Sulliden Mining Capital Inc.

(An Exploration Stage Mining Company)

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the years ended

July 31, 2016 and 2015

AUDITED

(expressed in Canadian dollars)

October 28, 2016

Independent Auditor's Report

To the Shareholders of
Sulliden Mining Capital Inc.

We have audited the accompanying consolidated financial statements of Sulliden Mining Capital Inc., which comprise the consolidated statements of financial position as at July 31, 2016 and July 31, 2015, and the consolidated statements of operations and comprehensive loss, consolidated statement of cash flows, and consolidated statements of changes in shareholders' equity for the years then ended July 31,2016 and July 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Onterio, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sulliden Mining Capital Inc. as at July 31, 2016 and July 31, 2015 and its financial performance and their cash flows for the years then ended July 31, 2016 and July 31, 2015 in accordance with IFRS.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

SULLIDEN MINING CAPITAL INC.
Annual Consolidated Statements of Financial Position
AUDITED
(Expressed in Canadian dollars)

As at	Notes		July 31, 2016		July 31, 2015
ASSETS					
Current assets					
Cash and cash equivalents		$	1,317,302	$	505,452
Fixed-income investments	5		-		12,800,211
Investments, at fair market value through profit and loss	6		18,008,203		5,974,079
Loans receivable	7		359,945		-
Amounts receivable and other			221,788		46,570
Prepaid expenses			94,543		38,096
Total current assets			20,001,781		19,364,408
Non-current assets					
Investment in associate	8		4,569,754		2,245,687
Exploration and evaluation assets	9		329,390		134,126
TOTAL ASSETS		$	24,900,925	$	21,744,221
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	417,621	$	184,954
Total current liabilities			417,621		184,954
SHAREHOLDERS' EQUITY					
Share capital			26,540,163		26,540,163
Share purchase warrant reserve	10		468,081		468,081
Share-based payment reserve	11		570,408		(159,172)
Accumulated other comprehensive income/(loss)			47,615		(96,756)
Accumulated deficit			(3,142,963)		(5,193,049)
Total shareholders' equity			24,483,304		21,559,267
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	24,900,925	$	21,744,221

Commitments and contingencies (Note 17)
Subsequent events (Note 19)

Approved by the Board of Directors:

Signed "Pierre Pettigrew", Director

Signed "Justin Reid", Director

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

SULLIDEN MINING CAPITAL INC.

Annual Consolidated Statements of Operations and Comprehensive Loss
AUDITED
(Expressed in Canadian dollars)

	Note	Years ended July 31, 2016	2015
Expenses			
Share-based payments	11	$ 935,284	$ 1,652,415
Professional, consulting and management fees	12	4,947,565	1,839,373
General and administrative expenses	13	657,353	585,123
		6,540,202	4,076,911
Other (income)/expenses			
Interest income	5, 7	(291,099)	(241,411)
Loan arrangement fees earned	7	(296,216)	(35,000)
Agreement termination fee earned	7	-	(250,000)
Foreign exchange loss		147,608	9,301
Loss from investment in associate	8	863,390	159,868
Realized gain on sale of investments	6	(4,678,471)	(121,916)
Unrealized (gain)/loss on investments	6	(6,529,871)	1,574,648
Impairment of loan receivable	7	2,195,900	-
Net income/(loss) for the year		2,048,557	(5,172,401)
Other comprehensive gain/(loss):			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation - associate	8	144,371	(96,756)
Net comprehensive income/(loss) for the year		$ 2,192,928	$ (5,269,157)
Net income/(loss) per share			
Basic		$ 0.06	$ (0.15)
Diluted		$ 0.06	$ (0.15)
Weighted average common shares outstanding			
Basic		36,862,851	34,877,899
Diluted		37,057,400	34,877,899

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

SULLIDEN MINING CAPITAL INC.
Annual Consolidated Statements of Cash Flows
AUDITED
(Expressed in Canadian dollars)

	Note	Years ended July 31, 2016	2015
CASH FLOWS FROM:			
Operating activities			
Net income/(loss) for the year		$ 2,048,557	$ (5,172,401)
Items not involving cash			
Share-based payments	11	935,284	1,652,415
Deferred share unit payment		-	(13,407)
Loss from investment in associate	8	863,390	159,868
Realized gain on sale of investments	6	(4,678,471)	(121,916)
Unrealized gain on investment	6	(6,529,871)	1,574,648
Impairment of loan receivable		2,195,900	-
Interest and arrangement fees earned		(587,315)	(276,411)
Foreign exchange loss		199,953	14,881
		(5,552,573)	(2,182,323)
Net change in non-cash working capital items:			
Amounts receivable and prepaid expenses		(231,665)	(84,666)
Accounts payable and accrued liabilities		28,492	143,404
		(203,173)	58,738
Cash flows used in operating activities		(5,755,746)	(2,123,585)
Financing activities			
Contribution from Sulliden Gold Corporation Ltd.		-	24,773,514
Proceeds from exercise of warrants and options		-	81,560
Payment for restricted share units		-	(1,756,629)
Share issue proceeds		-	1,999,983
Share issue costs		-	(1,000)
Cash flows from financing activities		-	25,097,428
Investing activities			
Sale (purchase) of fixed-income investments	5	12,800,211	(12,800,211)
Purchase of investments	6, 8	(11,836,909)	(10,752,135)
Proceeds from sale of investments	6	7,973,426	830,395
Loans issued	7	(3,630,520)	(924,878)
Loan repayment	7	923,282	902,614
Interest and arrangement fees received	7	533,370	276,411
Exploration and evaluation assets		(195,264)	(588)
Cash flows from (used in) investing activities		6,567,596	(22,468,392)
Net change in cash and cash equivalents		811,850	505,451
Cash and cash equivalents, beginning of the year		505,452	1
Cash and cash equivalents, end of the year		$ 1,317,302	$ 505,452
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash		$ 1,267,302	$ 127,956
Cash equivalents		50,000	377,496
		$ 1,317,302	$ 505,452
SUPPLEMENTARY INFORMATION			
Shares received as settlement of loan receivable		$ -	$ 22,264

Certain comparative figures have been reclassified to conform to the presentation in the current year

