

# PITCHBLACK RESOURCES LTD.

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## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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For the three and nine months ended  
September 30, 2016 and 2015  
(expressed in Canadian dollars)

**Unaudited**

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**PITCHBLACK RESOURCES LTD.**  
Condensed Statements of Financial Position  
Unaudited  
(Expressed in Canadian Dollars)  
As at

	Notes	September 30, 2016	December 31, 2015
<b>ASSETS</b>			
Current assets:			
Cash		\$ 108,520	\$ 10,553
Amounts receivable		12,764	15,791
Prepaid expenses		22,949	810
Investments	3	1,023	448
<b>TOTAL ASSETS</b>		<b>\$ 145,256</b>	<b>\$ 27,602</b>
<b>LIABILITIES AND SHAREHOLDERS' (DEFICIENCY)</b>			
Current liabilities:			
Accounts payable and accrued liabilities	7	\$ 837,637	\$ 573,901
Shareholders' (Deficiency):			
Share capital	5	69,464,770	69,250,980
Share-based payments reserve	6	15,000	175,500
Deficit		(70,172,151)	(69,972,779)
<b>Total shareholders' (deficiency):</b>		<b>(692,381)</b>	<b>(546,299)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY)</b>		<b>\$ 145,256</b>	<b>\$ 27,602</b>
Nature of operations and going concern	1		
Commitments and contingencies	8		
Subsequent event	12		

APPROVED ON BEHALF OF THE BOARD:

Signed "William Clarke",  
Director

Signed "G. Scott Moore",  
Director

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

**PITCHBLACK RESOURCES LTD.**

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

Unaudited

(Expressed in Canadian Dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
<b>Expenses</b>					
Consulting, professional and management fees	7	\$ 132,826	\$ 73,291	\$ 354,982	\$ 231,867
Office and general		2,518	15,459	7,573	50,658
Shareholder communications and filing fees		22,253	22,957	29,495	30,830
Travel and promotion		-	1,058	-	6,098
Property maintenance expense		28,397	-	28,397	3,474
Write off accrued liabilities		-	-	(60,000)	-
Unrealized loss (gain) on investment	3	(462)	7	(575)	7
Net loss for the period		185,532	112,772	359,872	322,934
Other comprehensive (income) loss		-	375	-	375
Net loss and comprehensive loss for the period		\$ 185,532	\$ 113,147	\$ 359,872	\$ 323,309
Basic and diluted loss per share	5, 9	\$ 0.03	\$ 0.03	\$ 0.07	\$ 0.10
Weighted average number of common shares outstanding					
- Basic and diluted	5	5,365,507	3,597,279	4,892,722	3,383,952

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

**PITCHBLACK RESOURCES LTD.**

## Condensed Interim Consolidated Statements of Cash Flows

Unaudited

(Expressed in Canadian Dollars)

	Notes	Nine months ended September 30,	
		2016	2015
Cash (used in) provided by operating activities:			
Net (loss) for the year		\$ (359,872)	\$ (322,934)
Adjustment for non-cash items			
Unrealized loss (gain) on investment	3	(575)	7
Working capital adjustment:			
Change in amounts receivables		3,027	1,320
Change in prepaid expenses		(22,139)	750
Change in accounts payables		263,736	139,969
Net cash (used in) operating activities		(115,823)	(180,888)
Financing activities:			
Private placement, net of issue costs	5	213,790	-
Net cash provided by financing activities		213,790	-
Change in cash		97,967	(180,888)
Cash, beginning of the period		10,553	215,048
Cash, end of the period		\$ 108,520	\$ 34,160

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

**PITCHBLACK RESOURCES LTD.**

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

Unaudited

(Expressed in Canadian Dollars)

