
Lancaster Capital Corp.
Consolidated Financial Statements
For the years ended October 31, 2015 and October 31, 2014
(Expressed in Canadian Dollars)



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Independent Auditor's Report

To the Shareholders of Lancaster Capital Corp.

We have audited the accompanying consolidated financial statements of Lancaster Capital Corp., which comprise the consolidated statements of financial position as at October 31, 2015 and October 31, 2014, and the consolidated statements of income (loss) and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended October 31, 2015 and October 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lancaster Capital Corp. as at October 31, 2015 and October 31, 2014, and its financial performance and its cash flows for the years ended October 31, 2015 and October 31, 2014 in accordance with International Financial Reporting Standards.

Vancouver, B.C.
February 29, 2016

"D&H Group LLP"

Chartered Professional Accountants

Lancaster Capital Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at October 31, 2015 \$	As at October 31, 2014 \$
Assets		
Current assets		
Cash	505,114	7,952
Amounts receivable	2,625	-
Available for sale securities (Note 4)	<u>167,849</u>	<u>122,692</u>
	675,588	130,644
Exploration and evaluation assets (Note 5)	<u>2</u>	<u>2</u>
	675,590	130,646
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>97,137</u>	<u>86,641</u>
Shareholders' equity		
Share capital (Note 6)	2,947,442	2,460,477
Share-based payments reserve	149,684	149,684
Accumulated other comprehensive loss (gain)	82,110	(12,308)
Deficit	<u>(2,600,783)</u>	<u>(2,553,848)</u>
	<u>578,453</u>	<u>44,005</u>
	675,590	130,646

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

Nature of business (Note 1)

Subsequent events (Note 11)

These consolidated financial statements were approved for issue by the Board of Directors on February 29, 2016 and are sign on its behalf by:

"Leigh Curyer", Director

"Garrett Ainsworth", Director

Lancaster Capital Corp.

Consolidated Statements of Income (Loss) and Comprehensive Income

(Expressed in Canadian Dollars)

	Year ended October 31, 2015 \$	Year ended October 31, 2014 \$
Expenses		
Depreciation of equipment	-	797
Consulting	-	12,000
Office	12,351	16,425
Professional fees	60,310	49,862
Share-based payments (Note 7)	<u>-</u>	<u>3,199</u>
Loss before other items	<u>(72,661)</u>	<u>(82,283)</u>
Other items		
Gain on sale of available for sale securities	8,051	-
Gain on sale of exploration and evaluation assets (Note 5)	-	135,000
Settlement of debt	17,675	124,918
Loss on disposal of equipment	<u>-</u>	<u>(2,743)</u>
	<u>25,726</u>	<u>257,175</u>
Net income (loss)	(46,935)	174,892
Other comprehensive income		
Unrealized holding gain (loss) on available for sale securities	<u>94,418</u>	<u>(12,308)</u>
Comprehensive income	47,483	162,584
Net income (loss) per common share - basic and diluted	(0.01)	0.06
Weighted average number of common shares outstanding	4,312,581	2,922,607

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

Lancaster Capital Corp.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Shares	Common shares Amount \$	Share-based payments reserve \$	Deficit \$	Accumulated other comprehensive income \$	Total \$
Balance, October 31, 2013	1,786,443	2,399,694	146,485	(2,728,740)	-	(182,561)
Private placement	1,300,000	65,000	-	-	-	65,000
Share issuance costs	-	(4,217)	-	-	-	(4,217)
Share based payments	-	-	3,199	-	-	3,199
Unrealized loss on available for sale securities	-	-	-	-	(12,308)	(12,308)
Net income (loss)	-	-	-	174,892	-	174,892
Balance, October 31, 2014	3,086,443	2,460,477	149,684	(2,553,848)	(12,308)	44,005
Balance, October 31, 2014	3,086,443	2,460,477	149,684	(2,553,848)	(12,308)	44,005
Private placement	10,690,000	534,500	-	-	-	534,500
Share issuance costs	-	(47,535)	-	-	-	(47,535)
Unrealized gain on available for sale securities	-	-	-	-	94,418	94,418
Net income (loss)	-	-	-	(46,935)	-	(46,935)
Balance, October 31, 2015	13,776,443	2,947,442	149,684	(2,600,783)	82,110	578,453

