



**QUARTZ MOUNTAIN RESOURCES LTD.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2016 AND 2015

Unaudited

(Expressed in Canadian Dollars, unless otherwise stated)

## Notice to Readers

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In accordance with subsection 4.3(3) of National Instrument 51-102, management of the Company advises that the Company's auditors have not performed a review of these condensed interim consolidated financial statements.

**QUARTZ MOUNTAIN RESOURCES LTD.**  
**Condensed Consolidated Interim Statement of Financial Position**  
(Unaudited – Expressed in Canadian Dollars)

	Note	January 31 2016	July 31 2015
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 362,311	\$ 461,986
Amounts receivable and other assets	3	22,785	16,419
		385,096	478,405
Mineral property interests	4	2	2
<b>Total assets</b>		<b>\$ 385,098</b>	<b>\$ 478,407</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
Current liabilities			
Amounts payable		\$ 2,320	\$ 4,062
Convertible debenture – current portion	6	50,000	50,000
Due to a related party	7	3,109,641	2,973,276
		3,161,961	3,027,338
Convertible debenture	6	450,000	450,000
<b>Total liabilities</b>		<b>3,611,961</b>	<b>3,477,338</b>
Shareholders' deficiency			
Share capital	5(a)	26,050,118	26,050,118
Reserves		592,011	592,011
Accumulated deficit		(29,868,992)	(29,641,060)
<b>Total shareholders' deficiency</b>		<b>(3,226,863)</b>	<b>(2,998,931)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 385,098</b>	<b>\$ 478,407</b>

Nature and continuance of operations (note 1)

Events after the reporting period (Note 10)

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

/s/ Gordon Fretwell

Gordon Fretwell  
Director

/s/ Ronald W. Thiessen

Ronald W. Thiessen  
Director

## QUARTZ MOUNTAIN RESOURCES LTD.

### Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian Dollars)

	Note	Three months ended January 31,		Six months ended January 31,	
		2016	2015	2016	2015
<b>Expenses</b>	7 & 8				
Exploration and evaluation		\$ -	\$ 1,169	\$ -	\$ 5,722
Assays and analysis		-	414	-	3,362
Geological		-	755	-	1,760
Sustainability		-	-	-	600
General and administration		96,014	102,442	213,519	279,096
Legal, accounting and audit		3,325	4,484	28,238	34,775
Office and administration		85,113	93,652	173,274	230,923
Regulatory, trust and filing		6,066	2,395	10,175	9,909
Shareholder communications		1,510	1,911	1,832	3,489
Loss from operations		(96,014)	(103,611)	(213,519)	(284,818)
<b>Other items</b>					
Interest income		567	3,126	1,534	6,321
Interest expense	6	(6,268)	(10,479)	(15,947)	(24,010)
Loss and comprehensive loss for the period		\$ (101,715)	\$ (110,964)	\$ (227,932)	\$ (302,507)
Basic and diluted loss per common share		\$ -	\$ -	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		27,299,513	27,299,513	27,299,513	27,299,513

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

**QUARTZ MOUNTAIN RESOURCES LTD.****Condensed Consolidated Interim Statement of Changes in Shareholders' Deficiency**

(Unaudited – Expressed in Canadian Dollars)

	Share Capital		Reserve		Total shareholders' deficiency
	Number of shares	Amount	Equity-settled share-based payments	Accumulated deficit	
Balance at August 1, 2014	27,299,513	\$ 26,050,118	\$ 592,011	\$(28,230,738)	\$ (1,588,609)
Loss for the period	-	-	-	(302,507)	(302,507)
Balance at January 31, 2015	27,299,513	\$ 26,050,118	\$ 592,011	\$(28,533,245)	\$ (1,891,116)
Balance at August 1, 2015	27,299,513	\$ 26,050,118	\$ 592,011	\$(29,641,060)	\$ (2,998,931)
Loss for the period	-	-	-	(227,932)	(227,932)
Balance at January 31, 2016	27,299,513	\$ 26,050,118	\$ 592,011	\$(29,868,992)	\$ (3,226,863)

