MONTAN
MINING CORP.

Montan Mining Corp. (formerly Strait Minerals Inc.)

Consolidated Financial Statements
For the year ended July 31, 2016 and 2015
(expressed in Canadian dollars, except where indicated)

Wasserman Ramsay

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Montan Mining Corp. (formerly Strait Minerals Inc.):

We have audited the accompanying consolidated financial statements of Montan Mining Corp. (formerly Strait Minerals Inc.) and its subsidiaries, which comprise the consolidated statements of financial position as at July 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Montan Mining Corp. (formerly Strait Minerals Inc.) and its subsidiaries as at July 31, 2016 and 2015 and the results of its operations, changes in equity and deficit and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Wasserman Ramsay

Markham, Ontario
November 28, 2016

Chartered Accountants
Licensed Public Accountants

Montan Mining Corp. (formerly Strait Minerals Inc.)

Consolidated Statements of Financial Position

(amount expressed in Canadian dollars, except where indicated)

	Note	July 31, 2016	July 31, 2015
Assets			
Current assets			
Cash		$ 2,996	$ 60,335
Restricted cash		-	252
Other receivables	7	17,840	57,655
Prepaid expenses	7	138,014	129,814
		158,850	248,056
Advance to Goldsmith Resource SAC (“Goldsmith”)	8	-	484,684
Office equipment	10	-	1,489
Mineral properties	11	-	766,072
Total assets		$ 158,850	$ 1,500,301
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 160,940	$ 45,508
Director loan	13	10,000	-
Loan payable - advance	14	27,025	-
Convertible debenture	12	128,532	36,025
Total liabilities		$ 326,497	$ 81,533
Shareholders’ equity (deficiency)			
Share capital	15	3,066,610	2,386,614
Reserves		734,914	520,581
Deficit		(3,969,171)	(1,488,427)
Total shareholders’ equity (deficiency)		(167,647)	1,418,768
Total liabilities and shareholders’ equity		$ 158,850	$ 1,500,301

Nature of operations (note 1)
Subsequent event (note 22)

Approved by the Board of Directors

___________”Ian Graham”_____________ Director _________”Luis Zapata”__________ Director

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

Montan Mining Corp. (formerly Strait Minerals Inc.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended July 31, 2016 and 2015
(amount expressed in Canadian dollars, except where indicated)

	Note	July 31, 2016	July 31, 2015
General and administration expenses			
Accounting and audit fees		$ (61,961)	$ (65,149)
Administrative fees		-	(30,250)
Advertising and promotion		-	(16,924)
Amortization		(1,489)	(452)
Bank charges		(3,306)	(1,709)
Consulting fee	17	(503,257)	(389,090)
Exploration expense		(92,548)	(16,203)
Filing fees		(15,756)	(36,705)
Foreign exchange		(1,311)	(3,385)
Insurance		(7,978)	(9,002)
Investor communications		(198,776)	(68,225)
Legal expenses		(35,351)	(164,961)
Office expenses		(38,379)	(31,084)
Rent		(26,225)	(6,673)
Stock-based compensation	16	(36,464)	(112,525)
Transfer agent fees		(23,824)	(31,958)
Travel expense		(31,554)	(147,471)
Write-off of Alicia mineral property	11	(766,072)	-
		(1,844,251)	(1,131,766)
Other expense			
Interest income (expense)		(69)	5,546
Finance cost – accretion	12,14	(12,414)	-
Finance cost – interest expense	12,14	(48,124)	-
Other income	8(b)	32,415	-
Gain from settlement of liabilities	15(a)	90,517	-
Write-off - GST		-	(29,725)
Write-off of advances to Goldsmith Resource SAC	8(a)(c)	(698,818)	-
Net loss		(2,480,744)	(1,155,945)
Loss per share			
Basic and diluted		$ (0.09)	$ (0.09)
Weighted average shares outstanding			
Basic and diluted		28,020,800	12,998,989

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

Montan Mining Corp. (formerly Strait Minerals Inc.)