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

SULLIDEN MINING CAPITAL INC.
Annual Consolidated Statements of Changes in Shareholders' Equity
AUDITED
(Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Share purchase warrant reserve	Share-based payment reserve	Contribution from Sulliden Gold Corporation	Accumulated other comprehensive loss	Earnings/ (Deficit)	Total Shareholders' equity
Balance as at July 31, 2015		36,862,851	$ 26,540,163	$ 468,081	$ (159,172)	$ -	$ (96,756)	$ (5,193,049)	$ 21,559,267
Share-based compensation	11	-	-	-	731,109	-	-	-	731,109
Expiry of stock options, value reallocation		-	-	-	(1,529)	-	-	1,529	-
Other comprehensive loss - associate	8	-	-	-		-	144,371	-	144,371
Net income for the period		-	-	-		-	-	2,048,557	2,048,557
Balance as at July 31, 2016		**36,862,851**	**$ 26,540,163**	**$ 468,081**	**$ 570,408**	**$ -**	**$ 47,615**	**$ (3,142,963)**	**$ 24,483,304**
Balance as at July 31, 2014		1	$ 1	$ -	$ -	$ 149,403	$ -	$ (15,865)	$ 133,539
Contribution from Sulliden Gold Corporation		31,590,891	24,927,700	4,409	-	(149,403)	-	(9,192)	24,773,514
Shares issued for cash		4,999,959	1,999,983						1,999,983
Share issue costs		-	(1,000)	-	-	-	-	-	(1,000)
Value of warrants issued		-	(468,081)	468,081	-	-	-	-	-
Expiry of warrants, valuation reallocation		-	-	(4,409)	-	-	-	4,409	-
Shares issued on exercise of options		272,000	81,560	-	-	-	-	-	81,560
Share-based compensation	11	-	-	-	(159,172)	-	-	-	(159,172)
Other comprehensive loss - associate	8	-	-	-	-	-	(96,756)	-	(96,756)
Net loss for the period		-	-	-	-	-	-	(5,172,401)	(5,172,401)
Balance as at July 31, 2015		**36,862,851**	**$ 26,540,163**	**$ 468,081**	**$ (159,172)**	**$ -**	**$ (96,756)**	**$ (5,193,049)**	**$ 21,559,267**

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

1. NATURE OF OPERATIONS

Sulliden Mining Capital Inc. ("SMC" or the "Company") was incorporated under the *Business Corporations Act* (Ontario) on June 10, 2014 and was a wholly-owned subsidiary of Sulliden Gold Corporation Ltd. ("Sulliden"). Pursuant to an arrangement between Rio Alto Mining Limited and Sulliden, whereby Rio Alto acquired the shares of Sulliden, shareholders of Sulliden received 0.10 of a common share of the Company. The Company assumed Sulliden's interests in the East Sullivan property in Quebec and was capitalized with $24.76 million in cash.

The head office of the Company is located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5 and the registered office of the Company is located at the same address. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "SMC".

In May 2016, Sulliden Moçambique, Lda, was incorporated in Mozambique, and became a 100% owned subsidiary of the Company. There is currently no activity in this subsidiary. The registered office of this subsidiary is located at Rua Damião de Góis, Numero 371, Maputo Cidade, Moçambique.

In June 2016, a numbered company, 2507868 Ontario Inc., was incorporated under the *Business Corporations Act* (Ontario) and became a 100% owned subsidiary of the Company. This subsidiary's registered office is located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5.

2. BASIS OF PRESENTATION

The annual consolidated financial statements of the Company have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting for the year ended July 31, 2016.

The accounting policies as set out below were consistently applied to all the periods presented unless otherwise noted.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on October 28, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of measurement

The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss except for assets held for sale which is measured at fair value less cost of disposal. These annual financial statements are presented in Canadian Dollars, which is the Company's presentation currency.

b) Principles of consolidation

All entities in which the Company has a controlling interest (Note 1) are fully consolidated from the date that control commences until the date that the control ceases. Control exists when the Company is exposed, 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.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortized cost. Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

d) Fixed income investments

Fixed income investments, consisting of guaranteed investment certificates with maturities at the date of purchase of three months or more, are carried in the statement of financial position at amortized cost.

e) Amounts receivable and other

Amounts receivable and other receivables are amounts that are due from others in the normal course of business. If collection is expected in one year or less, they are classified as current assets; if not, they are presented as noncurrent assets and discounted accordingly. Accounts receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less any provision for impairment.

f) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss are considered to be held for trading. A financial asset or liability classified in this category is acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges. Financial assets and liabilities carried at fair value through profit and loss are initially recognized at fair value and are subsequently re-measured to their fair value at the end of the reporting period. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of operations in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. The Company classifies its accounts receivable, other assets and cash and cash equivalents in the statement of financial position, as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Other financial liabilities

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognized in the statement of operations over the period to maturity using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial instruments (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Company assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is significant or prolonged based on indicators such as significant adverse changes in the market, economic or legal environment.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the investments mature or are sold and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within interest and other income and finance costs, respectively.

g) Investments in associates

An associate is an entity over which the Company has significant influence, but not control, and is neither a subsidiary, nor an interest in a joint venture. Investments in which the Company has the ability to exercise significant influence are accounted for by the equity method. Under this method, the investment is initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the investee as if the investee had been consolidated. The carrying value of the investment is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income ("OCI"), and for accounting changes that relate to periods subsequent to the date of acquisition. Where there is objective evidence that the investment in associates is impaired, the amount of impairment, calculated as the difference between the recoverable amount of the associate and its carrying value, is deducted from the carrying value and recognized as a loss in the statements of operations.

h) Exploration and evaluation assets

Exploration and evaluation assets include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources can be converted to proven and probable reserves. Costs incurred before the Company has obtained the legal right to explore an area are recognized in the statement of operations and comprehensive income (loss).

Exploration and evaluation relating to the acquisition of, exploration for and development of mineral properties are capitalized and include, but are not restricted to: drilling, trenching, sampling, surveying and gathering exploration data; calculation and definition of mineral resource; test work on geology, metallurgy, mining, geotechnical and geophysical; and conducting geological, geophysical, engineering, environmental, marketing and financial studies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Exploration and evaluation assets (continued)

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures less recoveries are capitalized by property.

