

BLACKHEATH RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2016

Unaudited

BLACKHEATH RESOURCES INC.

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 Company's 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 condensed interim 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 financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

"Alexander Langer"

"Kerry Spong"

Chief Executive Officer

Chief Financial Officer

22 November 2016

BLACKHEATH RESOURCES INC.
CONDENSED INTERIM BALANCE SHEETS

Canadian Dollars

Unaudited

ASSETS	As at 30 September 2016	As at 31 December 2015
Current		
Cash	\$ 152,517	\$ 187,154
Receivables	62,408	37,705
Prepaid expenses	13,207	28,191
Exploration advances (Note 5)	6,969	-
	<u>235,101</u>	<u>253,050</u>
Performance deposits (Note 5)	176,892	180,348
Equipment	5,878	5,664
	<u>\$ 417,871</u>	<u>\$ 439,062</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities (Note 7)	\$ 63,203	\$ 175,122

SHAREHOLDERS' EQUITY

Share capital (Note 3)	7,619,137	6,986,749
Contributed surplus (Note 3)	665,478	588,135
Deficit	(7,929,947)	(7,310,944)
	<u>354,668</u>	<u>263,940</u>
	<u>\$ 417,871</u>	<u>\$ 439,062</u>

Nature of operations and going concern (Note 1)

Commitments (Note 6)

ON BEHALF OF THE BOARD:

"James Robertson", Director

"Kerry Spong", Director

BLACKHEATH RESOURCES INC.

CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER

Canadian Dollars

Unaudited

	Number of Shares	Share Capital (Note 3)	Contributed Surplus (Note 3)	Subscriptions Received in Advance (Note 3)	Deficit	Total
Balance – 31 December 2014	29,290,452	\$ 6,196,384	\$ 424,765	\$ 200,000	\$ (6,094,705)	\$ 726,444
Private placement - units	552,500	218,467	2,533	(200,000)	-	21,000
Share issuance costs	-	(21,568)	-	-	-	(21,568)
Loss and comprehensive loss for the period	-	-	-	-	(761,156)	(761,156)
Balance – 30 September 2015	29,842,952	\$ 6,393,283	\$ 427,298	\$ -	\$ (6,855,861)	\$ (35,280)
Balance – 31 December 2015	35,167,475	\$ 6,986,749	\$ 588,135	\$ -	\$ (7,310,944)	\$ 263,940
Private placement - units	7,000,000	700,000	-	-	-	700,000
Finders' shares issued	28,700	3,731	-	-	-	3,731
Finders' warrants issued	-	-	12,038	-	-	12,038
Share issuance costs	-	(71,343)	-	-	-	(71,343)
Share-based compensation	-	-	65,305	-	-	65,305
Loss and comprehensive loss for the period	-	-	-	-	(619,003)	(619,003)
Balance – 30 September 2016	42,196,175	\$ 7,619,137	\$ 665,478	\$ -	\$ (7,929,947)	\$ 354,668

- See Accompanying Notes -

BLACKHEATH RESOURCES INC.**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER**

Canadian Dollars

Unaudited

	Three Months 30 September 2016	Three Months 30 September 2015	Nine Months 30 September 2016	Nine Months 30 September 2015
Expenses				
Accounting and audit	\$ 5,762	\$ 3,787	\$ 15,718	\$ 18,875
Consulting	-	-	19,674	14,396
Depreciation	552	562	1,361	1,687
Dues and subscriptions	143	2,575	627	7,963
Exploration and evaluation (Note 5)	83,772	66,935	237,173	280,609
Foreign exchange loss (gain)	(4,735)	(2,078)	4,449	2,610
Legal fees	(1,245)	-	3,324	6,029
Management and director fees	51,000	85,500	201,000	256,500
Office and general	5,899	6,237	15,940	21,499
Promotion and investor relations	708	15,868	9,979	74,150
Rent and office services	5,219	8,009	21,672	22,350
Share-based compensation (Note 4)	65,305	-	65,305	-
Shareholder communications	574	1,735	3,394	8,142
Stock exchange and filing fees	1,235	100	9,402	9,447
Transfer agent	4,443	3,873	6,746	8,392
Travel and accommodation	-	2,844	11,239	28,507
Loss before other item	218,632	195,947	627,003	761,156
Gain on forgiveness of debt (Note 7)	-	-	(8,000)	-
Loss and comprehensive loss for the period	\$ 218,632	\$ 195,947	\$ 619,003	\$ 761,156
Loss per share - basic and diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.03
Weighted-average shares outstanding – basic and diluted	42,196,175	29,842,952	37,876,601	29,731,642

