

**NOTICE**

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED) FOR THE NINE MONTH PERIOD ENDED APRIL 30, 2016**

Third quarter financial statements for the nine months period ended April 30, 2016 and 2015 have not been reviewed by the auditors of Montan Mining Corp.

**MONTAN MINING CORP.**

*“Brandon Macdonald”*  
**BRANDON MACDONALD**  
Chief Financial Officer



**Montan Mining Corp. (formerly Strait Minerals Inc.)**

Consolidated Interim Financial Statements

For nine months ended April 30, 2016 and April 30, 2015

(Unaudited - expressed in Canadian dollars, except where indicated)

**Montan Mining Corp. (formerly Strait Minerals Inc.)****Consolidated Interim Statements of Financial Position**

(unaudited - expressed in Canadian dollars, except where indicated)

	Note	April 30, 2016	July 31, 2015
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 6,429	\$ 60,335
Restricted cash		252	252
Other receivables	5	13,450	57,655
Prepaid expenses	5	147,939	129,814
		168,070	248,056
Advance to Goldsmith Resource SAC (“Goldsmith”)	6	-	484,684
Office equipment	7	-	1,489
Mineral properties	8	766,072	766,072
Total assets		\$ 934,142	\$ 1,500,301
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 157,029	\$ 45,508
Loan payable - advance	11	30,000	-
Convertible debenture	9	126,918	36,025
Total liabilities		\$ 313,947	\$ 81,533
<b>Shareholders' equity</b>			
Share capital	12	2,802,535	2,386,614
Reserves		711,025	520,581
Deficit		(2,893,365)	(1,488,427)
Total shareholders' equity		620,195	1,418,768
Total liabilities and shareholders' equity		\$ 934,142	\$ 1,500,301

*Nature of operations (note 1)**Subsequent event (note 18)***Approved by the Board of Directors**

"Ian Graham"

Director

"Luis Zapata"

Director

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

**Montan Mining Corp. (formerly Strait Minerals Inc.)**  
**Consolidated Interim Statements of Loss and Comprehensive Loss**

(Unaudited - expressed in Canadian dollars, except where indicated)

	Note	Three Months Ended April 30,		Nine Months Ended April 30,	
		2016	2015	2016	2015
<b>General and administration expenses</b>					
Accounting and audit fees		\$ (7,490)	\$ (29,823)	\$ (59,534)	\$ (44,293)
Administrative fees		-	(10,250)	-	(30,250)
Advertising and promotion		-	-	-	(17,892)
Amortization		(461)	(611)	(1,489)	(611)
Bank charges		(231)	(527)	(1,961)	(527)
Consulting fee	14	(38,588)	(135,638)	(409,227)	(175,338)
Exploration expense		(15,936)	(7,064)	(21,358)	(7,064)
Filing fees		(5,200)	(14,473)	(11,135)	(27,902)
Foreign exchange		(325)	(437)	319	(437)
Insurance		-	(4,784)	(8,299)	(4,784)
Investor communications		(57,750)	(23,710)	(143,458)	(23,710)
Legal expenses		-	(74,714)	(34,630)	(127,427)
Office expenses		(2,420)	(13,786)	(33,334)	(14,388)
Rent		-	-	(26,408)	-
Stock-based compensation		-	(112,525)	-	(112,525)
Transfer agent fees		(2,614)	(25,478)	(7,250)	(29,329)
Travel expense		-	(52,282)	(28,085)	(61,013)
		(131,015)	(506,102)	(785,849)	(677,490)
<b>Other expense</b>					
Interest income		-	1,845	5	4,988
Finance cost – accreted interest	9	(2,969)	-	(10,176)	-
Finance cost – interest expense	9	(22,228)	-	(42,407)	-
Other income	6(b)	-	-	32,415	-
Gain from settlement of liabilities	12(a)	99,892	-	99,892	-
Write-off - GST		-	(11,816)	-	(11,816)
Write off – Advance to Goldsmith Resource SAC	6(c)&9(a)	-	-	(698,818)	-
<b>Net loss</b>		(56,320)	(516,073)	(1,404,938)	(684,318)
<b>Loss per share</b>					
Basic and diluted		\$ (0.00)	\$ (0.03)	\$ (0.06)	\$ (0.07)
<b>Weighted average shares</b>					
Basic and diluted		28,528,954	15,594,259	25,089,959	10,475,784
<b>Total shares issued and</b>		32,832,625	19,653,259	32,832,625	19,653,259