	Share capital		Share-based payments reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' deficiency
	No.	\$	\$	\$	\$	\$
Balance, December 31, 2015	4,624,061	69,250,980	175,500	-	(69,972,779)	(546,299)
Private placement	1,783,000	213,790	-	-	-	213,790
(Loss) for the period	-	-	-	-	(359,872)	(359,872)
Options expired	-	-	(160,500)	-	160,500	-
<b>Balance, September 30, 2016</b>	<b>6,407,061</b>	<b>69,464,770</b>	<b>15,000</b>	<b>-</b>	<b>(70,172,151)</b>	<b>(692,381)</b>
Balance, December 31, 2014	3,312,415	69,054,180	786,600	(35,250)	(70,583,645)	(778,115)
Reallocate value of expired warrants	-	-	(254,100)	-	254,100	-
Share issued for debt	1,312,000	196,800	-	-	-	196,800
Adjustment	(354)	-	-	-	-	-
Other comprehensive (loss)	-	-	-	(375)	-	(375)
(Loss) for the period	-	-	-	-	(322,934)	(322,934)
<b>Balance, September 30, 2015</b>	<b>4,624,061</b>	<b>69,250,980</b>	<b>532,500</b>	<b>(35,625)</b>	<b>(70,652,479)</b>	<b>(904,624)</b>

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

**PITCHBLACK RESOURCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**September 30, 2016 and 2015 - Unaudited**  
(Expressed in Canadian Dollars)

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**1. Nature of operations and going concern**

Pitchblack Resources Ltd. ("Pitchblack" or the "Company") is incorporated under the laws of Ontario, Canada. The Company is primarily engaged in the acquisition, exploration and evaluation of properties located in Canada. There has been no determination whether the Company's interests in exploration and evaluation properties contain mineral reserves. The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada, M5H 2M5.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company's assets. The Company's assets may also be subject to political uncertainty, increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations and restrictions.

The condensed interim consolidated financial statements of the Company for the period ended September 30, 2016 were reviewed, approved and authorized for issue by the Board of Directors on November 28, 2016.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, First Nations claims, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

The Company has a need for equity capital and financing for working capital and exploration and evaluation of its properties. Because of continuing operating losses and a working capital deficiency at September 30, 2016, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

**2. Significant accounting policies**

**a) Statement of compliance**

These condensed interim consolidated financial statements of the Company and its subsidiary have been prepared in accordance with International Account Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The policies set out in the Company's Annual Consolidated Financial Statements for the twelve months ended December 31, 2015 were consistently applied to all the periods presented unless otherwise noted below.

**b) Basis of preparation**

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for held for trading and available-for-sale investments which are reflected at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**c) New and future accounting policies**

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 considerations 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. This new standard did not have any material impact on the Company's condensed interim consolidated financial statements.

**PITCHBLACK RESOURCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**September 30, 2016 and 2015 - Unaudited**  
(Expressed in Canadian Dollars)

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**2. Significant accounting policies (continued)**

**c) New and future accounting policies (continued)**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 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.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

**d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary Signet Minerals Inc.

*Subsidiaries*

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

**e) Critical judgments and estimation uncertainties**

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 and these differences could be material.

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

- **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.

**PITCHBLACK RESOURCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**September 30, 2016 and 2015 - Unaudited**  
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**2. Significant accounting policies (continued)**

**e) Critical judgments and estimation uncertainties (Continued)**

- Impairment of exploration and evaluation assets

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 includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could 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 mining 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.

- Estimation of decommissioning and restoration costs and the timing of expenditure

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.

- Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, 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 whether relevant tax planning opportunities are within the Company's control, are feasible, and are 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 tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- 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 share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is 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.

- Contingencies

Refer to Note 8.

**PITCHBLACK RESOURCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**September 30, 2016 and 2015 - Unaudited**  
(Expressed in Canadian Dollars)

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**3. Investments**

The Company's investments include shares in the following securities:

	Classification	<u>September 30, 2016</u>		<u>December 31, 2015</u>	
		No. held	Value	No. held	Value
Klondike Gold Corp.	Held-for-trading	667	\$ 123	667	\$ 73
Inform Resources Corp.	Available for sale	3,750	900	37,500	375
			\$ 1,023		\$ 448

Investments are designated between held-for-trading or available-for-sale based on management intentions with the investment.

The Company has investment in Klondike Gold Corp. ("Klondike"). These shares are designated as "held for trading". At September 30, 2016, the quoted market value of these shares was \$0.185 per share, or \$123. The Company also owns common shares of Inform Resources Corp. ("Inform"). At September 30, 2016, the quoted market value for these shares was \$0.24 per share, or \$900. Consequently, an unrealized gain of \$575 was recorded for the nine months ended September 30, 2016 (September 30, 2015 – loss of \$7).