Capitalized exploration and evaluation assets for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation assets are transferred to mine development costs. Technical feasibility and commercial viability generally coincides with the establishment of proven and probable reserves and/or a decision to commence construction of a mine; however, this determination may be impacted by management's assessment of certain modifying factors including: legal, environmental, social and governmental factors. All subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within mine development costs.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Indicators of impairment include, but are not limited to:

- the period for which the right to explore is less than one year;
- further exploration expenditures are not anticipated;
- a decision to discontinue activities in a specific area; and
- the existence of sufficient data indicating that the carrying amount of an exploration and evaluation asset is unlikely to be recovered from the development or sale of the asset.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that mine development assets are not expected to be recovered, they are charged to operations.

i) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. They are measured at the lower of their carrying value amount and fair value less costs to sell. Non-current assets and the assets of a disposal group classified as held for sale are presented separately from the other assets on the statements of financial position. The liabilities of a disposal group classified as held for sale are presented separately from the other liabilities on the statements of financial position.

j) Impairment of property and equipment and mine development assets

Property and equipment and mine development assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying value may not be recoverable. At each reporting date, the Company conducts an internal review of asset values which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future metals prices, trends in production costs, and other market factors are also monitored to assess for indicators of impairment. If any indications of impairment exist, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less costs to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount based on the Company's calculations, then an impairment charge is recorded to the statement of operations and the carrying amount of the asset on the statement of financial position is reduced to its recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Impairment of property and equipment and mine development assets (continued)

Fair value less costs to sell is determined as the amount that would be recovered from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell is generally determined as the present value of estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, and discounted by an appropriate post-tax discount rate to arrive at a net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development discounted by an appropriate pre-tax discount rate. As such, these assumptions differ from those used in calculating fair value less costs to sell.

In considering for indicators of impairment and performing impairment calculations, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The estimates of future discounted cash flows are subject to risks and uncertainties, including proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted into proven and probable reserves, future metals prices, discount rates, estimated capital and operating costs and exchange rates.

A previously recognized impairment loss on property and equipment is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in impairment. This reversal is recognized in the statement of operations and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized in prior years.

k) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note (note 11).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of operations and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service. For those options that expire after vesting, the recorded value is transferred to retained earnings (deficit).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Share-based payments (continued)

Restricted Share Units ("RSU")

RSUs are granted to officers and employees under the terms of the Company's RSU Incentive Plan. The Company recognizes compensation expense equal to the market value of the common shares of the Company at the date of grant based on the number of RSUs expected to vest, recognized over the term of the vesting period using the graded vesting method, with a corresponding credit to share-based payment reserve for equity settled RSUs. The RSUs vest in three equal tranches, on each of January 1, 2015, January 1, 2016 and January 1, 2017. Compensation expense is adjusted for subsequent changes in management's estimate of the number of RSUs that are expected to vest. The effect of these changes is recognized in the period of change. A trustee acting on behalf of the RSU holders purchases shares of the Company from the open market to distribute to RSU holders as compensation. These shares are restricted and reserved in trust for issuances. Upon settlement of equity settled RSUs, any difference between the cost of the shares purchased on the open market and the amount of credited to share-based payment reserve remains in share-based payment reserve.

Deferred Share Units ("DSUs")

DSUs are granted to the Company's non-executive directors under the terms of the Company's DSU Incentive Plan. The initial fair value of the DSU compensation liability is calculated at the date of grant based on the Company's share price on grant date. Subsequently, at each reporting date and on settlement, the DSU compensation liability is remeasured, with any change in fair value recorded as compensation expense in the statement of loss and comprehensive loss in the period. The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date. The DSUs are settled in cash. The DSUs vest based on the pro-rata number of days each independent director remains a director of the Company until term, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control.

l) Loss per share

Earnings (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive.

m) Investment income

Investment income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Investment income is on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

n) Foreign exchange translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year unless the monetary item forms part of the reporting entity's net investment in a foreign operation, in which case, exchange gains or losses are reflected in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the annual statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) New and future accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has not yet considered the potential impact of the adoption of IFRS 9

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") addresses how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company intends to adopt the new Standard on its effective date and has yet to consider the impact on its financial reporting.

IFRS 16, *Leases* ('IFRS 16") replaces IAS 17, *Leases* ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is still evaluating the impact of the adoption of IFRS 16.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

Amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") – Clarification of Acceptable Methods of Depreciation and Amortization. The amendments to IAS 16 and IAS 38 are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company is still evaluating the impact of the amendments.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the annual financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Valuation of Exploration and evaluation assets - The Company carries its mineral properties at cost less any impairment losses. The Company capitalizes exploration and evaluation costs, which are related to specific projects, until the commercial feasibility of the project is determinable or the project is determined to be impaired. Costs are charged to operations when a property is abandoned or when impairment in value has been determined. The Company reviews the carrying values of mining properties and related expenditures whenever indicators of impairment exist or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates which are subject to various risks and uncertainties. Estimates may include, but are not limited to estimates of future metal prices, capital and operating costs, the quantities of mineral reserves to be mined and expected recoveries of minerals contained in ore, the ability to convert resources into economically mineable reserves, discount rates and; in the case of fair value less costs to sell, the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and exploration and evaluation assets.

- Income taxes and recoverability of potential deferred tax assets - In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-Based Payments - Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Investment in Aguia Resources Ltd. ("Aguia") – On April 7, 2015, the Company's President and CEO, Mr. Justin Reid, was appointed to the Board of Directors of Aguia as Managing Director. As a result, management re-assessed the level of influence that the Company has with respect to Aguia and determined that the Company has significant influence despite owning 19.01% of the outstanding common shares of Aguia at April 30, 2016. In January 2016, the Company's newly appointed President, Mr. Paul Pint, was also appointed a director and Chairman of the board of Aguia. On this basis, the investment, which had been accounted for as Fair Value Through Profit and Loss ("FVTPL") on the statement of financial position prior to April 7, 2015, is now considered an associate and is accounted for using the equity method. In addition, management determined the value of its 1% net smelter return royalty ("NSR") on the Rio Grande project held by Aguia is $nil based on the uncertainty due to the early stage of the project. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. Estimates are made and assumptions are used in this review, and these are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying value of this investment.

- Investment in Euro Sun Mining ("Euro Sun"), formerly Carpathian Gold Inc. – On May 19, 2016, the Company acquired units of Euro Sun (Note 6) such that, on a non-diluted basis, the Company owns 7.86% of the outstanding common shares of Euro Sun. Two of the Company's board members, Mr. Stan Bharti and Mr. Peter Tagliamonte, were appointed to the board of Euro Sun in May 2016. Mr. Tagliamonte was appointed Chairman of the board. Subsequent to the end of the year, the Company's CEO, Justin Reid, was appointed to the board of Euro Sun. The Company assessed the level of influence that the Company has over Euro Sun at July 31, 2016 and concluded that the Company does not have significant influence based in part on the lack of management presence at Euro Sun. Mr. Tagliamonte, as Chairman of the Board of Euro Sun does not have special voting rights. As a result, the investment in Euro Sun has been accounted for as FVTPL on the statement of financial position as at July 31, 2016. Estimates are made and assumptions are used in this review, and these are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying value of this investment.