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

## Montan Mining Corp. (formerly Strait Minerals Inc.)

### Consolidated Interim Statements of Changes in Shareholders' Equity and Deficit

(Unaudited - expressed in Canadian dollars, except where indicated)

	Note	Shares	Share capital	Convertible debenture equity component	Reserves	Deficit	Total equity
<b>Balance as at July 31, 2015</b>		22,601,037	\$ 2,386,614	\$ -	\$ 520,581	\$ (1,488,427)	\$ 1,418,768
Share issuance – private placement	11	1,428,625	33,189	-	81,101	-	114,290
Convertible debenture - issuance	9	-	-	17,297	-	-	17,297
Convertible debenture – settlement	9(a)&12(a)(b)	1,734,880	170,689	(10,843)	52,045	-	211,891
Shares issuance to settle liabilities	12(a)	7,068,083	212,042	-	50,845	-	262,887
Net loss for the year		-	-	-	-	(1,404,938)	(1,404,938)
<b>Balance as at April 30, 2016</b>		32,832,625	\$ 2,802,534	\$ 6,454	\$ 704,572	\$ (2,893,365)	\$ 620,195

	Notes	Shares	Share capital	Convertible debenture equity component	Reserves	Deficit	Total equity
<b>Balance as at July 31, 2014</b>		8,000,000	\$ 943,610	\$ -	\$ 203,140	\$ (332,482)	\$ 814,268
Private placements - net		5,200,000	514,251	-	-	-	514,251
Finder's share		250,000	25,000	-	-	-	25,000
Finder's fee		-	(25,000)	-	-	-	(25,000)
Fair value of broker warrants		-	(7,026)	-	7,026	-	-
Reverse takeover		6,203,259	620,326	-	1,749	-	622,075
Stock based compensation		-	-	-	112,525	-	112,525
Net loss for the year		-	-	-	-	(684,318)	(684,318)
<b>Balance as at April 30, 2015</b>		19,653,259	\$ 2,071,161	\$ -	\$ 324,440	\$ (1,016,800)	\$ 1,378,801

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

# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Consolidated Statement of Cash Flows

(Unaudited - amounts expressed in Canadian dollars, except where indicated)

	Note	Three Months Ended April 30,		Nine Months Ended April 30,	
		2016	2015	2016	2015
<b>Cash used from operating activities</b>					
Net loss for the year		\$ (56,320)	\$ (516,073)	\$ (1,404,938)	\$ (684,318)
Items not affecting cash					
Amortization		461	611	1,489	611
Gain on settlement of liabilities		(99,892)	-	(99,892)	-
Share-based compensation		-	112,525	-	112,525
Write off – Assets	6(c) & 9(a)	-	-	698,818	-
Finance cost	9	2,969	-	10,176	-
		(152,782)	(402,937)	(794,347)	(571,182)
Change in non-cash operating working capital					
Decrease (Increase) in other receivables		3,780	(20,352)	44,205	(20,399)
Decrease (Increase) in prepaid expenses		56,023	(71,462)	30,248	(71,462)
Increase (decrease) in accounts payable and accrued liabilities		66,859	(18,458)	434,300	44,962
Net cash used in operating activities		(26,120)	(513,209)	(285,594)	(618,081)
<b>Cash flows from financing activities</b>					
Proceeds from deposits of convertible debenture	9	-	-	261,533	-
Proceeds from private placements	12(a)	-	-	114,290	-
Net proceeds from Director's Loan	10	-	-	40,000	-
Advances from Loan Payable	11	30,000	-	30,000	-
Common shares		-	520,000	-	520,000
Share issued cost		-	(5,749)	-	(5,749)
Net cash received in financing activities		30,000	514,251	445,823	514,251
<b>Cash flows used in investing activities</b>					
Proceeds from short term investment		-	590,000	-	695,000
Cash from reserve take over		-	9,416	-	9,416
Restricted cash		-	(234)	-	(234)
Expenditure on other assets	6	-	(2,552)	(214,134)	(2,552)
Mineral properties		-	(152,937)	-	(152,937)
Net cash from (used) in investing activities		-	443,693	(214,134)	548,693
<b>Increase (decrease) in cash and cash equivalents</b>		3,880	444,735	(53,905)	444,863
<b>Cash and cash equivalents - beginning of year</b>		2,549	10,484	60,334	10,356
<b>Cash and cash equivalents - end of year</b>		\$ 6,429	\$ 455,219	\$ 6,429	\$ 455,219

*Supplemental cash flow information (note 17)*

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

# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

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### 1 Nature of operations and going concern

Montan Mining Corp. (formerly Strait Minerals Inc.) (“the Company”) was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on March 7, 2003.

