provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the period ended June 30, 2016 and for the year ended December 31, 2015. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

## **ADDITIONAL INFORMATION**

### **Outstanding Shareholders' Equity Data**

As of August 16, 2016, the following are outstanding:

- |                 |            |
|-----------------|------------|
| • Common Shares | 20,740,095 |
| • Stock Options | 675,600    |
| • Warrants      | 6,941,520  |

### **Uncertainties and Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

In addition to the risks outlined in the December 31, 2015 annual MD&A, Murchison has identified the extreme volatility occurring in the financial markets as a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like Murchison are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets to raise the funds required for its future expenditures.

### **FORWARD-LOOKING STATEMENTS**

*This document contains forward-looking statements based on the Company's current expectations. Forward-looking information can often be identified by forward looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.*

*These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those presented in this document. Accordingly, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law. Readers are cautioned not to place undue reliance on forward-looking information.*