Consolidated Statements of Changes in Shareholders' Equity and Deficit

(amount expressed in Canadian dollars, except where indicated)

	Note	Shares	Share capital	Convertible debenture equity component	Reserves	Deficit	Total equity
Balance as at July 31, 2015		22,601,037	$ 2,386,614	$ -	$ 520,581	$ (1,488,427)	$ 1,418,768
Share issuance – private placement	15	5,591,125	126,846	-	153,944	-	280,790
Finder's warrants issuance	15	-	(1,890)	-	1,890	-	-
Convertible debenture - issuance	12	-	-	17,297	-	-	17,297
Convertible debenture – settlement	12(a)&15(a)(b)	1,734,880	170,689	(10,843)	52,045	-	211,891
Shares issuance to settle liabilities	15(a)	7,068,083	262,887	-	-	-	262,887
Option granted	16	-	-	-	36,464	-	36,464
Option exercised	15(a)&16	1,500,000	121,464	-	(36,464)	-	85,000
Net loss for the year		-	-	-	-	(2,480,744)	(2,480,744)
Balance as at July 31, 2016		38,495,125	$ 3,066,610	$ 6,454	$ 728,460,	$ (3,969,171)	$ (167,647)

	Notes	Shares	Share capital	Convertible debenture equity component	Reserves	Deficit	Total equity
Balance as at July 31, 2014		8,000,000	$ 943,610	$ -	$ 203,140	$ (332,482)	$ 814,268
Share issuance - private placements		8,147,778	841,515	-	184,085	-	1,025,600
Share issuance - finder's share		250,000	25,000	-	-	-	25,000
Share issuance - finder's fee paid		-	(24,755)	-	-	-	(24,755)
Broker warrants issuance		-	(19,082)	-	19,082	-	-
Share issuance - reverse takeover		6,203,259	620,326	-	1,749	-	622,075
Stock based compensation		-	-	-	112,525	-	112,525
Net loss for the year		-	-	-	-	(1,155,945)	(1,155,945)
Balance as at July 31, 2015		22,601,037	$ 2,386,614	$ -	$ 520,581	$ (1,488,427)	$ 1,418,768

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

Montan Mining Corp. (formerly Strait Minerals Inc.)

Consolidated Statement of Cash Flows

For the years ended July 31, 2016 and 2015

(amounts expressed in Canadian dollars, except where indicated)

	Note	July 31, 2016	July 31, 2015
Cash used from operating activities			
Net loss for the year		$ (2,480,744)	$ (1,155,945)
Items not affecting cash			
Amortization		1,489	452
Gain on settlement of liabilities		(90,517)	-
Share-based compensation		36,464	112,525
Write-off of advances to Goldsmith Resource SAC	8(c)	698,818	29,725
Write-off of Alicia mineral property	11	766,072	-
Finance cost – interest expense	14	1,200	
Finance cost – accretion expense	12	12,414	-
		(1,054,804)	(1,013,243)
Change in non-cash operating working capital			
Decrease (Increase) in other receivables		39,815	(66,538)
Decrease (Increase) in prepaid expenses		40,198	(129,814)
Increase (decrease) in accounts payable and accrued liabilities		499,311	(123,751)
Net cash used in operating activities		(475,480)	(1,333,346)
Cash flows from financing activities			
Proceeds from deposits of convertible debenture	12	261,508	36,025
Proceeds from private placements	15	230,515	1,050,600
Proceeds from Director's Loan	13	60,000	-
Proceeds from short-term loan	14	30,000	-
Proceeds from options exercised	15 (a)(vi)	60,000	-
Director loan repayment	13	(10,000)	
Share issuance costs		-	(24,755)
Net cash received in financing activities		632,023	1,061,870
Cash flows used in investing activities			
Proceeds from short term investment		-	798,000
Cash from reserve take over		-	9,416
Restricted cash		252	772
Deferred exploration expenditures		-	(2,049)
Advances -Goldsmith Resources SACs	8	(214,134)	(484,684)
Net cash from (used) in investing activities		(213,882)	321,455
Increase (decrease) in cash		(57,339)	49,979
Cash - beginning of year		60,335	10,356
Cash - end of year		$ 2,996	$ 60,335

Supplemental cash flow information (note 21)

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

1 Nature of operations and going concern

Montan Mining Corp. (formerly Strait Minerals Inc.) ("the Company") was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on March 7, 2003.