**4. Exploration and evaluation properties**

**Igor Property, Yukon, Canada**

As at December 31, 2015 and September 30, 2016 the Company holds a 50% interest in the Igor Property.

The Company has terminated the option with Mega Uranium Ltd. to earn an additional 25% in the Igor Property. The Company will maintain its 50% interest and will continue to be the operator on the property. The Company has written down the full amount of the carrying value of the property as it has not done any exploration work on the property in the last three years and does not intend on doing additional work on the property for the foreseeable future.

The Company has allowed certain claims to lapse and will continue to allow certain claims which make up the Igor property to lapse.

**Division Mountain Coal Property, Yukon, Canada**

The Company owns the rights to various coal exploration licenses and coal leases located in the Whitehorse Mining District and certain coal exploration licenses located in the Watson Lake Mining District, Yukon.

The Company has written down the full amount of the carrying value of the property as it has not done any exploration work on the property in the last three years and does not intend on doing additional work on the property for the foreseeable future.

**Mike Lake Property, Yukon, Canada**

The Mike Lake Property was acquired by the Company on May 5, 2009. The Mike Lake Property consists of mining claims in the Tintina Gold Belt, Yukon.

The Company has impaired the full amount of the carrying value of the property as it has not done any exploration work on the property in the last three years and does not intend on doing additional work on the property for the foreseeable future.

**PITCHBLACK RESOURCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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(Expressed in Canadian Dollars)

**5. Share capital**

As at September 30, 2016 and December 31, 2015 the Company's authorized number of common shares were unlimited without par value.

Common shares	Number of Shares	Amount
<b>Balance, December 31, 2014</b>	<b>3,312,415</b>	<b>\$ 69,054,180</b>
Share issued for debt (i)	1,312,000	196,800
Adjustment	(354)	-
<b>Balance, December 31, 2015</b>	<b>4,624,061</b>	<b>\$ 69,250,980</b>
Private placement (ii)	600,000	60,000
Private placement (iii)	1,183,000	153,790
<b>Balance, September 30, 2016</b>	<b>6,407,061</b>	<b>\$ 69,464,770</b>

- (i) On August 28, 2015, the Company entered into a shares for debt agreement with Forbes & Manhattan, Inc. ("Forbes") and 2227929 Ontario Inc. ("2227929") wherein \$656,000 worth of debt was settled through the issuance of 1,312,000 shares. The shares issued had an estimated fair market value of \$196,800 on the date of issuance. As a result, a gain of \$459,200 was recorded on the settlement of debt at December 31, 2015.
- (ii) On June 28, 2016, the Company closed a non-brokered private placement financing of 600,000 common shares of the Company at a price of \$0.10 for gross proceeds of \$60,000.
- (iii) On September 20, 2016, the Company closed a non-brokered private placement financing of 1,183,000 common shares of the Company at a price of \$0.13 for gross proceeds of \$153,790.

**6. Share-based payments reserve**

The Company has a stock-option plan whereby the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the plan will be for a term not to exceed 5 years.

	No. of options	Weighted Average Exercise Price	Value of Options	No. of warrants	Weighted Average Exercise Price	Value of Warrants	Total Value
<b>December 31, 2014</b>	<b>195,000</b>	<b>\$ 3.20</b>	<b>\$ 532,500</b>	<b>1,100,000</b>	<b>\$ 2.00</b>	<b>\$ 254,100</b>	<b>\$ 786,600</b>
Expired	(105,000)	4.00	(357,000)	(1,100,000)	2.00	(254,100)	(611,100)
<b>December 31, 2015</b>	<b>90,000</b>	<b>\$ 2.32</b>	<b>\$ 175,500</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 175,500</b>
Expired	(75,000)	2.54	(160,500)	-	-	-	(160,500)
<b>September 30, 2016</b>	<b>15,000</b>	<b>\$ 1.20</b>	<b>\$ 15,000</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,000</b>

As at September 30, 2016, outstanding options to acquire common shares of the Company were as follows:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date	Estimated Grant Date Fair Value
15,000	15,000	\$ 1.20	September 11, 2017	\$ 15,000

The Company recorded stock based compensation of \$nil in consulting and management fees in the consolidated statement of operations during the nine months ended September 30, 2016 (September 30, 2015: \$nil).