- See Accompanying Notes -

BLACKHEATH RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER

Canadian Dollars

Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2016	2015
Operating activities		
Loss for the period	\$ (619,003)	\$ (761,156)
Items not involving cash:		
Unrealized foreign exchange loss (gain)	3,456	(6,391)
Gain on forgiveness of debt	(8,000)	-
Share-based compensation	65,305	-
Depreciation	1,361	1,687
Changes in non-cash working capital		
Receivables	(24,703)	127,463
Prepaid expenses	14,984	29,570
Exploration advances	(6,969)	-
Accounts payable and accrued liabilities	(103,919)	(16,434)
	<u>(677,488)</u>	<u>(625,261)</u>
Investing activities		
Equipment	<u>(1,575)</u>	-
Financing activities		
Units issued for cash	700,000	21,000
Share issuance costs	(55,574)	(16,568)
	<u>644,426</u>	<u>4,432</u>
Change in cash position for the period	(34,637)	(620,829)
Cash position - beginning of period	<u>187,154</u>	<u>650,333</u>
Cash position - end of period	<u>\$ 152,517</u>	<u>\$ 29,504</u>

**Supplemental schedule of non-cash investing
and financing transactions**

Shares issued as finders' fees	\$ 3,731	\$ -
Warrants issued as finders' fees	\$ 12,038	\$ -

- See Accompanying Notes -

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2016

Canadian Dollars

Unaudited

1. NATURE OF OPERATIONS AND GOING CONCERN

Blackheath Resources Inc. (the "Company") is a mineral exploration company and is considered to be in the exploration stage with respect to its mineral property interests in Portugal. Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production. The Company was incorporated under the British Columbia Business Corporations Act on 2 May 2011 and its registered office is located at 10th Floor – 595 Howe Street, Vancouver, British Columbia, Canada.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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. Several adverse conditions and material uncertainties cast significant doubt upon the validity of this assumption. The Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to maintain its mineral interests (*Note 5*) and overhead requirements. The Company has incurred operating losses since inception. As at 30 September 2016, the Company had an accumulated deficit of \$7,929,947 and working capital of \$171,898. The Company's working capital resources are insufficient to meet its overhead requirements and exploration programmes for the ensuing twelve months.

The Company was required to make significant expenditures by 31 July 2016 in order to keep all of its property agreements in good standing. During the period, the Company received relief from certain expenditure requirements on its Covas, Bejanca, and Borralha properties. As at 30 September 2016, the Company was in arrears of these requirements in respect of the Covas property by approximately \$21,000 (€14,000), and in respect of the Bejanca property by approximately \$4,000 (€3,000). Subsequent to 30 September 2016, the Company incurred the expenditure arrears at Bejanca and it intends to incur the Covas arrears within an acceptable period of time in order to maintain its interest in this property. The Company is in arrears in respect of expenditures required on its Vale das Gatas property and is currently negotiating reduced levels of expenditure on this property (*Note 5*).

The Company is currently in discussions regarding future financing. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future or that such funding will be completed on favourable terms. If for any reason the Company is unable to secure the additional sources of financing and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's financial statements; such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments and information considered necessary for fair presentation have been included in these financial statements.

BLACKHEATH RESOURCES INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2016

Canadian Dollars
 Unaudited

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Statement of compliance and basis of presentation – continued

These condensed interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended 31 December 2015. All financial information presented herein is unaudited. The Company's board of directors approved these condensed interim financial statements for issue on 22 November 2016.

3. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Capital	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued and outstanding			
Balance – 31 December 2014	29,290,452	\$ 6,196,384	\$ 424,765
Private placement - units	552,500	218,467	2,533
Share issuance costs	-	(21,568)	-
Private placement - units	5,324,523	638,943	-
Finders' warrants issued	-	-	4,265
Share issuance costs	-	(45,477)	-
Share-based compensation	-	-	156,572
Balance – 31 December 2015	35,167,475	6,986,749	588,135
Private placement - units	7,000,000	700,000	-
Finders' shares issued	28,700	3,731	-
Finders' warrants issued	-	-	12,038
Share issuance costs	-	(71,343)	-
Share-based compensation	-	-	65,305
Balance – 30 September 2016	42,196,175	\$ 7,619,137	\$ 665,478