The head office of the Company is located at Suite 1400 – 1111 West Georgia St., Vancouver, BC, V6E 4M3 Canada and the registered office of the Company is located at Suite 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 1H2.

The Company is in the process of exploring its resource properties and has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts shown for exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production from the property or proceeds from its disposition.

#### Going concern

At April 30, 2016, the Company had net working capital deficit of \$145,877, had not yet achieved profitable operations, had accumulated losses of \$2,893,365 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work program on its mineral properties, meet its on-going levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently had sufficient financial resources to undertake its currently planned work programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements. These adjustments could be material.

### 2 Amalgamation

On December 3, 2014, Strait Minerals Inc. (“Strait”) and Montan Capital Corp. (“Montan Capital”) announced that they had entered into a binding letter agreement to merge the two companies. Montan Capital was a “Capital Pool Company” under the policies of the TSX Venture Exchange and the transaction would constitute its “Qualifying Transaction” in accordance with Exchange Policy 2.4 Capital Pool Companies.

On January 6, 2015, Strait and Montan Capital announced that they and 1023174 B.C. LTD. (“Newco”) had entered into an amalgamation agreement (“the Amalgamation Agreement”) in connection with the proposed qualifying transaction and reverse take-over of Strait (“the Transaction”). Upon the closing of the Transaction, Newco and Montan Capital would amalgamate to form a single subsidiary of Strait and Strait would acquire all of the issued and outstanding securities of Montan Capital from the shareholders of Montan Capital in exchange for the issuance of 8,000,000 post-Consolidation Strait common shares (the “Consideration Shares”) at the rate of one Strait common share for each one Montan Capital common share. In connection with the Transaction, Strait, prior to issuing the Consideration Shares, completed a consolidation of its common shares on a 10:1 basis, reducing its capital to 6,203,259 post-Consolidation shares and changed its name to Montan Mining Corp. (“Montan”). A finder’s fee of 250,000 Montan shares was issued in relation to the Transaction.

Strait and Montan Capital filed on SEDAR a joint information circular on January 6, 2015 to obtain approval from their shareholders of the amalgamation agreement at shareholders’ meetings to be held on February 24, 2015. On March 4, 2015 Montan, formerly Strait Minerals Inc., closed the Transaction. The Montan Shares are listed for trading on the TSX Venture Exchange under the symbol “MNY” and the Frankfurt Exchange under the symbol “S5GM”. The company is also listed on the Santiago Stock Exchange (SSE) under the symbol “MNYCL”.

Since the Consideration Shares represent approximately 56% of the total issued and outstanding Montan common shares as of the Closing, the shareholders of Montan Capital control Montan Mining Corp. Accordingly, the Transaction will be accounted for as a reverse acquisition. Under IFRS the transaction is accounted for as a capital transaction with the original Montan Capital Corp. being identified as the acquirer with the transaction being measured at the fair value of the equity consideration issued to Strait. In accordance with IFRS 2, share consideration is measured as of the date of completion of the Transaction, March 4, 2015.

# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the reverse takeover transaction. By reference to a completion of a private placement of 5,200,000 shares at \$0.10 per share on a closing date of the Transaction, the fair value of each Montan common share at the time of the Transaction was \$0.10. Accordingly, the value of the 43.67% (i.e. 6,203,259 shares) of the share capital owned by former owners of Strait at the time of the Transaction was \$620,326. 50,000 stock options with an exercise price of \$0.15 granted by Strait prior to a reverse acquisition were retained. The fair values of these options were \$1,749 and determined at the time of the Transaction using the Black-Scholes option pricing model with the following weighted average assumptions: average risk-free interest rate – 0.59%; expected life – 1.86 year; expected volatility – 87.91%; forfeiture rate – 0%; and expected dividends – nil.

The allocation of value is as follows:

	<b>Value</b>
Cash and cash equivalents	\$ 9,416
Restricted cash	1,025
Other receivables	13,830
Office equipment	1,941
Mining properties	764,023
Accounts payables and deposits	(168,160)
	<b>\$ 622,075</b>
Strait common shares – fair value	\$ 620,326
Strait stock option retained – fair value	1,749
Total consideration	<b>\$ 622,075</b>

This transaction has been treated as an asset acquisition as Strait did not have an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit directly. The mineral properties acquired currently do not have any proven or probable resources or reserves.