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

Lancaster Capital Corp.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended October 31, 2015 \$	Year ended October 31, 2014 \$
Operating		
Net income (loss)	(46,935)	174,892
Adjustments for items not affecting cash:		
Depreciation of equipment	-	797
Share-based payments	-	3,199
Loss on disposal of equipment	-	2,743
Gain on sale of exploration and evaluation assets	-	(135,000)
Settlement of debt	(17,675)	(124,918)
Gain on sale of available for sale securities	(8,051)	-
Changes in non-cash working capital accounts:		
Decrease (increase) in amounts receivable	(2,625)	576
Increase (decrease) in accounts payable and accrued liabilities	<u>28,196</u>	<u>22,944</u>
	<u>(47,090)</u>	<u>(54,767)</u>
Financing		
Proceeds from share issuance	534,500	65,000
Share issue costs	<u>(47,535)</u>	<u>(4,217)</u>
	<u>486,965</u>	<u>60,783</u>
Investing		
Proceeds from sale of available for sale securities	<u>57,287</u>	<u>-</u>
Net change in cash	497,162	6,016
Cash at beginning of year	<u>7,952</u>	<u>1,936</u>
Cash at end of year	505,114	7,952

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

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

(Expressed in Canadian Dollars)

1. Nature of business

Lancaster Capital Corp. (the "Company"), which changed its name from Long Harbour Exploration Corp. on October 16, 2015, was incorporated under the *Business Corporations Act* (British Columbia) on April 26, 2004. The Company's principal office is located at 3150 - 1021 West Hastings Street, Vancouver, British Columbia V6E 0C3, Canada. Since August 5, 2008, the Company has been engaged in acquiring and exploring mineral resource interests in Canada.

The Company is in the process of evaluating its exploration and evaluation assets and has not yet determined whether they contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development and upon future profitable production from the development or sale of the interests.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

2. Statement of compliance and basis of preparation

The Company's consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company's consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

3. Significant accounting policies

Details of the group

In addition to the Company, the consolidated financial statements include the wholly-owned subsidiary, 0930646 B.C. Ltd. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

Functional and presentation currency

The parent and subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

Critical judgments and sources of estimation uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- i) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making this assessment, management is required to make judgments about the status of each project and of future plans to undertake additional exploration and evaluation work.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Amounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts payable and accrued liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

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3. Significant accounting policies - continued

Equipment

Equipment is carried at cost less accumulated depreciation and, where necessary, write-downs for impairment. Depreciation is calculated using the declining balance method at an annual rate of 30%.

Exploration and evaluation assets

The Company capitalizes all costs, net of any recoveries, relating to the acquisition, exploration and development of exploration and evaluation assets. These costs will be depleted over the useful life of each interest upon commencement of commercial production or written off if the interest is abandoned or the related claims are allowed to lapse. The carrying amount of exploration and evaluation assets represent costs incurred to date and does not necessarily reflect present or future values.

The Company may acquire or dispose of exploration and evaluation assets pursuant to the terms of option agreements. As options are exercisable entirely at the discretion of the optionee, amounts payable or receivable are not recorded until paid. Option payments are recorded as costs or recoveries when the payments are made or received.

On a periodic basis, management reviews the carrying values of exploration and evaluation assets with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest. Although the Company has taken steps to ensure the title to its interests, such procedures do not guarantee the Company's title. Interests may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Impairment of long-lived assets

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

Provision for restoration and decommissioning costs

Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or when an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environmental laws and regulations. On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. The liability is increased over time through periodic charges to profit and loss. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

Loss per share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

Share-based payments

The fair value, at the grant date, of equity-settled share awards is charged to comprehensive income (loss) over the period for which the benefits of employees, directors and officers and consultants providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the share-based payments reserve. Share-based payments are measured at the fair value of goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transactions are measured at the fair value of the equity instruments granted at the date the Company receives the goods or services. The fair value of awards are calculated using the Black-Scholes option pricing model which considers the following factors:

- § Exercise price
- § Expected volatility
- § Risk-free interest rate
- § Expected life of the award
- § Current market price of the underlying shares
- § Expected forfeitures

Stock options granted with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Expected volatility is based on available historical volatility of the Company's share price. Cash received on exercise of stock options is credited to share capital along with any share-based payments previously recorded that are applicable to the options exercised.

Current and deferred income taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the income tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority

Financial instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Transaction costs associated with fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss).