Private placements

In February 2015, the Company completed the second tranche of a private placement announced in December 2014 by issuing 552,500 units at a price of \$0.40 per unit for gross proceeds of \$221,000 (subscriptions of \$200,000 were received in December 2014). Each unit comprised one common share of the Company and one-half of one non-transferable share purchase warrant with each whole warrant entitling the holder to purchase one additional common share of the Company at an exercise price of \$0.53 per share until 24 August 2017. As the unit price of the placement was well in excess of the trading price of the Company's shares at the time of the announcement of the placement, the Company allocated \$2,533 to the warrants representing the fair value of the warrants estimated using the Black-Scholes Option-Pricing Model with the following assumptions: risk-free interest rate of 0.46%, expected dividend yield of 0.00%, estimated stock price volatility of 54.77%, and expected option life of 1.5 years. Qualifying persons acting as finders in connection with the placement received a 6% cash commission of \$12,000. The Company also paid legal and filing fees totalling \$9,568 in respect of the placement.

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2016

Canadian Dollars

Unaudited

3. SHARE CAPITAL AND CONTRIBUTED SURPLUS – *continued*

Private placements – *continued*

In November 2015, the Company completed a non-brokered private placement of 5,324,523 units at a price of \$0.12 per unit for gross proceeds of \$638,943. Each unit comprised one common share of the Company and one non-transferable share purchase warrant entitling the holder to purchase one additional common share of the Company at an exercise price of \$0.20 per share for a period of 24 months after closing. The Company also issued 184,050 warrants (the "Finders' Warrants") with each Finder's Warrant entitling the holder to purchase one common share of the Company at a price of \$0.20 for a period of 24 months. The fair value of the Finders' Warrants was estimated at \$4,265 using the Black-Scholes Option-Pricing Model with the following assumptions: risk-free interest rate of 0.62%, expected dividend yield of 0.00%, estimated stock price volatility of 53.13%, and expected option life of two years. Qualifying persons acting as finders in connection with the placement received a cash commission of up to 7% totalling \$22,086. The Company also paid legal and filing fees totalling \$19,126 in respect of the placement.

In June 2016, the Company completed a non-brokered private placement of 7,000,000 units at a price of \$0.10 per unit for gross proceeds of \$700,000. Each unit comprised one common share of the Company and one non-transferable share purchase warrant entitling the holder to purchase one additional common share of the Company at an exercise price of \$0.18 per share for a period of 24 months after closing. The Company also issued 28,700 shares to finders with a fair value of \$3,731. In addition, the Company issued 358,750 warrants to finders (the "Finders' Warrants") with each Finder's Warrant entitling the holder to purchase one common share of the Company at a price of \$0.18 for a period of 24 months. The fair value of the Finders' Warrants was estimated at \$12,038 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 0.53%, expected dividend yield of 0.00%, estimated stock price volatility of 66.72%, and expected option life of two years. Qualifying persons acting as finders in connection with the placement received a cash commission of up to 7% totalling \$33,005. The Company also paid legal and filing fees totalling \$22,569 in respect of the placement.

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2016

Canadian Dollars

Unaudited

4. STOCK OPTIONS AND WARRANTS

The Company has an incentive stock option plan which complies with the rules set forth by the TSX Venture Exchange. Stock option transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding – 31 December 2014	11,166,960	\$ 0.43	1,500,000	\$ 0.35
Options granted			2,390,000	\$ 0.13
Warrants issued	5,784,823	\$ 0.22		
Expired	(1,019,250)	\$ 0.35	(300,000)	\$ 0.35
Outstanding – 31 December 2015	15,932,533	\$ 0.36	3,590,000	\$ 0.20
Options granted			1,080,000	\$ 0.13
Warrants issued	7,358,750	\$ 0.18		
Expired	(9,522,710)	\$ 0.43	(1,040,000)	\$ 0.35
Outstanding – 30 September 2016	13,768,573	\$ 0.21	3,630,000	\$ 0.14
Exercisable – 30 September 2016	13,768,573	\$ 0.21	3,630,000	\$ 0.14

At 30 September 2016, the Company had outstanding stock options and warrants as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	160,000	\$ 0.35	20 September 2017
	2,390,000	\$ 0.13	30 December 2020
	360,000	\$ 0.13	5 July 2021
	<u>720,000</u>	\$ 0.13	26 July 2021
	3,630,000		
Warrants	625,000	\$ 0.53	17 June 2017
	276,250	\$ 0.53	24 August 2017
	2,685,751	\$ 0.20	4 November 2017
	2,822,822	\$ 0.20	24 November 2017
	4,148,750	\$ 0.18	7 June 2018
	<u>3,210,000</u>	\$ 0.18	29 June 2018
	13,768,573		

The outstanding options have a weighted-average remaining life of 4.27 years; the outstanding warrants have a weighted-average remaining life of 1.41 years.