- Assets and disposal groups held for sale -- As security for default on the loan with APIO Africa Ltd ("APIO"), in June 2016 (Note 7), the Company received 8,169 shares of APIO's subsidiary, Daos International Ltd. ("Daos"), a Mauritius company. As a result, the Company owns an 82% interest in Daos. The Company appointed 3 members to the board of Daos in June 2016 and controls the board of Daos. The Company has initiated a sale process to sell the assets of Daos in order to recoup the defaulted loan. The Company has assessed the situation at July 31, 2016 and concluded that the investment in Daos can be accounted for as a disposal group held for sale in accordance with IFRS 5, Non-current Assets Held For Sale and Discontinued Operations. As a result, assets and liabilities related to Daos are presented separately on the statements of financial position. The Company has valued the assets at $nil and has concluded that there is no constructive obligation on the part of the Company with respect to the Daos liabilities. Estimates are made, assumptions are used and management judgement is exercised in this assessment. These are subject to various risks and uncertainties which may ultimately have an effect on the expected recovery of these assets.

5. FIXED INCOME INVESTMENTS

Fixed income investments of $nil (July 31, 2015 – $12,800,211) represented guaranteed investment certificates with Schedule One Canadian chartered banks earning income at a rate of 0.9%. During the year ended July 31, 2016, the Company earned $51,344 in interest income from these investments (2015: $203,170).

(Expressed in Canadian dollars unless otherwise noted)

6. INVESTMENTS

As at July 31, 2016, the Company carried investments in certain public resource and other sector companies. These securities are classified as fair value through profit or loss ("FVTPL"). As of July 31, 2016, these securities have an estimated fair value of $18,008,203 (July 31, 2015: $5,974,079) (see Note 16).

Public Issuer	Note	Security description	Cost	Estimated Fair value
Current assets				
Belo Sun Mining Corporation*		6,917,422 common shares	$ 1,535,119	$ 6,225,680
Aberdeen International Inc.*	i	3,951,000 common shares	607,550	651,915
		4,790,000 warrants	221,436	300,812
Kombat Copper Inc.*	ii	8,008,000 common shares	461,226	440,440
		8,625,000 warrants	220,688	240,413
Euro Sun Mining (formerly Carpathian Gold Inc.)*	iii	3,932,425 common shares	3,344,051	3,928,571
		1,966,213 warrants	1,655,949	1,939,286
Others			4,830,209	4,281,086
			$ 12,876,228	$ 18,008,203

* Investments in related party entities –see Note 16.

i. During the year ended July 31, 2015, the Company acquired 4,790,000 units of Aberdeen International Inc. Each unit is comprised of one common share and one share purchase warrant, with each warrant entitling the Company to acquire one common share at a price of $0.30 until November 24, 2019. The grant date fair value of the warrants was estimated to be $221,436 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 47%; risk-free interest rate of 1.52% and an expected average life of five years. The warrants were revalued at July 31, 2016 at an estimated value of $300,812 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 78%; risk-free interest rate of 0.54% and an expected average life of 3.3 years.

ii. During the year ended July 31, 2015, the Company acquired 4,000,000 units of Kombat Copper Inc. ("Kombat"). Each unit is comprised of one common share and one share purchase warrant, with each warrant entitling the Company to acquire one common share at a price of $0.10 until February 17, 2017. The grant date fair value of the warrants was estimated to be $60,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 112%; risk-free interest rate of 0.46% and an expected average life of two years. The warrants were revalued at July 31, 2016 at an estimated value of $56,800 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 150%; risk-free interest rate of 0.55% and an expected average life of 0.5 years.

In May 2016, the Company sold 4,000,000 common shares of Kombat, and subsequently acquired 4,625,000 units of Kombat. Each unit is comprised of one common share and one share purchase warrant, with each warrant entitling the Company to acquire one common share at a price of $0.13 until May 17, 2019. The grant date fair value of the warrants was estimated to be $160,688 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 159%; risk-free interest rate of 0.60% and an expected average life of three years. The warrants were revalued at July 31, 2016 at an estimated value of $183,613 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 157%; risk-free interest rate of 0.60% and an expected average life of 2.8 years.

During the year ended July, 2016, the Company acquired an additional 3,383,000 shares of Kombat for a total investment of 8,008,000 shares.

6. INVESTMENTS (continued)

iii. In May 2016, the Company acquired 71,428,571 units of Euro Sun. Each unit is comprised of one common share and one-half of a common share purchase warrant, with each whole warrant entitling the Company to acquire one common share at a price of $0.12 until May 19, 2018. The grant date fair value of the warrants was estimated to be $1,685,945 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 382%; risk-free interest rate of 0.62% and an expected average life of two years. The warrants were revalued at July 31, 2016 at an estimated value of $1,939,286 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 392%; risk-free interest rate of 0.62% and an expected average life of 2.8 years. Subsequent to the end of the year, Euro Sun Mining consolidated its shares on an 18.164 to 1 basis. As a result, the Company is carrying 3,932,425 common shares and 1,966,213 warrants at an exercise price of $2.18.

The Company sold certain other investments for gross proceeds of $7,156,208, incurring commissions of $50,025 and realizing a gain on sale of investments of $4,678,471 for the year ended July 31, 2016. For the year ended July 31, 2015, the Company sold investments for gross proceeds of $833,000, incurring commissions of $2,605. As a result, the Company recognized a gain on sale of investments of $121,916 for the year ended July 31, 2015. As a result of the fair value adjustment to the investments held by the Company at July 31, 2016, an unrealized gain of $6,529,871 was recognized for the year ended July 31, 2016 (July 31, 2015: a loss of $1,574,648).

7. LOANS RECEIVABLE

(a) During the year ended July 31, 2016, the Company entered into loan agreements whereby the Company loaned a total of US$1,750,000 ($2,195,900) to APIO in three tranches, having extended the maturity of the total loan to May 3, 2016. Interest of US$137,500 ($182,456) and arrangement and extension fees of US$112,500 ($149,216) were charged by the Company on these loans and paid to the Company in advance. The loans were secured by a first priority fixed charge over all the assets of APIO. On May 3, 2016, APIO defaulted on its loan. As a result, the Company exercised its security by taking shares of Daos, APIO's subsidiary. Daos owns a 75% interest in Vaninga Investments Ltd. ("Vaninga"), which owns a data centre. The Company intends to force the sale of the assets of Vaninga in order to recoup as much of the amount outstanding as possible. The Company has recognized an impairment of $2,195,900 related to the loan receivable for the year ended July 31, 2016.