Accounting standards and interpretations issued but not yet adopted

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

- i) **IFRS 9 - *Financial Instruments***. This standard partially replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2015. In the year of adoption, the Company is required to provide additional disclosures relating to the reclassified financial assets and liabilities. The Company may, but is not required to, apply the standard retroactively. In and after the year of adoption, certain disclosures relating to financial assets will change to conform to the new categories.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

(Expressed in Canadian Dollars)

4. Available for sale securities

Available for sale securities consist of common shares of NexGen Energy Ltd. ("NexGen"), a corporation whose common shares are listed on the TSX Venture Exchange.

The estimated fair value of NexGen common shares is based on published closing prices.

	\$	\$	\$
	Cost	Unrealized holding (loss) gain	Book value
October 31, 2015			
229,930 common shares	85,764	82,085	167,849
October 31, 2014			
361,930 common shares	135,000	(12,308)	122,692

5. Exploration and evaluation assets

The Company's exploration and evaluation assets consist of two early-stage exploration projects as follows:

2Z Lake Property, Saskatchewan

On May 11, 2011, the Company entered into an agreement to acquire a 100% interest in the 2Z Lake uranium property in Saskatchewan. To acquire the property, the Company paid \$ 350,000 in cash and issued 100,000 common shares with a fair value of \$ 200,000 for the mineral property. A finder's fee of \$ 49,500 was paid on the purchase of the property. The mineral property is subject to a 2% net smelter returns royalty and a 2% gross overriding royalty.

On October 31, 2013 management determined that impairment indicators were present in respect of the 2Z Lake property and as a result an impairment charge of \$ 615,040 was recognized to reduce the carrying value of the property to a nominal value of \$ 1. The Company retains title to the property.

Madison Property, Saskatchewan

On June 1, 2011, the Company entered into an agreement to acquire a 100% interest in the Madison uranium property in Saskatchewan. To acquire the property, the Company paid \$ 20,000 in cash and issued 30,000 common shares with a fair value of \$ 60,000 for the mineral property. A finder's fee of \$ 8,300 was paid on the purchase of the property. The mineral property is subject to a 2% net smelter returns royalty and a 2% gross overriding royalty.

On October 31, 2013 management determined that impairment indicators were present in respect of the Madison property and as a result an impairment charge of \$ 94,456 was recognized to reduce the carrying value of the property to a nominal value of \$ 1. The Company retains title to the property.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

(Expressed in Canadian Dollars)

5. Exploration and evaluation assets - continued

NexGen Option

On April 24, 2014, the Company entered into an agreement with NexGen under which NexGen acquired a 75% interest in the 2Z Lake and Madison properties (the "Properties") and an option to acquire the remaining 25% interest in the Properties (the "Option").

In consideration, the Company received 361,930 NexGen common shares, which were accounted for at their estimated fair value of \$ 135,000 (see Note 4). Should NexGen exercise the Option, it would be required to issue the Company such number of NexGen common shares as would have a fair market value of \$ 45,000 at the time of issue.

See Note 11.

6. Share capital

The Company's authorized share capital is an unlimited number of common shares without par value. All issued common shares are fully paid.

a) Common stock

During the year ended October 31, 2015, the Company completed a non-brokered private placement, raising gross proceeds of \$ 175,000, through issue of 3,500,000 units at a price of \$ 0.05 per unit. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share for \$ 0.05 for five years. The Company incurred \$ 9,263 of share issue costs.

The Company also completed a non-brokered private placement, raising gross proceeds of \$ 359,500, through issue of 7,190,000 units at a price of \$ 0.05 per unit. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share for \$ 0.05 per share, as to 5,190,000 warrants, and for \$ 0.07 per share, as to 2,000,000 warrants. The Company incurred \$ 38,272 of share issue costs.

During the year ended October 31, 2014, the Company completed a non-brokered private placement, raising gross proceeds of \$ 65,000, through the issue of 1,300,000 units at a price of \$ 0.05 per unit. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share for \$ 0.05 for two years. In conjunction with the private placement, the Company has incurred \$ 4,218 of share issue costs.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

(Expressed in Canadian Dollars)

6. Share capital - continued

b) Warrants

The following is a summary of warrant transactions during the years ended October 31, 2015 and 2014.