BLACKHEATH RESOURCES INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2016

Canadian Dollars
Unaudited

4. STOCK OPTIONS AND WARRANTS - continued

Share-based compensation

The following table presents information relating to incentive stock options granted to directors, officers, and consultants of the Company during the periods ended 30 September:

	2016	2015
Total options granted	1,080,000	-
Weighted-average exercise price	\$ 0.13	\$ -
Estimated fair value of options granted	\$ 65,305	\$ -
Estimated fair value per option	\$ 0.06	\$ -

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2016	2015
Risk-free interest rate	0.63%	-
Expected dividend yield	0.00%	-
Expected stock price volatility	65.44%	-
Expected forfeiture rate	0.00%	-
Expected option life in years	5.00	-

The Company has recorded share-based compensation for the periods as follows:

	2016	2015
Number of options vested in period	1,080,000	-
Compensation recognized in period	\$ 65,305	\$ -

BLACKHEATH RESOURCES INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****30 SEPTEMBER 2016**

Canadian Dollars

Unaudited

5. EXPLORATION AND EVALUATION**Covas, Portugal**

In May 2011, the Company entered into an option agreement to earn up to an 85% interest in the Covas tungsten project located in northern Portugal. In May 2014, the Company and the optionor amended the agreement to provide the Company with the option to earn additional staged interests from 70% to 85%. The terms of the agreement are as follows:

		Percentage Interest	Expenditures	Cumulative Expenditures
On or before 20 March 2013	(incurred)	51%	€ 300,000	€ 300,000
On or before 20 March 2014	(incurred)	70%	700,000	1,000,000
On or before 20 March 2015	(incurred)	75%	320,000	1,320,000
On or before 20 March 2016	(i)	80%	498,000	1,818,000
On or before 20 March 2017		85%	833,000	2,651,000
			€ 2,651,000	€ 2,651,000

- (i) The Company and the optionor have entered into negotiations to extend the dates for the Company to complete its expenditure requirements and earn an 80% or 85% interest in the property. While the Company may receive an extension to earn an additional interest in the project, it is in arrears of minimum expenditures of €14,000 at Covas, which were required by 31 July 2016 in order to maintain the property in good standing. The Company intends to complete these expenditures within an acceptable period of time in order to maintain the property in good standing.

As at 30 September 2016, the Company had incurred sufficient expenditures under the agreement to provide it the right to earn a 75% interest in the project. At any stage after incurring sufficient qualifying expenditures on the property, the Company may elect to form a joint venture with the optionor, with dilution provisions, to further the development of the project. The Company has not yet provided such an election to the optionor.

Upon grant of a final exploitation license, the joint venture must pay the government of Portugal €500,000; subsequent production from the property is subject to a royalty of 3% of the value of the run-of-mine products or 3% of the value of the concentrates shipped or processed, at the option of the government.

Bejanca, Portugal

In December 2012, the Company entered into an option agreement to acquire up to a 100% interest in the Bejanca tungsten/tin project located in northern Portugal. To earn its interest, the Company must incur exploration expenditures of €575,000 over five years, and pay the optionor a total of €1,125,000 as follows:

	Expenditures	Cash Payments
Upon signing (<i>paid</i>)	€ -	€ 25,000
On or before 31 July 2013 (incurred)	75,000	-
On or before 31 July 2014 (incurred)	50,000	-
On or before 31 July 2015 (i)	150,000	-
On or before 31 July 2016 (i)	150,000	-
On or before 31 July 2017	150,000	-
Upon grant of preliminary exploitation license	-	100,000
Upon grant of final exploitation license	-	1,000,000
	€ 575,000	€ 1,125,000

BLACKHEATH RESOURCES INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2016

Canadian Dollars
 Unaudited

5. EXPLORATION AND EVALUATION - continued

Bejanca, Portugal - continued

- (i) The Company was in arrears in respect of exploration expenditures required at Bejanca by 31 July 2016. During the period, the Company received relief from certain of these expenditure requirements such that in addition to current expenditures incurred, the Company was required to incur approximately €3,000 in expenditures by 31 July 2016 in order to satisfy the 2016 expenditure requirements and maintain the property in good standing. The Company completed these expenditures subsequent to 30 September 2016.