The Company has accounted for the shares of Daos as a disposal group held for sale. On acquisition of the shares of Daos, the assets were measured at fair value less costs to sell of $nil. The Company used third party valuations to estimate a fair value for the assets. The Company is actively pursuing potential buyers for the data centre and plans to realize on the sale of the asset within one year. However, it is estimated that existing liabilities in Daos would offset potential proceeds from a sale. The Company has estimated a fair value of $nil for the liabilities associated with this disposal group. In accordance with Mauritius local laws, the Company, as a shareholder, is not liable for the obligations of Daos.

(b) On October 28, 2015, the Company entered into a loan agreement with Emerita Resources Corp. ("Emerita") providing a loan of $50,000. This loan was repaid in January 2016. This loan charged an interest rate of 20% per annum and a loan arrangement fee of $1,000. On February 25, 2016, the Company entered into another loan agreement with Emerita for $56,000, with interest of $6,000 paid in advance. This loan was to mature on August 25, 2016. In May 2016, $50,000 of the loan was repaid and $6,000 remained outstanding at July 31, 2016. This amount was repaid subsequent to the end of the year. Interest recognized on these loans during the year ended July 31, 2016 was $8,177.

7. LOANS RECEIVABLE (continued)

c) On November 30, 2015, the Company entered into a loan agreement with ARHT Media Inc. ("ARHT") providing an unsecured debenture of $500,000. This loan was repaid in January 2016. The Company charged interest and fees totaling $100,000 which were paid in advance. On February 29, 2016, the Company entered into another loan agreement with ARHT providing a loan of $200,000. Fees and interest on this loan were $33,000. This loan was repaid to the Company in April 2016. And on March 15, 2016, the Company provided a loan of US$55,000 to ARHT, which was also repaid in April 2016. Interest on this loan was US$5,000 and paid in advance. During the year ended July 31, 2016, the Company recognized interest of $44,519, and fees of $95,000.

d) On April 18, 2016, the Company entered into a loan agreement with Kombat Copper ("Kombat"), a related party (Note 16), providing a loan of $50,000 with a maturity date of May 31, 2016. Interest was payable on the loan at a rate of 20% and the Company charged an arrangement fee of $1,000. This loan was repaid by the maturity date, and the Company recognized interest on this loan of $658 for the year ended July 31, 2016.

e) On June 22, 2016, the Company entered into a loan agreement with QMX Gold Corporation ("QMX") providing a loan of $300,000 with a maturity date of July 31, 2016. An arrangement fee of $50,000 was charged by the Company in relation to this loan. Interest is payable on the loan at a rate of 12% per annum. For the year ended July 31, 2016, the Company has accrued $3,945 in interest income in relation to this loan. As at July 31, 2016, this loan remains outstanding. Subsequent to the end of the year, this loan including the arrangement fee, interest and default interest was repaid.

f) During the year ended July 31, 2015, the Company entered into an agreement for the proposed acquisition by the Company of all the issued and outstanding shares of Coastal Gold Corp. ("Coastal Gold"). As well, the Company loaned $199,767 to Coastal Gold, which carried an interest rate of 10% per annum. Repayment of the loan was to occur at the earlier of the completion of the proposed acquisition or the termination by Coastal Gold of the proposed transaction. Coastal Gold provided notice of termination of the proposed acquisition agreement as they received a superior offer. As a result, during the year ended July 31, 2015, Coastal Gold repaid the loan balance in full and paid a termination fee of $250,000 to the Company.

g) During the year ended July 31, 2015, the Company entered into a loan agreement with Alder Resources Ltd. in the amount of $20,000. The Company entered into a settlement agreement to settle this loan through the issuance of 80,617 shares of Alder Resources Ltd. Alder Resources Ltd. was a related party by virtue of a common director.

8. INVESTMENT IN ASSOCIATE

As at July 31, 2016, the Company owns 71,163,901 shares of Aguia, representing a 19.40% interest in Aguia. Aguia is incorporated in Australia and listed on the ASX. Aguia's primary focus is on the exploration and development of large scale phosphate and potash projects in Brazil. The Company also acquired a 1% NSR on the Rio Grande project held by Aguia. Aguia has the option to buy-back the NSR royalty for AUD$1,000,000 at any time up to November 2017.

On April 7, 2015, the Company's President and CEO, Mr. Justin Reid, was appointed as Executive Chairman of the Board of Aguia. On this date, management re-assessed the level of influence that the Company has with respect to Aguia and determined that the Company has significant influence. On this basis, the investment is considered an associate and is accounted for using the equity method.

8. INVESTMENT IN ASSOCIATE (continued)

July 31, 2014		-
Acquisition of 46,222,913 shares at cost	$	2,223,853
Fair market valuation adjustment to April 7, 2015		(177,081)
Foreign exchange translation adjustments		(60,966)
Acquisition of 7,673,048 additional shares at cost		516,505
Proportionate share of net loss		(159,868)
Proportionate share of other comprehensive loss		(96,756)
July 31, 2015	$	2,245,687
Acquisition of 25,886,021 shares at cost		3,742,369
Sale of 8,618,081 shares at cost		(699,283)
Proportionate share of net loss		(863,390)
Proportionate share of other comprehensive loss		144,371
July 31, 2016	$	4,569,754
Fair market value of 71,163,901 shares at July 31, 2016	$	7,050,919

The Company is not exposed to any additional losses beyond its initial investment amount. No dividends or cash distributions were received by the Company from the associate during the period.

The Company recorded an equity loss of $863,390 for the year ended July 31, 2016 which represents the proportionate share of Aguia's net loss through the twelve months ended June 30, 2016. Aguia has a June fiscal year end and it is impractical to prepare financial statements to July 31, 2016 as Aguia is a listed entity. It is expected that the difference in reporting dates is immaterial.

The following is a summary of the consolidated financial information of Aguia on a 100% basis as at June 30, 2016, which is the most recent publicly available information for Aguia. These amounts are presented in Canadian dollars.

