

GALENA INTERNATIONAL RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

June 30, 2016

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim consolidated financial statements of Galena International Resources Ltd. (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 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.

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

GALENA INTERNATIONAL RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (unaudited)

Expressed in Canadian Dollars

	<u>June 30</u> <u>2016</u>	<u>March 31</u> <u>2016</u>
ASSETS		
Current		
Cash	\$ 67,096	\$ 68,604
Receivables	122	1,135
	<u>\$ 67,218</u>	<u>\$ 69,739</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 25,944	\$ 9,442
Shareholders' equity		
Share capital (Note 3)	4,288,473	4,288,473
Reserves (Note 3)	113,821	39,193
Deficit	<u>(4,361,020)</u>	<u>(4,267,369)</u>
	<u>41,274</u>	<u>60,297</u>
	<u>\$ 67,218</u>	<u>\$ 69,739</u>

Nature and continuance of operations (Note 1)**Subsequent event** (Note 8)

Approved and authorized by the Board on August 17, 2016

"Mark Ashcroft"

Mark Ashcroft, Director

"Randy Turner"

Randy Turner, Director

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

GALENA INTERNATIONAL RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)

Expressed in Canadian Dollars

	Three Month Period Ended June 30 2016	Three Month Period Ended June 30 2015
EXPENSES		
Business development	\$ 648	\$ 220
Management fees and corporate services	16,300	-
Office and miscellaneous	284	41
Regulatory and transfer agent fees	1,791	4,501
Share-based compensation (Note 3d)	77,642	-
Loss and comprehensive loss for the period	\$ <u>(96,665)</u>	\$ <u>(4,762)</u>
Basic and diluted loss per common share	\$ <u>(0.00)</u>	\$ <u>(0.00)</u>
Weighted average number of common shares outstanding	22,822,884	22,822,884

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

GALENA INTERNATIONAL RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS (unaudited)

Expressed in Canadian Dollars

	Three Month Period Ended June 30 2016	Three Month Period Ended June 30 2015
Cash flows from operating activities		
Income (loss) for the period	\$ (96,665)	\$ (4,762)
Items not involving cash:		
Share-based compensation	77,642	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	1,013	1,054
Increase (decrease) in accounts payable and accrued liabilities	16,502	4,297
Net cash provided by (used in) operating activities	<u>(1,508)</u>	<u>589</u>
Change in cash during the period	(1,508)	589
Cash, beginning of the period	68,604	99,508
Cash, end of the period	<u>\$ 67,096</u>	<u>\$ 100,097</u>

Supplemental disclosure with respect to cash flows (Note 6)

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

GALENA INTERNATIONAL RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

Expressed in Canadian Dollars

	<u>Share Capital</u>				
	<u>Number</u>	<u>Amount</u>	<u>Reserves</u>	<u>Deficit</u>	<u>Total</u>
Balance, March 31, 2016	22,822,884	\$ 4,288,473	\$ 39,193	\$ (4,267,369)	\$ 60,297
Share-based compensation (Note 3)	-	-	77,642	-	77,642
Reserves transferred on cancelled options	-	-	(3,014)	3,014	-
Loss for the period	-	-	-	(96,665)	(96,665)
Balance, June 30, 2016	<u>22,822,884</u>	<u>\$ 4,288,473</u>	<u>\$ 113,821</u>	<u>\$ (4,361,020)</u>	<u>\$ 41,274</u>
Balance, March 31, 2015	22,822,884	\$ 4,288,473	\$ 39,193	\$ (4,234,681)	\$ 92,985
Loss for the period	-	-	-	(4,762)	(4,762)
Balance, June 30, 2015	<u>22,822,884</u>	<u>\$ 4,288,473</u>	<u>\$ 39,193</u>	<u>\$ (4,239,443)</u>	<u>\$ 88,223</u>

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

GALENA INTERNATIONAL RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Galena International Resources Ltd. (the "Company") is incorporated under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to mineral properties.

The Company's head office and principal address is 1020 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. The Company's registered and records office is 2300 – 550 Burrard Street, Vancouver, British Columbia, Canada V6C 2B5.

These condensed interim financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives including, but not limited to completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These uncertainties may cast significant doubt on the entity's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended March 31, 2016.

These condensed interim financial statements should be read in conjunction with the most recently issued audited consolidated financial statements, which include information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies which were presented in Note 3 to the Financial Statements for the fiscal year ended March 31, 2016 and have been consistently applied in the preparation of the Company's consolidated interim financial statements.