The head office of the Company is located at Suite 1400 – 1111 West Georgia St., Vancouver, BC, V6E 4M3 Canada and the registered office of the Company is located at Suite 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 1H2.

The Company is in the process of exploring its resource properties and has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts shown for exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production from the property or proceeds from its disposition.

Going concern

At July 31, 2016, the Company had net working capital deficit of $167,647 had not yet achieved profitable operations, had accumulated losses of $3,969,171 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work program on its mineral properties, meet its on-going levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. In the past, the Company has been successful in obtaining financing, although there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements. These adjustments could be material.

2 Amalgamation

On December 3, 2014, Strait Minerals Inc. ("Strait") and Montan Capital Corp. ("Montan Capital") announced that they had entered into a binding letter agreement to merge the two companies. Montan Capital was a "Capital Pool Company" under the policies of the TSX Venture Exchange and the transaction would constitute its "Qualifying Transaction" in accordance with Exchange Policy 2.4 Capital Pool Companies.

On January 6, 2015, Strait and Montan Capital announced that they and 1023174 B.C. LTD. ("Newco") had entered into an amalgamation agreement ("the Amalgamation Agreement") in connection with the proposed qualifying transaction and reverse take-over of Strait ("the Transaction"). Upon the closing of the Transaction, Newco and Montan Capital would amalgamate to form a single subsidiary of Strait and Strait would acquire all of the issued and outstanding securities of Montan Capital from the shareholders of Montan Capital in exchange for the issuance of 8,000,000 post-Consolidation Strait common shares (the "Consideration Shares") at the rate of one Strait common share for each one Montan Capital common share. In connection with the Transaction, Strait, prior to issuing the Consideration Shares, completed a consolidation of its common shares on a 10:1 basis, reducing its capital to 6,203,259 post-Consolidation shares and changed its name to Montan Mining Corp. ("Montan"). A finder's fee of 250,000 Montan shares was issued in relation to the Transaction.

Strait and Montan Capital filed on SEDAR a joint information circular on January 6, 2015 to obtain approval from their shareholders of the amalgamation agreement at shareholders' meetings to be held on February 24, 2015. On March 4, 2015 Montan, formerly Strait Minerals Inc., closed the Transaction. The Montan Shares are listed for trading on the TSX Venture Exchange under the symbol "MNY" and the Frankfurt Exchange under the symbol "S5GM". The company is also listed on the Santiago Stock Exchange (SSE) under the symbol "MNYCL".

Since the Consideration Shares represent approximately 56% of the total issued and outstanding Montan common shares as of the Closing, the shareholders of Montan Capital control Montan Mining Corp. Accordingly, the Transaction will be accounted for as a reverse acquisition. Under IFRS the transaction is accounted for as a capital transaction with the original Montan Capital Corp. being identified as the acquirer with the transaction being measured at the fair value of the equity consideration issued to Strait. In accordance with IFRS 2, share consideration is measured as of the date of completion of the Transaction, March 4, 2015.

(amount expressed in Canadian dollars, except where indicated)

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the reverse takeover transaction. By reference to a completion of a private placement of 5,200,000 shares at $0.10 per share on a closing date of the Transaction, the fair value of each Montan common share at the time of the Transaction was $0.10. Accordingly, the value of the 43.67% (i.e. 6,203,259 shares) of the share capital owned by former owners of Strait at the time of the Transaction was $620,326. 50,000 stock options with an exercise price of $0.15 granted by Strait prior to a reverse acquisition were retained. The fair values of these options were $1,749 and determined at the time of the Transaction using the Black-Scholes option pricing model with the following weighted average assumptions: average risk-free interest rate – 0.59%; expected life – 1.86 year; expected volatility – 87.91%; forfeiture rate – 0%; and expected dividends – nil.