	Share purchase warrants	Weighted average exercise price
Balance, October 31, 2013	40,000	1.25
Issued	1,300,000	0.05
Expired	(40,000)	1.25
Balance, October 31, 2014	1,300,000	0.05
Issued	10,690,000	0.05
Balance, October 31, 2015	11,990,000	0.05

The following is a summary of the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at October 31, 2015:

Expiry dates:	Exercise price	Number
December 17, 2015	0.05	1,300,000
October 15, 2020	0.07	2,000,000
October 15, 2020	0.05	5,190,000
July 28, 2020	0.05	3,500,000
		11,990,000

The weighted average remaining contractual life of the outstanding warrants at October 31, 2015 was 4.8 years (2014 - 1.13).

See Note 11.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

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7. Share-based payments

The Company may award share options to directors, officers, employees and consultants in accordance with the TSX Venture Exchange's policies. Awarded share options may be exercisable for up to ten years at exercise prices determined by the Board of Directors (the "Board") at the time of award. The vesting schedule, if any, applicable to a grant of share options is at the discretion of the Board. The Company's issued share options are limited up to 10% of the Company's issued and outstanding common shares.

The following is a summary of share option transactions during the years ended October 31, 2015 and 2014:

	Options outstanding	Weighted average exercise price
Balance, October 31, 2013	87,500	1.88
Expired	(22,500)	-
Balance, October 31, 2014	65,000	1.88
Expired	(42,500)	-
Balance, October 31, 2015	22,500	2.00

The following is a summary of share options outstanding and exercisable at October 15, 2015:

	Exercise price	Number of share options outstanding	Number of share options exercisable
Expiry date:			
September 30, 2016	2.00	22,500	22,500

The weighted average remaining contractual life of the outstanding and exercisable options at October 31, 2015 was 0.91 years (2014 - 1.98).

The Black-Scholes option pricing model requires the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect fair value estimates.

Lancaster Capital Corp.

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(Expressed in Canadian Dollars)

8. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. 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 Company defines capital that it manages as share capital, cash and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic 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.

9. Financial instruments

Fair value

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of input described in the following hierarchy:

§ Level 1 - applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

§ Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

§ Level 3 - applies to assets or liabilities for which there are unobservable market data.

The Company's financial instrument recorded at fair value consists of cash and available for sale securities and are measured based on Level 1 inputs.

The fair value of accounts payable and accrued liabilities approximates their fair value due to their short-term nature.

Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, available for sale securities, and accounts payable and accrued liabilities. The risks associated with these financial instruments and the policies regarding their management are discussed below. Management monitors these risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

Interest rate risk

The Company is not exposed to significant interest rate risk.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian banks that are believed to be creditworthy. Amounts receivable is comprised primarily of amounts due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Lancaster Capital Corp.

Notes to the Consolidated Financial Statements

Years ended October 31, 2015 and October 31, 2014

(Expressed in Canadian Dollars)

9. Financial instruments - continued

Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages its liquidity by continuously monitoring and forecasting cash flows from operations and anticipating any investing and financing activities.

10. Income tax

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes for the years ended October 31:

	2015	2014
	\$	\$
Income taxes (recovery) at statutory income tax rates (2015 - 26%; 2014 - 26%)	(11,733)	42,300
Permanent difference	-	(500)
Effect of income tax rate change	-	(27,100)
Addition to (reduction of) loss carryforward	<u>11,733</u>	<u>(14,700)</u>
Income taxes	-	-

The significant components of the Company's deferred income taxes as at October 31 are as follows:

	2015	2014
	\$	\$
Deferred income tax assets		
Benefit of loss carryforwards	437,453	439,800
Tax basis in excess of book value	207,900	215,300
Other	<u>6,300</u>	<u>4,400</u>
Less: Valuation allowance	651,653	659,500
	<u>(651,653)</u>	<u>(659,500)</u>
	-	-

As at October 31, 2015 the Company had loss carryforwards of approximately \$ 1,749,000 which expire between the 2020 and 2035 fiscal years, available to reduce future years' income taxes. The potential benefit of these loss carryforwards has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized.

11. Subsequent events

Subsequent to October 31, 2015, the Company issued 1,300,000 common shares on the exercise of 1,300,000 warrants for cash of \$ 65,000.

On February 19, 2016, NexGen exercised its option to acquire the remaining 25% interest in the 2Z Lake and Madison properties. The Company received 49,861 common shares of NexGen, valued at an estimated fair value of \$ 0.9025 per share (\$ 45,000 in total), as consideration for the exercise.