	Periods ended June 30, 2016	Periods ended June 30, 2015
Cash	$ 2,805,040	$ 682,079
Total current assets	2,965,924	804,129
Total non-current assets	21,071,447	20,285,435
Total current liabilities	755,541	1,863,349
Total non-current liabilities	-	-
Net loss	(5,670,586)	(10,503,070)
Proportionate share of net loss adjusted for impairment	(863,390)	(159,868)
Other comprehensive income/(loss)	577,383	(1,782,550)
Proportionate share of other comprehensive loss	144,371	(96,756)
Total comprehensive loss	(5,093,203)	(12,285,621)
Proportionate share of total comprehensive loss	(719,019)	(256,624)

(Expressed in Canadian dollars unless otherwise noted)

9. EXPLORATION AND EVALUATION ASSETS

	East Sullivan project	Troilus project	TOTAL
Balance as at July 31, 2015	$ 134,126	$ -	$ 134,126
Capitalized expenditures for the year	6,366	64,052	70,418
Property acquisition costs	-	124,846	124,846
Balance as at July 31, 2016	$ 140,492	$ 188,898	$ 329,390

The Company assumed Sulliden's interests in the East Sullivan property. The East Sullivan property consists of 13 staked claim units referred to as the East Sullivan Property near Val D'Or Quebec. All claims are contiguous and 100% owned by the Company. The Company is maintaining these claims in good standing.

On May 2, 2016, the Company entered into an option agreement with First Quantum Minerals Ltd. ("First Quantum") to acquire the past-producing Troilus Mine, located in the Abitibi mining region of Quebec. Pursuant to the agreement, the Company will hold a two-year option to purchase a 100% interest in the Troilus Mine. To exercise the option, a minimum of $1,000,000 must be spent on engineering and technical studies to evaluate the economic viability of the project. Upon signing, an initial cash payment of $100,000 was made to First Quantum. An additional cash payment of $100,000 will be required to be made May 2, 2017 and a final cash payment of $100,000 will be made on the date of exercise of the option. Additionally, a variable Net Smelter Royalty of 1.5% or 2.5% depending on the gold price being more or less than US$1,250/ounce during the reference period will be granted to First Quantum.

10. SHARE PURCHASE WARRANT RESERVE

	Number of Warrants #	Weighted Average Exercise Price	Value $
Balance as at July 31, 2015 and 2016	2,499,979	$0.50	468,081

These outstanding warrants expire on November 24, 2019.

11. SHARE-BASED PAYMENT RESERVE

	Share Purchase Options	**Restricted Share Units**	**Total Reserve**
Balance as at July 31, 2014	$ -	$ -	$ -
Share-based payments allocated to:			
Expenses	394,879	1,202,578	1,597,457
Purchase 2,834,000 common shares of the Company for issuance of RSU	-	(2,125,500)	(2,125,500)
Equity reserve related to treasury shares	-	368,871	368,871
Balance as at July 31, 2015	$ 394,879	$ (554,051)	$ (159,172)
Share-based payments allocated to:			
Expenses	218,813	512,296	731,109
Expiry of stock options	(1,529)	-	(1,529)
Balance as at July 31, 2016	$ 612,163	$ (41,755)	$ 570,408

(Expressed in Canadian dollars unless otherwise noted)

11. SHARE-BASED PAYMENT RESERVE (continued)

The share-based payments recorded on the annual consolidated statements of operations and comprehensive loss for the years ended July 31, 2016 and 2015 are presented in detail below.

Share-based payments	Years ended July 31, 2016	Years ended July 31, 2015
Share purchase options	$ 218,813	$ 394,879
Restricted share units	512,296	1,202,578
Deferred share units	204,175	54,958
	$ 935,284	$ 1,652,415

Share purchase options

The Company adopted a stock option plan ("Plan"), pursuant to which the Company may grant up to that number of stock options that equals 10% of the number of issued and outstanding common shares of the Company at the time of the stock option grant, from time to time. The Plan provides that the Company cannot grant stock options to any one person representing more than 5% of the outstanding common shares of the Company. The terms and conditions of each option granted under the Plan will be determined by the Board, upon the recommendations of the Compensation Committee. Options will be priced in the context of the market and in compliance with applicable securities laws and Exchange guidelines. Consequently, the exercise price for any stock option shall not be lower than the closing market price of the common shares on the Exchange on the last business day immediately preceding the date of grant. Vesting terms will be determined at the discretion of the Board. The Board shall also determine the term of stock options granted under the Plan, provided that no stock option shall be outstanding for a period greater than five years. Directors, officers, employees and certain consultants shall be eligible to receive stock options under the Plan. Upon the termination of an option holder's engagement with the Company, the cancellation or early vesting of any stock option shall be at the discretion of the Board.

The change in share purchase options during the period presented was as follows:

	Number of options	Weighted average exercise price	Value
Balance as at July 31, 2014	-	$0.00	$ -
Contribution from Sulliden Gold Corporation Ltc	2,094,430	$0.48	-
Granted	1,055,000	$0.45	394,879
Expired	(272,000)	$0.30	-
Balance as at July 31, 2015	2,877,430	$0.49	$ 394,879
Granted	1,245,000	$0.25	218,813
Expired	(942,125)	$0.55	(1,529)
Balance as at July 31, 2016	3,180,305	$0.37	$ 612,163

(Expressed in Canadian dollars unless otherwise noted)

11. SHARE-BASED PAYMENT RESERVE (continued)

The following table summarizes information on share purchase options outstanding as at July 31, 2016:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
$0.58	January 11, 2017	376,900	376,900	0.45
$0.54	September 14, 2017	2,000	2,000	1.12
$0.34	December 14, 2017	164,805	164,805	1.37
$0.36	February 5, 2018	100,000	100,000	1.52
$0.36	February 8, 2018	5,000	5,000	1.53
$0.39	September 12, 2018	235,600	235,600	2.12
$0.46	September 17, 2019	1,001,000	1,001,000	3.13
$0.25	March 30, 2020	50,000	50,000	3.67
$0.24	January 5, 2021	200,000	200,000	4.44
$0.25	February 1, 2021	1,045,000	1,045,000	4.51
	Total	3,180,305	3,180,305	3.14

During the year ended July 31, 2016, 1,245,000 stock options were granted to directors, officers, employees and consultants of the Company. Stock-based compensation expense recognized related to these stock option grants was $218,813 for the year ended July 31, 2016 (July 31, 2015: $394,879 for the 1,055,000 stock options granted). The Company uses the Black-Scholes option pricing model to estimate the value of stock options granted.

