



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and Six months ended June 30, 2014 and 2013

Unaudited

(Expressed in Canadian dollars unless otherwise stated)

STRATTON RESOURCES INC.
(the "Company")

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and Six months ended June 30, 2014 and 2013

NOTICE OF NO AUDITOR REVIEW

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

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

August 29, 2014

STRATTON RESOURCES INC.
Condensed Consolidated Interim Statements of Financial Position

Unaudited - (Expressed in Canadian dollars)

	At June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash	\$ 331,266	\$ 297,266
Amounts receivable (note 3)	20,725	158,813
Prepaid expenses and deposits	11,967	13,139
Reclamation bond (note 4)	50,000	50,000
	413,958	519,218
Non-current assets:		
Exploration and evaluation assets (note 5)	318,310	317,310
Total assets	\$ 732,268	\$ 836,528
Liabilities and Equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 20,563	\$ 43,338
Asset retirement obligation (note 6)	5,000	5,000
Note payable (note 9)	609,388	609,388
	634,951	657,726
Equity		
Share capital (note 7)	29,086,748	29,086,748
Equity reserves (note 8)	5,039,680	5,039,680
Deficit	(34,029,111)	(33,947,626)
	97,317	178,802
Total liabilities and equity	\$ 732,268	\$ 836,528

Going concern (note 2(e))

Approved on behalf of the Board of Directors:

"Shawn Wallace"
 Director

"Steve Cook"
 Director

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

STRATTON RESOURCES INC.**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

Unaudited - (Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Administration expenses:				
Consulting fees, directors' fees, wages and benefits	\$ 11,545	\$ (2,764)	\$ 22,718	\$ 36,153
Legal and professional fees	11,872	10,268	16,254	15,891
Regulatory, transfer agent and shareholder information	13,427	10,518	16,630	14,729
Office and administration	10,107	9,771	18,808	19,562
Share-based compensation (note 8 (a))	–	3,464	–	10,306
Travel, promotion and investor relations	2,848	3,427	6,283	4,099
Bank charges	348	588	552	903
	50,147	35,272	81,245	101,643
Other (income) expenses:				
Interest and other income	–	(7,627)	(1,132)	(8,572)
Non-capital project expenditures	–	29,004	–	40,088
Foreign exchange (loss gain)	1,838	(464)	1,372	(592)
	1,838	20,913	240	30,924
Net loss for the year before income taxes	51,985	56,185	81,485	132,567
Deferred income tax recovery	–	(1,377)	–	(1,377)
Net loss and comprehensive loss for the period	\$ 51,985	\$ 54,808	\$ 81,485	\$ 131,190
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	36,724,164	36,724,167	36,724,164	36,723,331

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

STRATTON RESOURCES INC.**Condensed Consolidated Interim Statements of Changes in Equity**

Unaudited - (Expressed in Canadian dollars)

	Number of shares	Share capital	Equity reserves			Deficit	Total
			Warrants	Share-based payments	Shares issuable		
Balance at December 31, 2012	36,699,164	\$ 29,082,748	\$ 1,696,913	\$ 3,254,216	\$ 68,250	\$ (33,693,845)	\$ 408,282
Shares issued (note 7 (b))	25,000	4,000	-	-	(4,000)	-	-
Share-based compensation (note 8 (b))	-	-	-	11,796	-	-	11,796
Net loss and comprehensive loss for the period	-	-	-	-	-	(131,190)	(131,190)
Balance at June 30, 2013	36,724,164	\$ 29,086,748	\$ 1,696,913	\$ 3,266,012	\$ 64,250	\$ (33,825,035)	\$ 288,888
Balance at December 31, 2013	36,724,164	\$ 29,086,748	\$ 1,696,913	\$ 3,278,517	\$ 64,250	\$ (33,947,626)	\$ 178,802
Net loss and comprehensive loss for the period	-	-	-	-	-	(81,485)	(81,485)
Balance at June 30, 2014	36,724,164	\$ 29,086,748	\$ 1,696,913	\$ 3,278,517	\$ 64,250	\$ (34,029,111)	\$ 97,317