The weighted average remaining contractual life of outstanding options as at September 30, 2016 is 0.95 years (September 30, 2015 – 0.93 years).

During the nine months ended September 30, 2016, 75,000 options expired unexercised and \$160,500 was recorded against deficit (September 30, 2015: nil options valued at \$nil).

**PITCHBLACK RESOURCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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(Expressed in Canadian Dollars)

**7. Related party disclosures**

During the periods ended September 30, 2016 and 2015, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of services			
	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Forbes & Manhattan, Inc	\$ 30,000	\$ 30,000	\$ 90,000	\$ 90,000

	Amounts owed to related parties	
	September 30, 2016	September 30, 2015
	Forbes & Manhattan, Inc	\$ 290,900

The Company shares its office space with other companies who may have similar officers or directors. The costs associated with this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc, to whom the Company pays a monthly fee. 2227929 Ontario Inc. does not have any officers or directors in common with the Company.

Forbes & Manhattan, Inc. owns approximately 10% of the outstanding common shares of the corporation. Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan, Inc. Mr. Bharti was a director of the Company until June 10, 2011.

Mr. Gregory Duras, an officer of the Company, is a former officer of Apogee Silver Ltd.

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2016 and 2015 were as follows:

*Compensation of key management personnel of the Company*

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Short-term benefits	\$ 75,000	\$ 17,250	\$ 225,000	\$ 60,000

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. See Note 5 (i).

**8. Commitments and contingencies**

The Company is party to certain management contracts. These contracts require that payments of up to approximately \$646,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Additional minimum management contractual commitments remaining under these contracts approximate \$106,000 due within one year.

The Company's exploration and evaluation activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and 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.

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**9. Loss per share**

All options and warrants were excluded from the computation of diluted loss per share for the periods presented because their effect would be anti-dilutive.

**10. Financial instruments**

Financial assets and financial liabilities as at September 30, 2016 and December 31, 2015 were as follows:

September 30, 2016	Cash	Loans and other financial liabilities	Held-for- trading	Available-for- sale	TOTAL
Cash	\$108,520	\$ -	\$ -	\$ -	\$108,520
Investments	-	-	123	900	1,023
Accounts payable and accrued liabilities	-	(837,637)	-	-	(837,637)
December 31, 2015	Cash	Loans and other financial liabilities	Held-for- trading	Available-for- sale	TOTAL
Cash	\$ 10,553	\$ -	\$ -	\$ -	\$ 10,553
Investments	-	-	73	375	448
Accounts payable and accrued liabilities	-	(573,901)	-	-	(573,901)

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the periods ended September 30, 2016 and 2015.

The carrying values of cash and accounts payable and accrued liabilities reflected on the consolidated statements of financial position approximate fair value due to the limited terms of these instruments.

*Credit risk*

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to these financial instruments 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 September 30, 2016, the Company had a cash balance of \$108,520 (December 31, 2015 - \$10,553) to settle current liabilities of \$837,637 (December 31, 2015 - \$573,901). The Company's financial liabilities generally have contractual maturities of less than 30 days.

(a) Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars.

**PITCHBLACK RESOURCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**September 30, 2016 and 2015 - Unaudited**  
(Expressed in Canadian Dollars)

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**10. Financial instruments (Continued)**

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments. The Company is also exposed to price risk with respect to its investments.

*Sensitivity analysis*

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year.

- The Company does not hold interest bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- The Company does not hold significant cash balances in foreign currencies to give rise to foreign exchange risk.

(d) Fair value

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the balance sheet. These have been prioritized into three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

At September 30, 2016 and 2015, the Company's financial instruments that are carried at fair value, consist of investments which have been classified as Level 1 within the fair value hierarchy.

**11. Capital management**

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and evaluation of mineral properties. The capital of the Company consists of share capital, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

**12. Subsequent event**

Subsequent to the quarter end the Company granted 600,000 stock options to acquire an equal number of common shares at an exercise price of \$0.10 expiring five years from the date of grant. The options were granted to directors, officers and consultants and vest immediately, subject to the statutory four-month hold period. The grant of options is subject to regulatory approval, including approval of the TSX Venture Exchange.