Date of Grant	Expiry	Share Purchase Options Granted	Exercise Price	Expected Volatility	Risk Free Interest Rate	Fair value at grant date
January 5, 2016	January 5, 2021	200,000	$ 0.24	93%	0.71%	$ 35,520
February 1, 2016	February 1, 2021	1,045,000	$ 0.25	92%	0.67%	$ 183,293
Total		1,245,000				$ 218,813

Restricted Share Unit and Deferred Share Unit Incentive Plans

On September 17, 2014, the Company adopted a Restricted Share Unit ("RSU") Incentive Plan and a Deferred Share Unit ("DSU") Incentive Plan.

During the prior fiscal year, the Company granted and issued an aggregate of 3,000,000 RSUs to officers and employees of the Company. Each RSU entitles an officer or an employee of the Company to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 3,000,000 RSUs vest in three equal tranches, on each of January 1, 2015, January 1, 2016 and January 1, 2017. The fair value of the RSUs was been determined to be $0.55 per unit on the date of grant.

On January 5, 2016, the Company granted and issued an aggregate of 500,000 RSUs to an officer of the Company. Each RSU entitles an officer or an employee of the Company to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 500,000 RSUs vest in three equal tranches, on each of January 5, 2017, January 5, 2018 and January 5, 2019. The fair value of these RSUs was determined to be $0.26 per unit on the date of grant.

(Expressed in Canadian dollars unless otherwise noted)

11. SHARE-BASED PAYMENT RESERVE (continued)

On January 13, 2016, the Company granted and issued an aggregate of 875,000 RSUs to officers and employees of the Company. Each RSU entitles an officer or an employee of the Company to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 875,000 RSUs vest in three equal tranches, on each of February 1, 2016, February 1, 2017 and February 1, 2018. The fair value of these RSUs was determined to be $0.23 per unit on the date of grant.

During the prior fiscal year, the Company granted and issued an aggregate of 1,000,000 DSUs to the Company's independent directors. Each DSU entitles the holder to receive a cash payment equal to the market price of one common share of the Company. The DSUs vest based on the pro-rata number of days each independent director remains a director of the Company until January 1, 2017 for 750,000 DSUs and until March 30, 2018 for 250,000 DSUs, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control. During the prior fiscal year, 218,002 DSUs were forfeited with the resignation of a director.

In February 2016, the Company granted and issued 150,000 DSUs to the Company's independent directors. Each DSU entitles the holder to receive a cash payment equal to the market price of one common share of the Company. The DSUs vest based on the pro-rata number of days each independent director remains a director of the Company until January 1, 2017 for 100,000 DSUs and until March 30, 2018 for 50,000 DSUs.

During the year ended July 31, 2016, an aggregate of 585,061 DSUs related to current directors had vested and entitled the holders, upon ceasing to hold office, to receive a cash payment of $245,726 equal to an average market price of $0.42 for each DSU. This amount is recorded as a liability on the annual statements of financial position.

Details of RSUs and DSUs granted and outstanding are summarized in the table below and reflects the number of RSUs and DSUs that may vest based on conditions existing as at July 31, 2016:

	RSU		DSU		
	Non-vested	**Vested**	**Non-vested**	**Forfeited**	**Vested**
Balance as at July 31, 2015	2,000,000	1,000,000	531,726	218,002	250,272
Activity during the period:					
RSU's vesting from previous grant	(1,000,000)	1,000,000	-	-	-
RSU's granted during the period	1,083,334	291,666	-	-	-
DSU's vesting from previous grant	-	-	(300,636)	-	300,636
DSU's granted during the period	-	-	84,485	-	65,515
Balance as at July 31, 2016	2,083,334	2,291,666	315,575	218,002	616,423

Upon vesting, the Company is obligated to deliver to the holders of the RSUs 1,000,000 common shares of the Company on January 1, 2017; 166,667 common shares of the Company on each of January 5, 2017, January 5, 2018 and January 5, 2019; and 291,667 common shares of the Company on each of February 1, 2017 and February 1, 2018.

For the year ended July 31, 2016, share-based compensation expense of $512,296 was recognized for the RSUs (July 31, 2015: $1,202,578) and $204,175 was recognized for the DSU incentive plan (July 31, 2015: $54,958).

(Expressed in Canadian dollars unless otherwise noted)

12. PROFESSIONAL, CONSULTING AND MANAGEMENT FEES

	Years ended July 31, 2016	Years ended July 31, 2015
Salaries and benefits	$ 4,103,222	$ 1,308,017
Directors fees	75,000	67,277
Consulting fees	553,158	301,205
Legal and audit fees	184,355	162,874
	$ 4,915,735	$ 1,839,373

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended July 31, 2016	Years ended July 31, 2015
General and office	$ 238,025	$ 210,926
Shareholder communication	226,151	138,134
Travel and accommodation	193,177	236,063
	$ 657,353	$ 585,123

14. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, warrants and share purchase options. The Company manages its capital structure and makes adjustments based on the funds available to support the acquisition, exploration and development of its mineral properties. The board of directors has not established quantitative return on capital criteria for management and relies on the expertise of management and the board of directors to sustain future development of the business.

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. The Company and its subsidiaries are not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities at July 31, 2016 and 2015 were as follows:

	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
As at July 31, 2016				
Cash and cash equivalents	$ 1,317,302	$	$ -	$ 1,317,302
Investments	18,008,203	-	-	18,008,203
Loans receivable	-	359,945	-	359,945
Amounts receivable and other	-	221,788	-	221,788
Accounts payable and accrued liabilities	-	-	417,621	417,621

(Expressed in Canadian dollars unless otherwise noted)

15. FINANCIAL INSTRUMENTS (continued)

	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
As at July 31, 2015				
Cash and cash equivalents	$ 505,452	$ -	$ -	$ 505,452
Fixed-income investment	12,800,211	-	-	12,800,211
Investments	5,974,079	-		5,974,079
Amounts receivable and other		46,570		46,570
Accounts payable and accrued liabilities	-	-	184,954	184,954

Fair value hierarchy

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at July 31, 2016 and 2015.

	Level 1	Level 2	Level 3	TOTAL
As at July 31, 2016				
Cash and cash equivalents	$ -	$ 1,317,302	$ -	$ 1,317,302
Investments	14,731,136	3,277,067	-	18,008,203

	Level 1	Level 2	Level 3	TOTAL
As at July 31, 2015				
Cash and cash equivalents	$ -	$ 505,452	$ -	$ 505,452
Fixed-income investment	-	12,800,211	-	12,800,211
Investments	5,558,820	415,259	-	5,974,079

The carrying value of cash and cash equivalents, amounts receivable and other, loans receivable, and accounts payable and accrued liabilities reflected in the annual statement of financial position approximate fair value because of the relatively short-term maturities.