The Company's condensed interim financial statements are unaudited. Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair presentation of results for the interim periods in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

GALENA INTERNATIONAL RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

3. SHARE CAPITAL AND RESERVES

a) Authorized share capital

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

b) Issued share capital

There were no shares issued during the three month periods ended June 30, 2016 and 2015.

c) Stock options

The Company, in accordance with its shareholder approved stock option plan, is authorized to grant options to directors, officers, employees and/or consultants, to acquire up to 10% of the issued and outstanding common shares. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. Options can be granted for a maximum term of ten years and vest on grant.

As at June 30, 2016, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
600,000	\$ 0.150	October 4, 2017
<u>1,612,800</u>	<u>\$ 0.065</u>	<u>June 24, 2021</u>
2,212,800		

Stock option transactions are summarized as follows:

	June 30, 2015		March 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	650,000	\$ 0.15	650,000	\$ 0.15
Granted	1,612,800	\$ 0.065	-	-
Exercised	-	-	-	-
Expired/cancelled	(50,000)	\$ 0.15	-	-
Balance, end of period	2,212,800	\$ 0.09	650,000	\$ 0.15
Options exercisable, end of period	2,212,800	\$ 0.09	650,000	\$ 0.15

GALENA INTERNATIONAL RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

3. SHARE CAPITAL AND RESERVES (continued)

d) Options – Stock-based compensation (continued)

During the period ended June 30, 2016, the Company granted 1,612,800 (June 30, 2015 - NIL) stock options with a fair value of \$77,642 (June 30, 2015 - \$NIL) or \$0.05 (June 30, 2015 - \$NIL) per option. All options vest immediately on grant.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the noted years:

	2016	2015
Risk-free interest rate	0.62%	-
Expected life of options	5.003	-
Annualized volatility	100.00%	-
Dividend rate	-	-
Weighted average FV	0.04814	-

5. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of mineral properties in Canada and the United States.

6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transaction for the three month periods ended June 30, 2016 and 2015.

7. RELATED PARTY TRANSACTIONS

These condensed interim financial statements contain only the financial information of Galena International Resources Ltd. The Company has no subsidiaries.

Key Management Personnel

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

Compensation paid or payable to key management personnel for services rendered are as follows:

	3 month period ended June 30, 2016	3 month period ended June 30, 2015
Management fees	\$ 16,300	\$ -
Stock-based compensation*	\$ 62,074	\$ -
Total	\$ 78,374	\$ -

* Share-based compensation consists of options granted to key management. The value shown above is calculated using the Black-Scholes option pricing model and does not represent actual amounts received.

Included in accounts payable and accrued liabilities at June 30, 2016 is \$16,300 (March 31, 2015 - \$NIL) due to companies controlled by officers and/or directors of the Company related to expense reimbursement.

GALENA INTERNATIONAL RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

8. SUBSEQUENT EVENTS

- a) On July 20, 2016 the Company closed a non-brokered private placement ("the Private Placement") of 13,000,000 units ("Units") at a price of C\$0.05 per Unit, for gross proceeds of \$650,000. Each Unit consists of one common share of the Company ("Common Share") and one-whole Common Share purchase warrant ("Warrant"). Each full Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.10 until July 19, 2018.
- b) On July 26, 2016 the Company issued 500,000 common shares to MNJA Holdings Inc., a company controlled by Mr. Ashcroft, President & CEO of the Company, in consideration for the assignment of an option ("Option") granting the Company the right to earn a 100% interest in the Lipton Property. Under the terms of the Option, the Company may earn a 100% interest in the property by making aggregate cumulative cash payments of \$1 million to be paid over a ten-year period. An initial \$10,000 payment is due August 22, 2016. Thereafter, to maintain the Option the Company must make annual cash payments totalling \$90,000 by June 2020 and file a minimum of two years of assessment work, with the remaining \$900,000 in annual cash payments payable between June 2021 and June 2026. The Vendor will retain a 2% net smelter return half of which may be bought for \$2.5 million.
- c) On July 27, 2016 the Company signed a Letter of Intent to acquire 100% of the Mikwam Property. Terms of the acquisition include, a cash payment of \$20,000, the issuance of 2,000,000 common shares of the Company, and a 0.5% NSR of which the Company has the right at any time to acquire one-half of the NSR (0.25%) in consideration of a cash payment of \$1,000,000.
- d) On July 18, 2016 a Director of the Company exercised 277,200 incentive stock options.