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

**QUARTZ MOUNTAIN RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Unaudited – Expressed in Canadian Dollars)

	Note	Six months ended January 31,	
		2016	2015
<b>Cash flows from operating activities:</b>			
Loss for the period		\$ (227,932)	\$ (302,507)
Adjusted for:			
Interest income		(1,534)	(6,321)
Interest expense		15,947	24,010
Changes in non-cash working capital items:			
Amounts receivable and other assets		(6,366)	(8,523)
Amounts payable and other liabilities		(1,742)	470
Due to a related party		136,365	192,630
Restricted cash		–	38,563
<b>Net cash used in operating activities</b>		<b>(85,262)</b>	<b>(61,678)</b>
<b>Cash flows from investing activities:</b>			
Interest received		1,534	6,321
<b>Net cash provided by investing activities</b>		<b>1,534</b>	<b>6,321</b>
<b>Cash flows from financing activities:</b>			
Principal payment on convertible debenture	6	–	(100,000)
Interest paid on convertible debenture	6	(15,947)	(20,507)
<b>Net cash used in financing activities</b>		<b>(15,947)</b>	<b>(120,507)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(99,675)</b>	<b>(175,864)</b>
Cash and cash equivalents, beginning of period		461,986	1,025,320
<b>Cash and cash equivalents, end of period</b>		<b>\$ 362,311</b>	<b>\$ 849,456</b>

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

# Quartz Mountain Resources Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2016 and 2015

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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### 1. NATURE AND CONTINUANCE OF OPERATIONS

Quartz Mountain Resources Ltd. ("Quartz Mountain" or the "Company") is a Canadian public company incorporated in British Columbia on August 3, 1982. The Company's corporate office is located at 1040 West Georgia Street, 15th Floor, Vancouver, British Columbia, Canada. The Company is primarily engaged in the acquisition and exploration of mineral properties.

These interim consolidated financial statements (the "Financial Statements") of the Company as at and for the three and six months ended January 31, 2016 include Quartz Mountain Resources Ltd. and its subsidiary (together referred to as the "Company"). Quartz Mountain Resources Ltd. is the ultimate parent entity of the group.

These Financial Statements have been prepared on a going concern basis which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As at January 31, 2016, the Company had cash and cash equivalents of \$362,000, a working capital deficit, and negative net assets. The Company's continuing operations 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 these projects, obtaining the necessary permits to mine, on future profitable production of any mine and the proceeds from the disposition of the mineral property interests. General market conditions for junior exploration companies have resulted in depressed equity prices.

These material uncertainties cast significant doubt on the ability of the Company to continue as a going concern.

Of the total current liabilities of the Company at January 31, 2016, \$3,109,641 is payable to Hunter Dickinson Services Inc. ("HDSI"), a related party (note 7(b)). In January 2016, the Company announced that it has reached agreements with Bearclaw Capital Corp. and Hunter Dickinson Services Inc. for settlement of balances due to them primarily through issuance of the Company's common shares (note 10).

Management believes that it is able to maintain its core mineral rights in good standing for the next 12 month period. Additional debt or equity financing will be required to fund exploration or development programs. There can be no assurance that the Company will be able to obtain additional financial resources or achieve positive cash flows. If the Company is unable to obtain adequate additional financing, it will need to curtail its expenditures further, until additional funds can be raised through financing activities.

These Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

# Quartz Mountain Resources Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2016 and 2015

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Statement of compliance*

These Financial Statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and its interpretations. Accordingly, they do not include all of the information and note disclosures as required by International Financial Reporting Standards ("IFRS") for annual financial statements.

The accounting policies and methods of computation applied by the Company in these Financial Statements are the same as those applied by the Company in its most recent annual consolidated financial statements which are filed on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). These Financial Statements should be read in conjunction with the Company's financial statements as at and for the year ended July 31, 2015. Results for the period ended January 31, 2016 are not necessarily indicative of future results.

Issuance of these Financial Statements was authorized by a committee of the Board of Directors on March 18, 2016.

#### (b) *Basis of presentation*

These Financial Statements have been prepared on a historical cost basis. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### (c) *Significant accounting estimates and judgments*

The preparation of these Financial Statements in conformity with IAS 34 involved use of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from such estimates.

In preparing these Financial Statements, significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended July 31, 2015.

#### (d) *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and the subsidiaries that it controls. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.



# Quartz Mountain Resources Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2016 and 2015

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated upon consolidation.

At January 31, 2016 and July 31, 2015 the Company held an ownership interest in the following subsidiary:

<b>Name of Subsidiary</b>	<b>Place of Incorporation</b>	<b>Ownership Interest</b>	<b>Principal Activity</b>
Wavecrest Resources Inc.	Delaware	100%	Holding company

(e) *Changes in accounting policies and new accounting pronouncements*

New standards and interpretations issued by IASB, or modification of existing standards, applicable during the current period do not have material impact on these Financial Statements.