Interest rate risk

Loans receivable bear interest at fixed rates. All other financial assets are non-interest bearing. A 1% increase in interest rates, based on the balance of cash, cash equivalents and fixed income investments at July 31, 2016, would result in an increase in annual interest income of approximately $13,000. All liabilities as at July 31, 2016 are non-interest bearing.

15. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Company operates in Canada and its functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has acquired some investments, including its investment in an associate, which are denominated in foreign currency. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, fixed-income investments, loans receivable and amounts receivable. The Company has no significant concentration of credit risk arising from operations.

Cash and cash equivalents and fixed income investment consist of cash and GICs held in financial institutions from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist primarily of goods and services tax and harmonized sales tax due from the Federal Government of Canada and advances. The Company's loans receivable balance at July 31, 2016 of $359,945 is unsecured. In April 2016, the Company impaired the value of a note receivable owing from APIO (Note 7), US$1,750,000 ($2,195,900), which is secured against its assets. APIO defaulted on its loan in May 2016.

Liquidity risk

As at July 31, 2016, the Company had net working capital of $19,584,160, which included cash and cash equivalents of $1,317,302, investments of $18,008,203, loans receivable of $359,945 and amounts receivable and prepaid expenses of $316,331, offset by current liabilities of $417,621. The Company expects to rely on its existing net working capital to finance its ongoing planned activities.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodities prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Securities price risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these investments as held-for-trading where price volatility is reflected in earnings.

(Expressed in Canadian dollars unless otherwise noted)

16. RELATED PARTY DISCLOSURES

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

Related party balances

The Company shares office space, resources and certain services with other corporations that may have common directors and/or officers. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly flat fee. For the year ended July 31, 2016, the Company was charged $270,000 for these services. As well, the Company was charged an additional $137,191 by 2227929 Ontario Inc. for other shared services, including participation in a resource conference.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel were as follows:

	Years ended July 31, 2016	Years ended July 31, 2015
Management salaries and fees	$ 3,369,392	$ 1,010,945
Directors fees	210,000	67,277
Share-based payments	862,639	1,324,797
	$ 4,442,031	$ 2,403,019

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors of the Company having regard to the performance of individuals and market trends.

During the year ended July 31, 2016, the Company holds investments in certain public resource and other sector companies by purchasing shares of related party entities, related by virtue of the relationship with common directors.

Public Issuer		Security description	Cost	Estimated Fair value
Belo Sun Mining Corporation	*	6,917,422 common shares	$ 1,535,119	$ 6,225,680
Aberdeen International Inc.	**	3,951,000 common shares and 4,790,000 warrants	828,986	992,237
Kombat Copper Inc.	***	8,008,000 common shares and 8,625,000 warrants	681,914	680,853
Euro Sun Mining (formerly Carpathian Gold Inc.)	****	3,932,425 common shares, 1,966,213 warrants	5,000,000	5,867,857
			$ 8,046,019	$ 13,766,627

* The Company's executive director and senior vice president, Peter Tagliamonte, serves as director and president and CEO of this company; the Company's executive chairman, Stan Bharti, serves as director of this company.
** The Company's executive chairman, Stan Bharti, serves as director of this company.
*** The Company's CEO, Justin Reid, serves as chairman of the board of this company.
**** The Company's executive director and senior vice president, Peter Tagliamonte, serves as director of this company; the Company's executive chairman, Stan Bharti, serves as director of this company. Subsequent to the end of the year, the Company's CEO, Justin Reid, became a director of this company.

(Expressed in Canadian dollars unless otherwise noted)

16. RELATED PARTY DISCLOSURES (continued)

Public Issuer	Security description	Cost	Carrying value
Aguia Resources Ltd.	71,163,901 common shares	$ 5,427,977	$ 4,569,754

The Company's investment in associate, Aguia, is a related party by virtue of common directors, Mr. Justin Reid and Mr. Paul Pint.

The Company entered into a loan agreement with Kombat, a related party, during the year ended July 31, 2016, which was fully repaid by July 31, 2016 (Note 7).

Subsequent to the July 31, 2016, Diane Lai, a director of the Company, and the Company's CFO, Deborah Battiston, joined the management team of ARHT Media Inc., in which the Company has an investment carried at Fair Value Through Profit and Loss (Note 6).

17. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $1,300,000 (as at July 31, 2015 - $899,000) and additional contingent payments of approximately $7,170,000 (as at July 31, 2015 - $4,008,000) upon the occurrence of a change of control. As the likelihood of a change of control is not determinable, the contingent payments have not been reflected in these annual financial statements.

The Company is currently involved in a litigation proceeding with APIO whereby APIO is challenging the Company's actions with respect to the transfer of the DAOS shares. APIO is seeking monetary compensation. A reliable estimate of the amount of the claim cannot be made at this time given the early stages of the claim. The probability of the outcome is also uncertain. The Company is vigilantly defending its actions with respect to these claims.

18. INCOME TAX

a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% (2015: 26.5%) were as follows:

	For the years ended July 31, 2016	2015
Income/(Loss) before income taxes	$ 2,048,557	$ (5,172,401)
Statutory rate	26.50%	26.50%
Expected income tax expense/(recovery)	542,868	(1,370,686)
Adjustments to expected income tax expense/(recovery):		
Share-based payments	247,850	437,890
Non-deductible expenses	(2,115,502)	447,876
Other	581,914	-
Benefit of tax losses not recognized	742,870	484,920
Deferred income tax	$ -	$ -

(Expressed in Canadian dollars unless otherwise noted)

18. INCOME TAX (continued)

b) Deferred income tax balances

Deferred income tax assets have not been recognized in respect of the following temporary differences:

	For the years ended July 31, 2016	2015
Deferred income tax assets and (liabilities):		
Capital and non-capital tax losses carried forward	1,211,815	484,973
Share issue costs	159	212
Investments	(519,173)	(717,552)
Others	1,444,910	1,139,500
Net deferred income tax assets and (liabilities)	2,137,711	907,133
Unrecognized deferred tax assets	(2,137,711)	(907,133)
Deferred income tax asset (liability)	$ -	$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

c) The Company has approximately $4,570,000 of non-capital losses in Canada as at July 31, 2016 which under certain circumstances can be used to reduce the taxable income of future years.

19. SUBSEQUENT EVENTS

Subsequent to the end of the year, the Company sold investments for net proceeds of $1,717,152, realizing gains of approximately $976,000. As well, the Company acquired various investments for a net cost of approximately $1,512,000.