The allocation of value is as follows:

		Value
Cash and cash equivalents	$	9,416
Restricted cash		1,025
Other receivables		13,830
Office equipment		1,941
Mining properties		764,023
Accounts payables and deposits		(168,160)
	$	**622,075**
Strait common shares – fair value	$	620,326
Strait stock option retained – fair value		1,749
Total consideration	**$**	**622,075**

This transaction has been treated as an asset acquisition as Strait did not have an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit directly. The mineral properties acquired currently do not have any proven or probable resources or reserves.

Concurrent financing

In connection with the closing of the Amalgamation, Montan completed a concurrent financing and raised gross proceeds of $520,000 by the issuance of 5,200,000 Montan Shares at a price of $0.10 per Montan Share. Montan paid an aggregate finder's fee of $5,600 and also issued finder's warrants which entitle the holders to purchase up to 56,000 Montan Shares at a price of $0.10 per Montan Share for a period of 12 months.

3 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies set out below were consistently applied to all periods presented.

The Board of Directors approved this set of financial statements on November 28, 2016.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

Future Accounting Changes

The following are new pronouncements approved by IASB. These new standards and interpretations are not yet effective and have not been applied in preparing these financial statements, however they may impact future periods.

(i) IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets: Clarification of acceptable methods of depreciation and amortization. On May 12, 2104, the IASB issued amendment to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets. In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of the tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that the revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for fiscal years beginning on or after January 1, 2016, with early adoption permitted.

(ii) IFRS 15, Revenues from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or a modified retrospective approach when adopting the standard and it is effective for annual periods beginning on or after January 1, 2017.

IFRS 9, Financial instruments ("IFRS ") was issued by the IASB on July 24, 2014 as a complete standard. This standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities. The Standard eliminates the existing categories of held to maturity, available for sale and loans and receivables. On initial recognition, financial assets will be classified into those measures at amortized cost and at fair value. The mandatory effective date of the new standard is for annual periods beginning on or after January 1, 2018. The Company intends to adopt the standards for the year beginning January 1, 2018. The Company believes that implementation of the new standard will not have a material impact on its financial results.

The Company is currently evaluating the potential impact of these amendments and new standards on its consolidated financial statements.

4 Estimates, risks and uncertainties

Amounts recorded for share based compensation. These are based on estimates. The Black-Scholes model is based on assumptions for volatility, expected number of options to vest, risk-free interest rate and expected life of options.

The recoverability of amounts shown for mineral properties. These are dependent on the discovery of economic resources, the ability of the Company to obtain future financing to complete the development of the properties, and on future production or sale of the properties.

Deferred income tax assets and liabilities. These are computed based on differences between the carrying amounts on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused loss carry forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by way of a valuation allowance to reflect the estimated realizable amount.

The following accounting policies involve judgements or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage
- The determination of the functional currency of the Company.

5 Significant accounting policies

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned Peruvian subsidiaries, Minera Strait Gold Peru S.A.C. ("MSG Peru") and Montan Capital Corp. ("MCC"). All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and demand deposits in a Canadian chartered bank which have an initial term of less than 90 days.

Restricted cash

Restricted cash consists of Peruvian value added tax that can only be applied against the payment of future payroll and corporation tax liabilities of MSG Peru.

Mineral properties

None of the Company's mineral properties has reached the development stage and as a result are considered exploration and evaluation assets. The Company capitalizes all expenditures that result in the acquisition and retention of mineral properties or an interest therein. The amount shown for mineral properties represents costs to date, as reduced by impairments, and does not necessarily reflect present or future values. If the properties are sold, allowed to lapse or are no longer of interest, accumulated costs are written off.

Expenditures on properties in which the Company does not have a registered or contractual interest are expensed as incurred.

Impairment of mining properties

The Company reviews and evaluates the recoverable amount of its mineral properties when events or changes in circumstances indicate that the carrying amounts of assets or groups of assets might not be recoverable. For the purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of expected future cash flows of the asset). At the end of each reporting period, non-financial assets are reviewed for impairment to determine if there is any indication that the carrying amount may not be recoverable.