### 3. AMOUNTS RECEIVABLE AND OTHER ASSETS

	January 31, 2016	July 31, 2015
<b>Current:</b>		
Sales tax receivable	\$ 4,651	\$ 3,300
Prepaid insurance	-	6,040
British Columbia Mineral Exploration Tax Credit recoverable	18,134	7,079
<b>Total</b>	<b>\$ 22,785</b>	<b>\$ 16,419</b>

### 4. MINERAL PROPERTY INTERESTS

	January 31, 2016	July 31, 2015
Galaxie Project (note 4(a))	\$ 1	\$ 1
Angel's Camp royalty (note 4(b))	1	1
<b>Total</b>	<b>\$ 2</b>	<b>\$ 2</b>

(a) *Galaxie and ZNT Project*

At January 31, 2016 and July 31, 2015, the Company's mineral property interest included the following:

- a 100% interest in the Galaxie property, which consists of the Gnat Property (three claims, totalling 1,294.3 hectares) and 155 additional claims covering an area of 56,323.9 hectares located in northwestern British Columbia, some 24 kilometres south of the town of Dease Lake, BC.

# Quartz Mountain Resources Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2016 and 2015

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- a 100% interest in the ZNT property, which consists of 21 claims covering an area of 10,171.6 hectares located in central British Columbia, some 15 kilometres southeast of the town of Smithers, BC. The property was staked by Quartz Mountain in 2012.

After the reporting period, pursuant to a debt settlement agreement (note 10), the Company transferred its mineral property interest in the Gnat Property to Bearclaw Capital Corp, a private company from which the Company acquired the Gnat Property in exchange for, among other considerations, its convertible debenture (note 6).

### (b) *Angel's Camp Property*

The Company retains a 1% net smelter return royalty payable to the Company on any production from the Angel's Camp property located in Lake County, Oregon. The Angel's Camp property is currently held by Alamos Gold Inc.

The royalty has been recorded at a nominal amount of \$1.

## 5. CAPITAL AND RESERVES

### (a) *Authorized share capital*

At January 31, 2016 and July 31, 2015, the authorized share capital of the Company comprised an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

No preferred shares have been issued to date. All issued common shares are fully paid.

### (b) *Equity-Settled Share-Based Payments*

The following summarizes the changes in the Company's share purchase options for three months ended January 31, 2016 and 2015:

Number of options with an exercise price of \$0.45	Six months ended January 31	
	2016	2015
Options outstanding at beginning of period	828,000	1,587,000
Forfeited during the period	(60,000)	(36,900)
Expiration during the period	-	(722,100)
Options outstanding and exercisable at the end of period	768,000	828,000

The weighted average contractual remaining life of the share purchase options outstanding and exercisable at January 31, 2016 was 0.97 years (July 31, 2015 – 1.47 years).

# Quartz Mountain Resources Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

### 6. CONVERTIBLE DEBENTURE

Balance, July 31, 2014	\$ 600,000
Repayment during year	(100,000)
Balance, July 31, 2015	500,000
Repayments during the period	-
Balance, January 31, 2016	\$ 500,000
Current portion	\$ 50,000
Non-current portion	450,000
	\$ 500,000

Pursuant to the purchase of the Gnat Property (note 4(a)) in fiscal 2013, the Company issued an unsecured \$650,000 convertible debenture (the "Debenture") with an original maturity date of October 31, 2013, to the vendor, Bearclaw Capital Corp. ("Bearclaw"), as part of the purchase price. From inception to October 1, 2014, a series of amendments to the Debenture agreement were made, and principal payments totalling \$100,000 had been paid.

Effective October 1, 2014, the Company and Bearclaw amended (the "Amendment") the terms of the Debenture pursuant to which the Company agreed to make payments on the remaining balance of \$550,000 (the "Principal Sum") in equal annual installments of \$50,000, commencing on January 31, 2015 (completed) and thereafter on or before January 31 of each subsequent year until the Principal Sum is fully repaid. Effective October 1, 2014, the principal amount outstanding bears interest at 7.5% per annum, payable quarterly in arrears.