Upon grant of a final exploitation license and commencement of production, the Company must make payments totalling €250,000 to the government of Portugal; subsequent production from the property is subject to a 10% net profits interest or a progressive production royalty beginning at 4%, at the option of the government.

Borralha, Portugal

In December 2012, the Company entered into an option agreement to acquire up to a 100% interest in the Borralha tungsten project located in northern Portugal. To earn its interest, the Company must incur exploration expenditures of €980,000 over five years, and pay the optionor a total of €1,125,000 as follows:

	Expenditures	Cash Payments
Upon signing (<i>paid</i>)	€ -	€ 25,000
By 31 July 2013 (<i>incurred</i>)	110,000	-
By 31 July 2014 (<i>incurred</i>)	120,000	-
By 31 July 2015 (<i>incurred</i>)	250,000	-
By 31 July 2016 (i)	250,000	-
By 31 July 2017	250,000	-
Upon grant of preliminary exploitation license	-	100,000
Upon grant of final exploitation license	-	1,000,000
	€ 980,000	€ 1,125,000

- (i) The Company has received relief from a portion of this expenditure requirement such that the current expenditures incurred are sufficient to satisfy the 2016 expenditure requirement and maintain the property in good standing.

Upon grant of a final exploitation license and commencement of production, the Company must make payments totalling €500,000 to the government of Portugal; subsequent production from the property is subject to a 10% net profits royalty or a progressive production royalty beginning at 4%, at the option of the government.

BLACKHEATH RESOURCES INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2016

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5. EXPLORATION AND EVALUATION - continued

Vale das Gatas, Portugal

In November 2013, the Company entered into an option agreement to acquire up to a 100% interest in the Vale das Gatas tungsten project located in northern Portugal. To earn its interest, the Company must incur minimum annual exploration expenditures and pay the optionor a total of €1,112,500 as follows:

	Expenditures	Cash Payments
Within 12 months of signing (paid)	€	12,500
By 22 July 2014 (incurred)	€ 100,000	-
By 22 July 2015 (i)	€ 120,000	-
By 22 July of each successive year (i)	€ 150,000	-
Upon grant of preliminary exploitation license		100,000
Upon grant of final exploitation license		1,000,000
		<u>€ 1,112,500</u>

- (i) As at 30 September 2016, the Company was in arrears in respect of exploration expenditures required at Vale das Gatas and is currently negotiating reduced levels of expenditure on this property for 2015 and 2016. Should the Company be unable to reach acceptable expenditure requirements on Vale das Gatas, it would abandon the property and forfeit its performance deposit.

Upon grant of a final exploitation license and commencement of production, the government of Portugal retains a 10% net profits royalty or a progressive production royalty beginning at 4%, at the option of the government.

Adoria, Portugal

In November 2013, the Company entered into an option agreement to acquire up to a 100% interest in the Adoria tungsten project located in northern Portugal. The Company incurred exploration and evaluation expenditures totalling \$160,858 and in July 2015, abandoned the project and returned the property to the optionor.

Exploration advances

As at 30 September 2016, the Company had advanced unapplied cash calls of \$6,969 to be used to pay exploration expenditures in accordance with the Company's ongoing work programmes at the Covas project.

Performance deposits

As at 30 September 2016, the Company had funded \$176,892 (€120,000) in performance deposits that are held by the government of Portugal. These deposits are refundable upon the completion of technical, expenditure, and reporting requirements in accordance with the Covas, Bejanca, Borralha, Vale das Gatas, and Adoria concession contracts. The Company has applied for the return of its performance deposit on Adoria (\$14,741 (€10,000)) but has not received such funds to date. The Company would forfeit its deposit on Vale das Gatas (\$22,112 (€15,000)) should it fail to negotiate an acceptable level of expenditure requirement and abandon the property.