Indicators for an impairment review arise typically when any one of the following circumstances applies:

(i) substantive expenditure on further exploration and evaluation is not planned
(ii) title to the asset is compromised
(iii) The right to explore the property has expired or will expire shortly
(iv) adverse changes in the regulatory or taxation environment
(v) adverse changes in commodity prices and markets

The existence of any of the above conditions may signify that an impairment exists in the fair value of properties.

The recoverability of the carrying values of the properties is dependent on the ability of the Company to obtain the necessary financing and permits to continue exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

Long-term assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

Fixed assets

Fixed assets, which consist of office equipment, are being amortized on a straight-line basis over a period of three years.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either an unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Foreign currencies

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiary, MSG Peru is the US dollar. The functional currency determinations were made by management based on an analysis of factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

These consolidated financial statements have been translated into Canadian dollars in accordance with IAS 21. This standard requires that assets and liabilities be translated using the exchange rate at period end and that income and expenses and cash flow items be translated using the rate that approximates the exchange rate at the date of the transactions (i.e. average exchange rate for the period).

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

Share based compensation

Share based compensation arising out of the fair value of options granted under the Company's share option plan is recognized as a share based payment expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair-value of the options granted is measured using the Black-Scholes option pricing model. At the end of each financial reporting period the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

Comprehensive income

The Company includes in comprehensive income certain gains and losses arising from changes in fair value. Comprehensive income would include the following unrealized gains and losses which are potentially relevant to the Company: changes in the currency translation adjustment arising from translating the financial results of foreign operations to the Company's reporting currency, and unrealized gains and losses on available-for-sale investments.

Income taxes

The Company follows the liability method of accounting for income taxes. Under the liability method deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

Share issuance cost

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

Financial Instruments – recognition and measurement

The Company does not have any derivative financial instruments.

All financial assets are classified into one of the following four categories: fair value through profit or loss ("FVTPL"), held to maturity ("HTM"), available for sale ("AFS") and loans and receivables.

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value and changes are recognized in profit or loss. HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. AFS financial assets subsequent to initial recognition are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's cash and cash equivalents, and restricted cash have been classified as FVTPL financial assets. The Company does not presently have any financial assets designated as AFS. The carrying value of the Company's cash, cash equivalents, and restricted cash approximates their fair value due to their short-term nature.

The Company has the following non-derivative financial liabilities: amounts payable and accrued liabilities. The carrying value of financial liabilities approximates their fair value due to their short-term nature.

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

(amount expressed in Canadian dollars, except where indicated)

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

6 Financial instruments

The Company reports its financial instruments on its balance sheet and measures these at fair value. In limited circumstances when fair value may not be considered most relevant, they may be reported at cost or amortized cost. Gains or losses as a result of changes in fair value are recognized in the consolidated statement of operations and comprehensive loss.

The Company's financial instruments consist of cash and cash equivalents, other receivables, and accounts payable. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

All financial instruments are classified into one of the following five categories: fair value through profit or loss assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

Level 1 Unadjusted quoted prices in active markets for identical assets and 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

Fair values of financial instruments

The Company has classified all of its financial instrument at Level 1.

The fair values of financial instruments are summarized as follows:

	July 31, 2016		**July 31, 2015**	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
Financial assets				
Fair value to profit and loss ("FVTPL")				
Cash and cash equivalents	2,996	2,996	60,335	60,335
Restricted cash	-	-	252	252
Other receivables	17,840	17,840	57,655	57,655
Advances – Goldsmith Resource SAC	-	-	484,684	484,684
Financial liabilities				
Other financial liabilities				
Accounts payable & accrued liabilities	160,940	160,940	45,508	45,508
Director loan	10,000	10,000	-	
Loan payable - advance	27,025	27,025	-	-

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, and marketable securities. The Company's cash and cash equivalents are held through large Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 20. The accounts payable and loans are due within the current operating period.