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

STRATTON RESOURCES INC.
Condensed Consolidated Interim Statements of Cash Flows

Unaudited - (Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Cash (used in) provided by:				
Operating activities:				
Net loss and comprehensive loss for the period	\$ (51,985)	\$ (54,808)	\$ (81,485)	\$ (131,190)
Items not involving cash:				
Share-based compensation (note 8 (a))	–	3,464	–	11,796
Unrealized foreign exchange	28	439	607	448
Interest income	–	(7,627)	(1,132)	(8,572)
Deferred income tax recovery	–	(1,377)	–	(1,377)
Changes in non-cash working capital:				
Amounts receivable	(20)	29,253	138,088	121,523
Prepaid expenses and deposits	3,175	6,118	1,172	7,668
Accounts payable and accrued liabilities	(15,195)	(685,816)	(22,775)	(652,101)
Cash (used in) provided by operating activities	(63,997)	(710,354)	34,475	(651,805)
Investing activities:				
Exploration and evaluation assets	(1,000)	–	(1,000)	(155,471)
Purchase of equipment	–	(80,000)	–	–
Proceeds from sale of assets held for sale	–	2,500	–	2,500
Interest income	–	7,627	1,132	8,572
Cash (used in) provided by investing activities	(1,000)	(69,873)	132	(144,399)
Financing activities:				
Note payable (note 9)	–	609,388	–	609,388
Cash provided by financing activities	–	609,388	–	609,388
Effect of foreign exchange rate changes on cash	(28)	(439)	(607)	(448)
(Decrease) increase in cash	(65,025)	(171,278)	34,000	(187,264)
Cash, beginning of the period	396,291	354,837	297,266	370,823
Cash, end of period	\$ 331,266	\$ 183,559	\$ 331,266	\$ 183,559

Supplemental cash flow information (note 11)

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

STRATTON RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements
Unaudited – (Expressed in Canadian Dollars, unless otherwise stated)

Three and Six months ended June 30, 2014 and 2013

1. Corporate information

Stratton Resources Inc. (“the Company”) is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (“the Exchange”) as a Tier 2 mining issuer, and its shares trade under the symbol SI.V.

The Company and its subsidiaries are principally engaged in the acquisition, exploration, and development of mineral property interests in North America. The Company has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, obtaining the necessary mining permits, and on future profitable production or the proceeds from the disposition of the exploration and evaluation assets.

The head office and principal address of the Company is located at 1199 Hastings Street, Suite 600, Vancouver, British Columbia, V6E 3T5. Canada.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the year ended December 31, 2013, except for new accounting standards adopted commencing January 1, 2014 as described in note 2(f). These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors of the Company on August 29, 2014.

(b) Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

These condensed consolidated interim financial statements include the interim financial statements of the Company and its wholly-owned subsidiaries as follows:

Subsidiary	Jurisdiction	Ownership
Stratton Resources (Canada) Inc.	Canada	100%
Stratton Resources Holdings Corp. (inactive)	Canada	100%

All material intercompany balances and transactions have been eliminated and where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other entities in the Company.

(c) Critical estimates and judgement

The preparation of consolidated interim financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the condensed consolidated interim financial statements and related notes. Actual results may differ from those estimates. Information about areas of judgment and key sources of uncertainty and estimation is contained in the accounting policies and the notes to the Company's audited consolidated financial statements for the year ended December 31, 2013.

STRATTON RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements
Unaudited – (Expressed in Canadian Dollars, unless otherwise stated)

Three and Six months ended June 30, 2014 and 2013

2. Basis of preparation (continued)

(d) Foreign currency

The financial statements of the Company and each of its subsidiaries are prepared in its functional currency denominated based on the primary economic environment in which such entities operate. The functional and presentation currency of the Company and all of its subsidiaries is the Canadian dollar.

(e) Going concern of operations

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue to realize its assets and meet its liabilities in the normal course of business as a 'going concern'. The Company has incurred losses since inception and has no source of operating revenue. As at June 30, 2014, the Company has a net working capital deficit of \$220,993, incurred a net loss and comprehensive loss of \$81,485 for the six months period ended June 30, 2014 and had an accumulated deficit of \$34,029,111 as at June 30, 2014.

The cash balance of \$331,266 at June 30, 2014 is sufficient to meet the cash requirements for the Company's administrative overhead and maintaining its mineral interests for at least the next twelve months as long as the note payable is not called. The Company's future exploration programs on its Lunar project (note 5) and acquiring interests in new exploration projects will be dependent on the Company's successful raising of additional funds through the issuance of equity.

Management considers that the current economic environment is difficult and the outlook for junior exploration companies presents significant challenges in terms of raising funds through issuance of shares. The Company has been and remains dependent on its capacity to raise funds via equity issuances, under terms that are consistent with the best interests of shareholders, in order to finance its operations. The Company has been successful in raising equity financing in previous years, however, there can be no assurance the Company will continue to be. Management have instituted measures to preserve cash through significantly decreasing its corporate costs and exploration expenditures, and in addition, it has negotiated with related parties extended payment terms on outstanding payables. Management is also pursuing alternative sources of funding.