### Concurrent financing

In connection with the closing of the Amalgamation, Montan completed a concurrent financing and raised gross proceeds of \$520,000 by the issuance of 5,200,000 Montan Shares at a price of \$0.10 per Montan Share. Montan paid an aggregate finder's fee of \$5,600 and also issued finder's warrants which entitle the holders to purchase up to 56,000 Montan Shares at a price of \$0.10 per Montan Share for a period of 12 months. All Montan Shares issued in connection with the concurrent financing are subject to a statutory hold period expiring on July 6, 2015.

## 3 Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2015.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended July 31,



# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

2015. In addition, the accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended July 31, 2015.

The Company's interim results are not necessarily indicative of its results for a full year.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on June 29, 2016.

### 4 Financial instruments

The Company reports its financial instruments on its balance sheet and measures these at fair value. In limited circumstances when fair value may not be considered most relevant, they may be reported at cost or amortized cost. Gains or losses as a result of changes in fair value are recognized in the consolidated statement of operations and comprehensive loss.

The Company's financial instruments consist of cash and cash equivalents, other receivables, and accounts payable. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

All financial instruments are classified into one of the following five categories: fair value through profit or loss assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 Inputs that are not based on observable market data

#### Fair values of financial instruments

The Company has classified all of its financial instrument at Level 1.

The fair values of financial instruments are summarized as follows:

	April 30, 2016		July 31, 2015	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Fair value to profit and loss ("FVTPL")</i>				
Cash and cash equivalents	6,429	6,429	60,335	60,335
Restricted cash	252	252	252	252
Other receivables	13,450	13,450	57,655	57,655
<b>Financial liabilities</b>				
<i>Other financial liabilities</i>				
Accounts payable & accrued liabilities	157,029	157,029	45,508	45,508
Loan payable - advance	30,000	30,000	-	-

# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

### 5 Receivables and prepaid expenses

	April 30, 2016	July 31, 2015
GST receivable	\$ 13,450	\$ 14,864
Other receivables	-	42,791
<b>Other receivables - total</b>	<b>13,450</b>	<b>57,655</b>
<b>Prepaid expenses</b>	<b>147,939</b>	<b>129,814</b>

### 6 Advances to Goldsmith

#### a) Goldsmith Resources SAC Advances

On April 27, 2015, the Company announced the signing of a letter agreement with Goldsmith Resources SAC (“Goldsmith”), a Peruvian company, for the acquisition of the producing Mollehuaca Gold Processing Plant in Peru as well as mining rights for the nearby Eladium Gold Mine and the Saulito Property. The definitive agreement, comprising substantively the same terms as outlined above, was signed on June 9, 2015.

The Mollehuaca Plant was recently expanded and has both a carbon-in-pulp (“CIP”) circuit as well as a flotation circuit with a total capacity of approximately 150 tons per day (“TPD”). The plant is located in the region of Arequipa, the most active region of Peru for small-scale gold mining.

The Eladium Gold Mine and Saulito Property are located in the Nazca-Ocona metallogenic belt in close proximity to the Mollehuaca Gold Plant. Mineralization at both projects is hosted by a system of quartz-sulphide veins which contain high grades of gold and accessory silver and copper. Eladium is currently built to produce 5-25 tpd of gold-bearing vein material appropriate for mill feed under the Peruvian toll-milling model. The mine has recently provided mill feed to Mollehuaca that has assayed 15-25 g/t Au at the Mollehuaca site fire assay facility. Montan planned to undertake a review of the Eladium operation as well as the Saulito Property.

Total consideration for the assets and operations being purchased was US\$3,300,000, US\$50,000 (\$60,725) of which has been paid and with the remainder payable as follows:

- US\$750,000 in cash and 8,000,000 Montan common shares (the “Montan Shares”) at a deemed price of \$0.125 per share upon closing.
- US\$1,500,000 on the first anniversary of Closing. Montan may choose that payment of US\$750,000 be in cash or in additional Montan Shares priced at the VWAP price of Montan’s shares on TSXV for the 20 trading days up to and including the day prior to the payment date. The vendor will get security while this payment remains outstanding, including the right to a Montan board member.
- The Montan Shares issued will be subject to TSXV escrow requirements.

