

GALENA INTERNATIONAL RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

September 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

	September 30	March 31
	2016	2016
ASSETS		
Current		
Cash	\$ 478,619	\$ 68,604
Receivables	17,201	1,135
	<u>495,820</u>	<u>69,739</u>
Mineral properties (Note 3)	178,112	-
	<u>\$ 673,932</u>	<u>\$ 69,739</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 96,940	\$ 9,442
Shareholders' equity		
Share capital (Note 4)	4,976,881	4,288,473
Reserves (Note 4)	100,476	39,193
Deficit	<u>(4,500,365)</u>	<u>(4,267,369)</u>
	576,992	60,297
	<u>\$ 673,932</u>	<u>\$ 69,739</u>

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on November 29, 2016

"Mark NJ Ashcroft"

Mark NJ Ashcroft, Director

"Donald McInnes"

Donald McInnes, 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 September 30 2016	Three Month Period Ended September 30 2015	Six Month Period Ended September 30 2016	Six Month Period Ended September 30 2015
EXPENSES				
Business development	\$ 1,649	\$ 180	\$ 2,297	\$ 400
Legal, audit and accounting	63,839	2,316	63,839	2,316
Management fees and corporate services (Note 5)	46,434	-	62,734	-
Office and miscellaneous	2,765	5	3,049	46
Regulatory and transfer agent fees	9,904	1,590	11,695	6,091
Rent	2,400	-	2,400	-
Share-based compensation (Note 4d)	-	-	77,642	-
Wages and benefits	18,276	-	18,276	-
Property investigation	7,423	-	7,423	-
	<u>(152,690)</u>	<u>(4,091)</u>	<u>(249,355)</u>	<u>(8,853)</u>
Loss and comprehensive loss for the period	\$ <u>(152,690)</u>	\$ <u>(4,091)</u>	\$ <u>(249,355)</u>	\$ <u>(8,853)</u>
Basic and diluted loss per common share	\$ <u>(0.00)</u>	\$ <u>(0.00)</u>	\$ <u>(0.01)</u>	\$ <u>(0.00)</u>
Weighted average number of common shares outstanding	36,527,342	22,822,884	28,299,581	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

	Six Month Period Ended September 30 2016	Six Month Period Ended September 30 2015
Cash flows from operating activities		
Income (loss) for the period	\$ (249,355)	\$ (8,853)
Items not involving cash:		
Share-based compensation	77,642	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(16,066)	477
Increase (decrease) in accounts payable and accrued liabilities	87,498	(5,870)
Net cash provided by (used in) operating activities	<u>(100,281)</u>	<u>(14,246)</u>
Cash flows from financing activities		
Issuance of capital stock for cash	668,018	-
Share issuance costs	(52,110)	-
Net cash provided by (used in) financing activities	<u>615,908</u>	<u>-</u>
Cash flows from investing activities		
Mineral property acquisition	(105,612)	-
Net cash provided by (used in) investing activities	<u>(105,612)</u>	<u>-</u>
Change in cash during the period	410,015	(14,246)
Cash, beginning of the period	68,604	99,508
Cash, end of the period	<u>\$ 478,619</u>	<u>\$ 85,262</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
Issued for mineral properties (Note 4b)	500,000	72,500	-	-	72,500
Issued for private placements (Note 4b)	13,000,000	650,000	-	-	650,000
Issued for incentive stock option exercises (Note 4b)	277,200	18,018	-	-	18,018
Share issuance costs (Note 4b)	-	(52,110)	-	-	(52,110)
Share-based compensation (Note 4d)	-	-	77,642	-	77,642
Reserves transferred on cancelled options Note (4c)	-	-	(16,359)	16,359	-
Loss for the period	-	-	-	(249,355)	(249,355)
Balance, September 30, 2016	<u>36,600,084</u>	<u>\$ 4,976,881</u>	<u>\$ 100,476</u>	<u>\$ (4,500,365)</u>	<u>\$ 576,992</u>
Balance, March 31, 2015	22,822,884	\$ 4,288,473	\$ 39,193	\$ (4,234,681)	\$ 92,985
Loss for the period	-	-	-	(8,853)	(8,853)
Balance, September 30, 2015	<u>22,822,884</u>	<u>\$ 4,288,473</u>	<u>\$ 39,193</u>	<u>\$ (4,243,534)</u>	<u>\$ 84,132</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 SIX MONTH PERIOD ENDED SEPTEMBER 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.

3. MINERAL PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and to the best of its knowledge, title to all properties are in good standing.

GALENA INTERNATIONAL RESOURCES LTD.