BLACKHEATH RESOURCES INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****30 SEPTEMBER 2016**

Canadian Dollars

Unaudited

5. EXPLORATION AND EVALUATION - continued**Expenditures**

The Company expenses exploration and evaluation expenditures in the period incurred. Expenditures for the periods ended 30 September and cumulative expenditures as at 30 September 2016 are as follows:

Portugal	Expenditures 2016	Expenditures 2015	Cumulative 2016
Covas			
Administration	\$ 1,763	\$ 5,144	\$ 30,471
Camp and general	7,186	5,074	95,242
Consulting	29,691	-	40,112
Drilling	-	-	810,720
Field materials	-	-	22,688
Geochemical, assays	-	-	88,922
Geological	14,161	71,421	821,938
Geophysical	-	-	104,981
Legal, license, and taxes	2,885	-	168,424
Local labour	-	-	62,980
Mapping and reports	-	-	389
Roadwork	-	-	21,227
Travel and accommodation	3,388	588	71,597
Expenditure recoveries	(20,970)	-	(20,970)
	<u>38,104</u>	<u>82,227</u>	<u>2,318,721</u>
Bejanca			
Administration	7,400	5,413	35,313
Camp and general	5,579	4,834	25,768
Field materials	206	2,007	6,012
Geochemical, assays	4,729	842	16,831
Geological	60,431	39,366	226,796
Legal, license, and taxes	7,359	6,872	30,737
Local labour	1,280	1,876	9,231
Mapping and reports	-	-	4,984
Option payments	-	-	32,117
Travel and accommodation	7,489	11,397	45,305
	<u>94,473</u>	<u>72,607</u>	<u>433,094</u>
Borralha			
Administration	7,234	5,423	35,055
Camp and general	2,063	1,660	35,041
Consulting	38,892	-	38,892
Drilling	-	-	322,631
Field materials	281	183	16,787
Geochemical, assays	9,766	7,001	72,029
Geological	8,414	7,082	189,979
Legal, license, and taxes	14,630	13,662	58,373
Local labour	-	-	25,886
Mapping and reports	-	-	6,550
Option payments	-	-	32,118
Travel and accommodation	1,425	3,566	61,047
Expenditure recoveries	(14,012)	-	(14,012)
	<u>68,693</u>	<u>38,577</u>	<u>880,376</u>
Balance carried forward	<u>\$ 201,270</u>	<u>\$ 193,411</u>	<u>\$ 3,632,191</u>

BLACKHEATH RESOURCES INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****30 SEPTEMBER 2016**

Canadian Dollars

Unaudited

5. EXPLORATION AND EVALUATION - continued**Expenditures - continued**

Portugal	Expenditures 2016	Expenditures 2015	Cumulative 2016
Balance brought forward	\$ 201,270	\$ 193,411	\$ 3,632,191
Vale das Gatas			
Administration	7,185	5,338	24,656
Camp and general	2,303	6,058	28,393
Field materials	71	585	3,265
Geochemical, assays	1,164	2,617	11,379
Geological	9,534	55,005	163,108
Legal, license, and taxes	14,630	-	43,573
Local labour	-	-	6,972
Option payments	-	-	17,769
Travel and accommodation	1,016	7,789	38,502
	35,903	77,392	337,617
Adoria			
Administration	-	3,859	12,952
Camp and general	-	751	8,778
Field materials	-	-	1,091
Geochemical, assays	-	-	3,821
Geological	-	1,991	87,971
Legal, license, and taxes	-	-	21,855
Local labour	-	-	1,555
Travel and accommodation	-	3,205	22,835
	-	9,806	160,858
	\$ 237,173	\$ 280,609	\$ 4,130,666

Title

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 conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title is in good standing and in accordance with the related option agreements.

6. COMMITMENTS

The Company has signed management and administration contracts with two of its directors and one of its officers. The agreements call for aggregate payments of \$26,000 per month and provide for severance payments should the contracts be terminated without cause. During the period, these directors and officer agreed to fee reductions such that current payments under these agreements total \$17,000 per month.

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2016

Canadian Dollars

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7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations and were measured at the amounts agreed to between the parties.

Key management includes executive and non-executive directors and executive officers. The compensation paid or payable to key management, and parties related to key management, is as follows:

	2016	2015
Management and director fees	\$ 201,000	\$ 256,500

Accounts payable includes \$nil (31 December 2015 - \$23,000) in amounts due to related parties. During the period, a director and chair of the audit committee agreed to waive payment of \$8,000 of accrued fees resulting in a gain on forgiveness of debt.

8. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company's corporate offices are located in Canada and its mineral exploration activities are currently conducted in Portugal. Except for its mineral interests, all of the Company's assets are held in Canada.