Since incorporation, Goldsmith has spent in excess of US\$4 million permitting, building, operating and developing the mill and properties.

Montan signed a final definitive agreement effective June 9, 2015 with the shareholders of Goldsmith for the acquisition. From the date the Definitive Agreement is executed by the Parties (the “DA Date”) until the Closing, Montan will take over operations and management of the business of Goldsmith and provide all working capital (\$403,959 as at July 31, 2015) as it deems necessary to continue the day to day operations of the business. All income and expenses from the DA Date to Closing will accrue to Montan. Post-Closing, Montan will continue as the operator and manager of the business. Subsequent to July 31, 2015, the Company advanced an additional \$198,000 to Goldsmith.

# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

b) Inca One transaction

On October 29, 2015, the Company, along with the shareholders of Goldsmith Resources SAC ("Goldsmith"), a private Peruvian company and Inca One Gold Corp. ("Inca One"), announced that the Companies have entered into a binding letter agreement (the "Binding LA") pursuant to which Inca One has agreed to acquire certain assets of Montan.

On November 2, 2015, the Company received non-refundable deposit of \$32,415 (US\$25,000) from Inca One.

On January 5, 2016, Inca One Gold and Montan Mining terminated the option to acquire the Mollehuaca Toll Mill and Eladium Gold Mine from Goldsmith SAC. As result of the termination, other considerations by Inca One in favour of Montan and the Goldsmith Shareholders will not proceed. Montan will not receive any common shares in Inca One, and the Montan will not proceed to dividend Inca One shares to shareholder of Montan; Inca One will not issue any common shares of Inca One to Goldsmith.

(c) As at April 30, 2016, the Company has fully written off (\$698,818) the Goldsmith advances as management will not pursue the Goldsmith asset acquisition transaction (see note 6(a)) as the Inca One transaction terminated (see note 6(b)).

## 7 Office equipment

	Cost			Accumulated amortization			Net book value
	As at July 31, 2015	Additions	As at April 30, 2016	As at July 31, 2015	Amortization	As at April 30, 2016	As at April 30, 2016
Office and furniture	\$ 1,941	\$ -	\$ 1,941	\$ (452)	\$ (1,489)	\$ (1,941)	\$ -

## 8 Mineral properties

	April 30, 2016	July 31, 2015
Opening balance	\$ 766,072	\$ -
Acquisition cost – reverse take-over (see note 2)	-	764,023
Deferred exploration expense – field and camp cost	-	2,049
	\$ 766,072	\$ 766,072

On September 25, 2009, the Company entered into an option and mining lease agreement (the "Alicia Option Agreement" or "AOA") with a Peruvian subsidiary of Panoro Minerals Ltd. ("Panoro") pursuant to which MSG Peru had the right to acquire up to a 100% interest, subject to a 2% net smelter return royalty (the "Alicia Royalty"), in the 2,593 hectare Alicia Property in the Department of Cusco, approximately 500 km southeast of Lima.

Under the terms of the AOA, the Company secured a 55% interest in the Alicia Property by (a) issuing a further 500,000 common shares to Panoro and (b) carrying out work expenditures of US\$650,000. The Company issued to Panoro 200,000 common shares, valued at \$30,000, on February 14, 2011, and 300,000 common shares, valued at \$18,000 on June 10, 2011, and confirmed to Panoro that it had carried out the required work expenditures.

The Company secured the remaining 45% interest in the Alicia Property, by (a) issuing a further 400,000 common shares, valued at \$28,000, to Panoro on February 15, 2013 and (b) carrying out work expenditures at the Alicia Property, aggregating US\$1.25 million. On December 8, 2011, the Company entered into an Option/Joint Venture Agreement with Teck Peru S.A. ("Teck Peru"), a wholly owned subsidiary of Teck Resources Limited ("Teck"), giving Teck Peru an option to earn up to a 75% interest in the Alicia Property. As a condition of entering into the agreement, Teck made a \$600,000 equity investment in the Company through the purchase of 3,000,000 Units of the Company. On August 27, 2013, the Company announced that the exercise price of 3,000,000 warrants held by Teck had been reduced to \$0.12 from \$0.35 per share. On August 29, 2013, the 3,000,000 warrants were exercised by Teck for gross proceeds of \$360,000. On February 13, 2014, the Company announced that Teck Peru had notified the Company that it did not intend to exercise its option to earn an interest in the Company's Alicia Property.

# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

### 9 Convertible debenture

- a) On August 31, 2015, the Company issued a convertible debenture in the aggregate amount of \$216,860. Each note accrues simple interest at 14% per annum until maturity, being one year from issuance. The principal amount of each note is convertible at any time at a price of \$0.125 into units of the Company comprising one share and one share purchase warrant. Each whole warrant may be exercised at an exercise price of \$0.175 into one additional common share of the Company for a period of 2 years from closing of the note financing.

Based on the discount factor of 20% over the loan life of one year, the equity portion was valued at \$10,843. Accreted interest for the debenture for three and nine months ended April 30, 2016 was \$1,355 and \$5,873 (April 30, 2015 - \$Nil) related to this loans. Annual interest expense of this debenture of \$30,360 was prepaid upon issuance of the convertible debenture. During the three and nine months ended April 30, 2016, \$3,795 and \$16,445 (April 30, 2015 - \$Nil) was amortized from prepaid expense.

On March 15, 2016, the two holders of convertible debentures have applied to convert their notes for common shares at deemed value of \$0.125 for the issuance of 2,047,383 shares and warrants. Each warrant maybe exercised at an exercise price of \$0.175 into one additional common shares for a period of 2 years from the closing of the note financing (March 15, 2018). The equity portion valued at \$10,843 was transferred to share capital. The carrying value of convertible bonds \$211,891 was transferred to share capital \$170,689 and equity \$52,045. The Company wrote off the prepaid interest of \$13,915 related to this debenture.

- b) On September 14, 2015, the Company issued a convertible debenture in the aggregate amount of \$129,070. Each note accrues simple interest at 14% per annum until maturity, being one year from issuance. The principal amount of each note is convertible at any time at a price of \$0.125 into units of the Company comprising one share and one share purchase warrant. Each whole warrant may be exercised at an exercise price of \$0.175 into one additional common share of the Company for a period of 2 years from closing of the note financing.

Based on the discount factor of 20% over the loan life of one year, the equity portion was valued at \$6,453. Accreted interest for the debenture for three and nine months ended April 30, 2016 was \$1,613 and \$4,302 (April 30, 2015 - \$Nil) related to this loans. Annual interest expense of this debenture of \$18,070 was prepaid upon issuance of the convertible debenture. During the three and nine months ended April 31, 2016, \$4,517 and \$12,047 (April 30, 2015 - \$Nil) was amortized from prepaid expense.

	<b>\$216,860 convertible debenture</b>
Convertible debenture principal issued	\$ 216,860
Equity portion	(10,843)
Accreted interest	5,874
<b>Convertible debenture balance as at March 15, 2016 to be converted into equity</b>	<b>211,891</b>
Equity portion reclassified to share capital upon settlement	10,843
Shares issued upon conversion of principal (see note 12(a))	(170,689)
Share purchase warrants issued upon conversion of principal (see note 12(b))	(52,045)
<b>Convertible debenture carrying value as at April 30, 2016</b>	<b>\$ -</b>

	<b>\$129,070 convertible debenture</b>
Convertible debenture principal issued	\$ 129,070
Equity portion	(6,453)
Accreted interest	4,302
<b>Convertible debenture carrying value as at April 30, 2016</b>	<b>\$ 126,919</b>

# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

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### 10 Director's loan

On August 19, 2015, a director of the Company advanced a non-interest bearing loan of \$50,000 to the Company. During the period ended April 30, 2016, \$10,000 repayment was made in cash. On March 15, 2016, the Company settled the debt through issuance of 800,000 shares (see note 12(a)(ii)) with a deemed value of \$0.05. The fair value of the common shares was \$24,000, resulting a gain of \$16,000 recorded in reserves for accounting purpose.

As at April 30, 2016, the balance outstanding was \$nil (July 31, 2015 - \$nil).

### 11 Loan payable - advance

During February 2016, an independent private investor advanced the Company \$30,000 as part of a potential loan financing. As at June 29, 2016, the terms of this loan are still under negotiation.

### 12 Share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

During the nine months ended April 30, 2016, 4,554,000 (July 31, 2015 – 4,544,000) common shares are held in escrow and scheduled to be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the TSX Venture and as to the remainder in six equal tranches of 15% every six months thereafter, for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If a Final Exchange Bulletin is not issued the shares will not be released from escrow and if the Company is delisted, the shares will be cancelled.