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

3. MINERAL PROPERTIES (continued)

The Company holds interests in various mineral claims located in Canada, the capitalized acquisition costs of which are as follows:

	September 30, 2016	March 31, 2016
Lipton Property, Ontario	\$ 178,112	\$ -
A 100% interest, subject to a 2.0% NSR. To acquire its interest, the Company must pay \$1,000,000 (\$10,000 paid to date) over a ten year period and issue 500,000 common shares (500,000 issued with an aggregate value of \$72,500). 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 Company has the option to buy-back one-half of the NSR for \$2,500,000. Other costs associated with acquiring this property amount to \$95,612.		
Total Mineral Property:	\$ 178,112	\$ -

3a. Mikwam Property, Ontario

On November 29, 2016, the Company entered into a Property Option Agreement (“Mikwam Option”) with ALX Uranium Corp. (“ALX”) to acquire a 100% interest in the Mikwam property (“Mikwam”). Pursuant to the Mikwam Option, the Company has the right to acquire a 100% interest in Mikwam (subject to certain royalty interests and encumbrances) by making aggregate cash and share payments to ALX over a period of three years as follows:

- \$25,000 and the issuance of 2,000,000 on closing,
- \$50,000 or, at the Company’s election, issue 500,000 common shares on or before the first anniversary of the Mikwam Option,
- \$75,000 or, at the Company’s election, issue 750,000 common shares on or before the second anniversary of the Mikwam Option,
- \$100,000 or, at the Company’s election, issue 750,000 common shares on or before the third anniversary of the Mikwam Option.

In addition, on closing of the acquisition of Mikwam, the Company would grant ALX a net smelter returns royalty (“NSR Royalty”) equal to 0.5% of net smelter returns from the property. The Company would have the right, at any time, to acquire the NSR Royalty from ALX in consideration of a cash payment of \$1,000,000.

Closing of the Mikwam Option is subject to customary conditions, including TSX Venture Exchange Approval.

4. 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

During the six month period ended September 30, 2016 the Company issued:

- 13,000,000 units (“Units”) at a price of C\$0.05 per Unit, for gross proceeds of \$650,000 as part of a non-brokered private placement (the “Private Placement”). 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. The Company paid finders’ fees totalling \$7,950 and share issuance costs amounted to \$52,110.

GALENA INTERNATIONAL RESOURCES LTD.

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

4. SHARE CAPITAL AND RESERVES (continued)

b) Issued share capital (continued)

- 500,000 common shares with an aggregate value of \$72,500 to MNJA Holdings Inc., a company controlled by Mr. Ashcroft, President & CEO of the Company pursuant to the Lipton Property Option Agreement (Note 3).
- 277,200 common shares with an aggregate value of \$18,018 pursuant to the exercise of incentive stock options.

There were no shares issued during the six month period ended September 30, 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 September 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
1,335,600	\$ 0.065	June 24, 2021
1,935,600		

Stock option transactions are summarized as follows:

	September 30, 2016		March 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	650,000	\$ 0.150	650,000	\$ 0.15
Granted	1,612,800	\$ 0.065	-	-
Exercised	(277,200)	\$ 0.070	-	-
Expired/cancelled	(50,000)	\$ 0.150	-	-
Balance, end of period	1,935,600	\$ 0.091	650,000	\$ 0.15
Options exercisable, end of period	1,935,600	\$ 0.091	650,000	\$ 0.15

d) Share-based compensation

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

GALENA INTERNATIONAL RESOURCES LTD.

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

4. SHARE CAPITAL AND RESERVES (continued)

d) Share-based compensation (continued)

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	-

e) Warrants

As at September 30, 2016 the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Warrants	Exercise Price	Expiry Date
13,000,000	\$ 0.10	July 19, 2018
13,000,000		

Share purchase warrant transactions were as follows:

	September 30, 2016		March 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	-	-	-	-
Granted	13,000,000	\$ 0.10	-	-
Exercised	-	-	-	-
Expired/cancelled	-	-	-	-
Balance, end of period	13,000,000	\$ 0.10	-	-
Warrants exercisable, end of period	13,000,000	\$ 0.10	-	-

5. 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.

GALENA INTERNATIONAL RESOURCES LTD.

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

5. RELATED PARTY TRANSACTIONS *(continued)*

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

	Six month period ended September 30, 2016	Six month period ended September 30, 2015
Management fees	\$ 62,734	\$ -
Stock-based compensation*	\$ 48,729	\$ -
Total	\$ 111,463	\$ -

* 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.

Amounts paid or payable to companies with officers and/or directors in common are as follows:

	Six month period ended September 30, 2016	Six month period ended September 30, 2015
Rent	\$ 2,400	\$ -
Accounting, investor relations & office services	\$ 6,800	\$ -
Total	\$ 9,200	\$ -

Included in accounts payable and accrued liabilities at September 30, 2016 is \$2,710 (March 31, 2015 - \$NIL) due to companies controlled by officers and/or directors of the Company.

6. SEGMENTED INFORMATION

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

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions during the six month period ended September 30, 2016 included the issuance of 500,000 common shares valued at \$72,500 pursuant to the Lipton Property Option Agreement.

There were no significant non-cash transactions during the six month period ended September 30, 2015.