Management has concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. Nevertheless, Management has a reasonable expectation that the Company has adequate resources to continue its current operations for the foreseeable future.

These condensed consolidated interim financial statements contain no provisions for adjustments which may become necessary if the Company becomes unable to continue on a 'going concern' basis. Such adjustments could be material.

(f) Changes in accounting policies

New and revised accounting standards adopted by the Company

- I. IAS 32 – Financial instruments, Presentation. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The adoption of this new standard, commencing January 1, 2014, did not have an impact on these condensed consolidated interim financial statements.
- II. IAS 36 – Impairment of Assets. IFRS 36 was amended by *recoverable amount disclosures for non-financial assets*. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. The adoption of this new standard, commencing January 1, 2014, did not have an impact on these condensed consolidated interim financial statements.
- III. IFRIC 21 – Levies. IFRIC 21 clarifies and provides guidance on when to recognize the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The change in accounting standard does not have a significant impact on the Company's condensed consolidated interim financial statements.

STRATTON RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements
Unaudited – (Expressed in Canadian Dollars, unless otherwise stated)

Three and Six months ended June 30, 2014 and 2013

2. Basis of preparation (continued)

(f) Changes in accounting policies (continued)

Changes to accounting standards not yet effective

IV. IFRS 9 – Financial Instruments: Classification and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements.

3. Amounts receivable

	June 30, 2014	December 31, 2013
British Columbia mining exploration tax credit (“BCMETC”)	\$ 19,116	\$ 157,224
Other receivables	1,609	1,589
	<u>\$ 20,725</u>	<u>\$ 158,813</u>

4. Reclamation bond

A non-interest-bearing reclamation bond of \$50,000 (December 31, 2013 – \$50,000) has been posted for Mac property, as security for reclamation costs and is refundable upon completion of the exploration and reclamation programs on the property.

The Company has substantially reclaimed the disturbed work areas of the Mac property. During 2013, inspectors from the Ministry of Energy and Mines completed an initial inspection and have requested minor additional work. The Company expects to complete this additional work and receive its bond back in full during the current year.

5. Evaluation and exploration assets

Lunar – Molybdenum Prospect

On August 17, 2011, the Company entered into an agreement with Homegold Resources Ltd (“Homegold”), a British Columbia company, to acquire 30 claims (12,509 hectares) known as the Lunar property (“Lunar”), in British Columbia for \$70,000 and a number of contingently issuable shares as described below. The \$70,000 was paid to Homegold against transfer of the claims to the Company. Subsequent to that, the Company staked additional 9 claims adjacent to Lunar.

Under the terms of the agreement, in the event the Company spends \$2,000,000 on exploring the Lunar claims, it will issue 50,000 common shares to Homegold and 50,000 to Xstract Resources Inc. (“Xstract”), a British Columbia company, as consideration for Xstract’s previous legal rights to the Lunar property. If the Company spends an additional \$3,000,000 it will issue an additional 150,000 shares to Xstract and upon spending a further \$5,000,000 (\$10,000,000 total), the Company will issue Xstract a further 250,000 shares. In the event of a commercial production decision another \$500,000 will be paid to Homegold and after 6 years a minimum \$72,000 per year will have to be paid in advance royalties to Homegold. Homegold has reserved a 2% net smelter returns royalty (“NSR”) on the property.

The Company capitalized the following costs as exploration and evaluation assets.

Lunar Molybdenum Prospect	June 30, 2014	December 31, 2013
Balance at the beginning of the period	\$ 317,310	\$ 256,427
Deferred exploration costs:		
Permitting fees	1,000	-
Geological and geophysical fees	-	80,000
Mining exploration tax credit	-	(19,117)
Balance at the end of the period	<u>\$ 318,310</u>	<u>\$ 317,310</u>

STRATTON RESOURCES INC.

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5. Evaluation and exploration assets (continued)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles 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 its mineral properties and, to the best of its knowledge, title to it is in good standing.

6. Asset retirement obligation

The asset retirement provision relates to disturbance caused to the Mac mineral claims during the Company's exploration activities on the project.

The Company substantially completed the reclamation of the disturbed areas to the Mac mineral claims in 2013 and management expects to close its mine permit during the current year.

7. Share capital

(a) Authorized share capital consists of unlimited number of common shares without par value

(b) Common shares issuance

I. Period ended June 30, 2014

During the six months ended June 30, 2014, the Company did not issue any additional common shares.