#### (a) Share issuance

- i) On October 19 and October 21, 2015, the Company closed two tranches of private placement financing that issued 1,366,125 units and 62,500 units respectively. The units offered at a price of \$0.08 for aggregate gross proceeds of \$114,290. Each unit consists of one common share and one common share purchase warrant. One warrant will be exercisable into one common share at a price of \$0.12 for a period of two years following the closing of the offering.
- ii) On March 15, 2016, the Company issued 7,068,083 common shares at deemed price of \$0.05 per share to settle certain debts owed to various vendors and related parties. Of 7,068,083 share, 4,525,848 were issued to the parties at arm's length and 2,542,235 (inclusive of 800,000 common shares issued for settlement of director's loan, see note 10 for details) issued to the parties at non-arm's length. For accounting purpose, the fair value of shares issued was \$212,042, \$50,845 from settlement with related party were recorded in equity and a gain from settlement of \$99,892 was recorded in net loss.
- iii) On March 15, 2016, the convertible debenture debtor had elected for early conversion at a conversion price of \$0.125 per share (see note 9b), resulting an issuance of 1,734,880 units. Each unit consists of one common shares and one share purchase warrants. One warrant will be exercisable into one common share at a price of \$0.175 for a period of two years following the closing of the offering (expire on March 15, 2018). The equity portion valued at \$10,843 was transferred to share capital. The fair value of \$170,689 of the shares issued and gain from settlement were recorded in share capital; additionally, the share purchase warrant's fair value of \$52,045 (see note 12(b)(iii)) was recorded in reserves.

#### (b) Share purchase warrants

- i) During October 2015, the Company closed two tranches of private placement financing that issued 1,428,625 units. (Note 12 (a)). The fair values of these share purchase warrants were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: 0.43% risk free interest rate, 2 year of expected life of share purchase warrants, 292% annualized volatility and 0% dividend rate.
- ii) The fair values of these share purchase warrants issued on or before July 31, 2015 were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: 0.57% risk free interest rate, 2 year of expected life of share purchase warrants, 173% annualized volatility and 0% dividend rate.

## Montan Mining Corp. (formerly Strait Minerals Inc.)

### Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

- iii) On March 15, 2016, the Company issued 1,734,880 share purchase warrants as a result of early conversion from the convertible debenture holders (see note 9(a)). The fair value of these share purchase warrants was determined using Black-Scholes option pricing model using the following assumptions: expected life of warrants of 2 years, volatility of 629%, annual rate of dividends of 0.00% and risk free rate of 0.5%. (see Note 9(a) & 12(a)(iii))

The following is a summary of the share purchase warrants outstanding as at April 30, 2016 and July 31, 2015:

	April 30, 2016		July 31, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding - beginning of year	1,621,589	\$ 0.24	300,000	\$ 0.20
Issued (see note 12(b))	3,163,505	0.18	1,621,589	0.24
Expired	(56,000)	0.15	(300,000)	0.20
Exercised	-	-	-	-
Outstanding – as at April 30, 2016	4,729,094	\$ 0.20	1,621,589	\$ 0.24

Number of warrants	Exercise price per warrant	Expiry date
1,473,889	\$0.25	July 6, 2017
91,700	\$0.18	July 6, 2017
1,366,125	\$0.175	October 19, 2017
62,500	\$0.175	October 21, 2017
1,734,880	\$0.175	March 15, 2018
4,729,094		

As at April 30, 2016, the weighted average exercise price of the warrants outstanding was \$0.20 (July 31, 2015 - \$0.24) with a weighted average remaining contractual life of 1.52 years (July 31, 2015 – 1.55 years).

### 13 Share based compensation

The Company adopted a stock option plan (the “Stock Option Plan”) under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. The stock option plan is subject to regulatory approval.

The following is a summary of the stock options outstanding as at April 31, 2016 and July 31, 2015:

	April 30, 2016		July 31, 2015	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding - beginning of year	1,875,000	\$ 0.17	800,000	\$ 0.20
Granted	-	-	1,075,000	0.15
Cancelled or expired	(10,000)	0.15	-	-
Outstanding - end of year	1,865,000	\$ 0.17	1,875,000	\$ 0.17

# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

Number of stock option outstanding and vested	Exercise price per stock option	Expiry date
800,000	\$0.20	December 5, 2022
200,000	\$0.15	December 5, 2022
825,000	\$0.15	March 7, 2020
20,000	\$0.15	January 11, 2018
20,000	\$0.15	January 4, 2017
1,865,000		

As at April 30, 2016, the weighted average exercise price of the stock options outstanding was \$0.17 (July 31, 2015 - \$0.17) with the weighted average remaining contractual life of 3.89 years (July 31, 2015 – 4.49 years).