Upon a completion by the Company of an equity financing (the "New Financing") for a minimum amount of \$1,000,000, at least 50% of any outstanding balance of the Principal Sum along with any interest accrued thereon will be automatically converted (the "Automatic Conversion") into the Company's common shares. Bearclaw may elect to convert, concurrent to the Automatic Conversion, any portion of the remaining 50% of outstanding balance of the Principal Sum and accrued interest thereon (the "Optional Conversion"). For the purposes of Automatic Conversion and Optional Conversion of any principal sum, subject to the rules and policies of the TSX Venture Exchange, the conversion price will be determined as the greater of (i) the volume-weighted average trading price of common shares of the Company on the Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date of such conversion and (ii) the price at which the Company issues common shares pursuant to the New Financing. For the purposes of the Automatic Conversion and the Optional Conversion of any accrued interest, the conversion price will be the market price of the Company's common shares on the date of conversion. Other than pursuant to the Automatic Conversion and Optional Conversion provisions, Bearclaw does not have an option to convert the Debenture into the Company's common shares.

The Company has determined that, for the purposes of IAS 39 *Financial Instruments: Recognition and Measurement*, the Amendment resulted in a substantial modification of the terms of the Debenture and it has been accounted for as an extinguishment of the original financial liability and

# Quartz Mountain Resources Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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the recognition of a new financial liability; however, no gain or loss was recognized as the fair value of the latter equaled the carrying amount of the former.

After the reporting period, the Debenture was fully settled (note 10).

### 7. RELATED PARTY BALANCES AND TRANSACTIONS

#### (a) Transactions with Key Management Personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly, and by definition include the directors of the Company.

The Company compensated key management personnel as follows:

	Three months ended January 31		Six months ended January 31	
	2016	2015	2016	2015
Short-term employee benefits, including salaries and directors fees	\$ 30,000	\$ 41,000	\$ 63,000	\$ 91,000

Short-term employee benefits include salaries, director's fees and amounts paid to HDSI (note 7(b)) for services provided to the Company by certain HDSI personnel who serve as directors or officers of the Company.

#### (b) Entities with Significant Influence over the Company

The Company's management believes that Hunter Dickinson Services Inc. ("HDSI"), a private entity, has the power to participate in the financial or operating policies of the Company. Scott Cousens, Robert Dickinson, and Ronald Thiessen, are directors of both the Company and HDSI. Michael Lee and Trevor Thomas are officers of the Company and are employees of HDSI.

Pursuant to a management agreement between the Company and HDSI, dated July 2, 2010, the Company receives geological, engineering, corporate development, administrative, management and shareholder communication services from HDSI. These services are provided based on annually set rates. HDSI also incurs third party costs on behalf of the Company on full-cost recovery basis.

Transactions with HDSI parties were as follows:

# Quartz Mountain Resources Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2016 and 2015

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

	Three months ended January 31		Six months ended January 31	
	2016	2015	2016	2015
Services received based on management services agreement	\$ 58,000	\$ 52,000	\$ 115,000	\$ 150,000
Reimbursement of third party expenses paid	7,000	12,000	30,000	33,000

Outstanding balances were as follows:

	January 31, 2016	July 31, 2015
Balance payable to HDSI	\$ 3,109,641	\$ 2,973,276

### 8. EMPLOYEES BENEFIT EXPENSES

The amount of employees' salaries and benefits during the three months ended January 31, 2016 was \$ 68,000 (2015 – \$81,000) and during the six months ended January 31, 2016 was \$134,000 (2015 – \$190,000).

### 9. OPERATING SEGMENTS

The Company operates in a single reportable operating segment – the acquisition, exploration and evaluation of mineral property interests. The Company is currently focused on the acquisition and exploration of mineral property interests in Canada.

### 10. EVENTS AFTER THE REPORTING PERIOD

On January 20, 2016, the Company announced that it has reached agreements (the "Settlement Agreements") with Bearclaw (note 6) and HDSI (note 7(b)) to which it owes payment for services.

After the reporting period, effective March 2016, the Settlement Agreement between the Company and Bearclaw was closed resulting in a full and final settlement of the Debenture upon the transfer of the following considerations to Bearclaw by the Company:

- a cash payment of \$29,793;
- Issuance of 2 million shares; and
- transfer of the Gnat Property (three claims, totalling 1,294.3 hectares)

Under the Settlement Agreement with the Company, HDSI has agreed to forgive the balance payable to HDSI in the net amount of \$3,086,089 if the Company completes the following:

- makes a cash payment of \$180,207 to HDSI; and
- issues 6 million shares to HDSI.

# **Quartz Mountain Resources Ltd.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

For the three and six months ended January 31, 2016 and 2015

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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The Settlement Agreement with HDSI was not closed as of the date of authorization of these Financial Statements.