II. Year ended December 31, 2013

On January 7, 2013, the Company issued 25,000 shares pursuant to Natlan option agreement. The fair value of the shares were estimated to be \$4,000 or \$0.16 per share which was the closing market price of the Company's shares at December 31, 2012 when the shares became issuable. On issuance of the shares the Company recorded a corresponding debit to equity reserves – shares issuable and transferred the amount to share capital.

(c) Escrow shares

As at June 30, 2014, a total of 1,653,724 (December 31, 2013 – 3,307,472) common shares included in share capital are held in escrow. The shares subject to escrow are being released in six equal tranches of 15% every six months until September 13, 2014.

8. Equity reserves

(a) Share-based payments

The Company maintains a Rolling Share-based Option Plan providing for the issuance of stock options up to 10% of the Company's issued and outstanding common shares. The Company may grant from time to time stock options to its directors, officers, employees and other service providers. The stock options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

As at June 30, 2014 and December 31, 2013, the Company has no stock options outstanding or exercisable. Effective June 6, 2013, the Company's employees and consultants voluntarily forfeited all outstanding stock options.

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the three and six months ended June 30, 2014, an amount of \$nil and \$nil respectively (three and six months ended June 30, 2013 – \$3,464 and \$10,306 respectively) was expensed in the condensed consolidated interim statement of net loss and comprehensive loss; of which \$nil (June 30, 2013 – \$1,490) was expensed as non-capital exploration and evaluation expenditures.

The Company did not grant stock options during the three months ended June 30, 2014 and year ended December 31, 2013

(b) Share purchase warrants

As at June 30, 2014 and December 31, 2013, the Company has no purchase warrants outstanding or exercisable.

STRATTON RESOURCES INC.

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9. Related party transactions

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Universal Mineral Services Ltd.*	\$ 22,401	\$ 36,218	\$ 42,489	\$ 83,377

* Universal Mineral Services Ltd. (“UMS”) is a private company with directors and officers in common that, pursuant to an agreement dated March 30, 2012, provides geological, corporate development, administrative and management services to the Company on a cost recovery basis. The Company also holds a 25% non-voting equity interest in UMS, which is carried at cost. As at June 30, 2014 the outstanding payable balance was \$9,508 (December 31, 2013 - \$7,258) and prepaid expenses and deposits balance was \$6,000 (December 31, 2013 - \$6,000).

Effective June 30, 2013, UMS agreed to settle historic payable balances totaling \$609,388 with a note payable for an equivalent value. The note payable bears no interest and with a maturity of December 31, 2014 and is extendable for an additional twelve months at the mutual agreement. The note payable is due on demand.

During the period, compensation to key management personnel was as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Short-term benefits**	\$ 5,730	\$ 8,691	\$ 11,460	\$ 40,565
Share-based compensation	-	-	-	8,063

** A total of \$5,730 and \$11,460 for the three and six months ended June 30, 2014 is included in related party transactions with UMS (three and six months ended June 30, 2013 - \$8,691 and \$31,874 respectively).

10. Financial instruments

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

The Company is subject to credit risk on the cash, amounts receivable and reclamation bond balances. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash balances in Canadian highly rated financial institutions and in government securities. The Company considers the risk of loss associated with cash to be low. The amounts receivable and reclamation bonds are held with government agencies and are not considered to represent a credit risk exposure to the Company.

(b) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital to meet short-term obligations. The Company estimates that its contractual obligations pertaining to accounts payable and accrued liabilities and asset retirement obligations will be satisfied within one year.

(c) Foreign currency risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

The Company did not have any significant foreign currency risk exposure as at June 30, 2014 and December 31, 2013.

(d) Market risk

STRATTON RESOURCES INC.

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash attract interest at floating rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are at present low, however the conservative investment strategy mitigates the risk of deterioration to the investment. A change of ten (10) percent in the interest rate would a minimal impact to the condensed consolidated interim financial statements.

(e) Capital risk management

The Company manages its cash, share capital and equity reserves as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to externally imposed capital requirements.

(f) Other

The carrying values of cash, amounts receivables, reclamation bond, accounts payable and accrued liabilities and notes payable approximate their respective fair values due to the short-term maturity.

11. Supplemental cash flow information

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Change in accounts payable included in exploration and evaluation assets	\$ -	\$ -	\$ -	\$ 75,471
BCMETS receivable included in exploration and evaluation assets	-	15,534	-	15,534

12. Segmented information

The Company operates as one operating segment being acquisition, exploration and development of mineral resource properties. As at June 30, 2014 and December 31, 2013, all of the Company's non-current assets are located in Canada.

During the three and six months ended June 30, 2014 and 2013, the net loss and comprehensive loss were incurred in Canada.