During the period ended October 31, 2015, the Company was committed to grant 300,000 stock options to a marketing firm. Due to the Inca One Gold Corp (see note 6(b)) transaction, the Company has yet finalized the timing of the grant as at the date of reporting. The terms of the 300,000 stock option are still under negotiation.

## 14 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

The remuneration of the Company's directors and other key management personnel during the three and nine months ended April 30, 2016 and April 30, 2015 are as follows:

	Three Months Ended		Nine Months Ended	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Consulting fees	\$ 15,000	46,953	\$ 156,379	145,806

These expenses were measured at the exchange amounts agreed upon by the parties. As at April 30, 2016 the Company had amounts payable of \$Nil (July 31, 2015 - \$5,250) to these parties. These amounts are unsecured and non-interest bearing.

On March 15, 2016, the Company issued shares to settle a director's loan (see note 10) and various related party accounts payables (see note 12(a)(ii)).

# Montan Mining Corp. (formerly Strait Minerals Inc.)

## Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

### 15 Segment disclosures

The Company operates in one operating segment (exploration) in two countries. Details of the investments in mineral properties are disclosed in Note 8. The Company's assets by country are:

Period ended April 30, 2016	Canada	Peru	Total
Cash and cash equivalent	\$ 5,409	\$ 1,020	\$ 6,429
Restricted cash	-	252	252
Other receivables	13,450	-	13,450
Prepaid expenses	147,939	-	147,939
	166,798	1,272	168,070
Office equipment	-	-	-
Mineral property	-	766,072	766,072
Total assets – April 30, 2016	\$ 166,798	\$ 767,344	\$ 934,142
Segment loss period ended – three months ended	\$ 55,735	\$ 585	\$ 56,320
Segment loss period ended – Nine months ended	\$ 1,320,674	\$ 84,264	\$ 1,404,938

Period ended April 30, 2015	Canada	Peru	Total
Cash and cash equivalent	\$ 554,768	\$ 3,451	\$ 558,219
Restricted cash	-	234	234
Other receivables	27,411	-	27,411
Prepaid expenses	71,463	-	71,463
	653,642	3,685	657,327
Office equipment	-	1,941	1,941
Mineral property	-	765,596	765,596
Total assets – April 30, 2016	\$ 653,642	\$ 771,222	\$ 1,424,864
Segment loss period ended – three months ended	\$ 487,200	\$ 28,873	\$ 516,073
Segment loss period ended – Nine months ended	\$ 655,445	\$ 28,873	\$ 684,318

### 16 Capital management

The Company's objectives for capital management are to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of items included in shareholders' equity, net of cash and cash equivalents as follows:

	April 30, 2016	July 31, 2015
Total equity	\$ 620,195	\$ 1,418,768
Less: cash and cash equivalents	(6,429)	(60,335)
	\$ 613,766	\$ 1,358,433

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.



## Montan Mining Corp. (formerly Strait Minerals Inc.)

### Notes to Interim Consolidated Financial Statements

For the nine months ended April 30, 2016 and April 30, 2015

(Unaudited – amount expressed in Canadian dollars, except where indicated)

#### 17 Supplemental cash flow information

Supplemental cash flow information		Three months ended,		Nine months ended,	
		April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Equity portion – convertible debentures	9	\$ (10,844)	\$ -	\$ 6,454	\$ -
Fair value of shares issued to settle liabilities	12	212,042	-	212,042	-
Gain recorded in equity from shares for liabilities with related parties	12	50,845	-	50,845	-
Fair value of shares from convertible debenture early conversion	9	170,689	-	170,689	-
Fair value of warrants from convertible debenture early conversion	9& 12(b)	52,045	-	52,045	-

#### 18 Subsequent event

On May 19, 2016, the Company closed the first tranche of its private placement in the amount of 4,162,500 units at \$0.04 per unit for total gross proceeds of \$166,500. Each unit consists of one common share and one-half of one transferable share purchase warrant. Each warrant entitled the holders to purchase one additional common share at \$0.05 per share (expire on May 19, 2018).

The Company paid \$1,350 and issued 54,000 share purchase warrants in respect of finder's fee on placement.