Market Risk

The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. Some of these investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their properties. The Company closely monitors market values to determine the most appropriate course of action.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities. A 1% change in market interest rates would result in no significant change in value of cash and cash equivalents or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

Foreign Exchange Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company's foreign currency denominated monetary assets and liabilities. The Company currently operates in the Canada and Peru. Certain costs and expenses are incurred in US dollars and Peruvian sol. The Company attempts to mitigate currency risk through the preparation of short and long term expenditure budgets in the foreign currencies and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable.

7 Receivables and prepaid expenses

	July 31, 2016	July 31, 2015
GST receivable	$ 17,840	$ 14,864
Other receivables	-	42,791
Other receivables - total	**17,840**	**57,655**
Prepaid expenses	**138,014**	**129,814**

8 Advances to Goldsmith

a) Goldsmith Resources SAC Advances

On April 27, 2015, the Company announced the signing of a letter agreement with Goldsmith Resources SAC ("Goldsmith"), a Peruvian company, for the acquisition of the producing Mollehuaca Gold Processing Plant in Peru as well as mining rights for the nearby Eladium Gold Mine and the Saulito Property. The definitive agreement, comprising substantively the same terms as outlined above, was signed on June 9, 2015.

Total consideration for the assets and operations being purchased was to be US$3,300,000, US$50,000 ($60,725) of which was paid and with the remainder payable as follows:

- US$750,000 in cash and 8,000,000 Montan common shares (the "Montan Shares") at a deemed price of $0.125 per share upon closing.
- US$1,500,000 on the first anniversary of Closing. Montan may choose that payment of US$750,000 be in cash or in additional Montan Shares priced at the VWAP price of Montan's shares on TSXV for the 20 trading days up to and including the day prior to the payment date. The vendor will get security while this payment remains outstanding, including the right to a Montan board member.
- The Montan Shares issued will be subject to TSXV escrow requirements.

Montan signed a final definitive agreement effective June 9, 2015 with the shareholders of Goldsmith for the acquisition. From the date the Definitive Agreement is executed by the Parties (the "DA Date") until the Closing, Montan was to take over operations and management of the business of Goldsmith and provided working capital in the amount of $698,818. (403,959 as at July 31, 2015) to continue the day to day operations of the business. All income and expenses from the DA Date to Closing will accrue to Montan. Post-Closing, Montan will continue as the operator and manager of the business.

b) Inca One transaction

On October 29, 2015, the Company, along with the shareholders of Goldsmith Resources SAC ("Goldsmith"), a private Peruvian company and Inca One Gold Corp. ("Inca One"), announced that the Companies have entered into a binding letter agreement (the "Binding LA") pursuant to which Inca One has agreed to acquire certain assets of Montan.

On November 2, 2015, the Company received non-refundable deposit of $32,415 (US$25,000) from Inca One.

On January 5, 2016, Inca One Gold and Montan Mining terminated the option to acquire the Mollehuaca Toll Mill and Eladium Gold Mine from Goldsmith SAC. As result of the termination, other considerations by Inca One in favour of Montan and the Goldsmith Shareholders will not proceed.

(c) On April 30, 2016, the Company wrote off net advances to Goldsmith in the amount of $698,818 as management will not pursue the Goldsmith asset acquisition transaction (see note 8(a)) as the Inca One transaction terminated (see note 8(b)).

9 Cerro Dorado SAC ("CD") Investment

On July 14, 2016, the Company announced the signing of a Term Sheet with Chazel Capital Inc. ("Chazel") for acquisition of Cerro Dorado SAC ("CD"), a Peruvian Company, from Chazel. Montan will acquire 100% of CD in an all-share deal with Chazel, and assumption of operating expenses during a period of continued due diligence, commencing on July 25, 2016.

The Company will purchase 100% of the shares of CD with assets that comprise an option on the Rey Salomon mine in Peru, a 60 tpd CIL processing plant, and the associated permits, lease, access rights and mineral tenures, under the following terms:

- Payment would be for 100% of CD including only the following existing debt:

  1. $300,000 USD owed by CD in Peru, which MNY will assume. The initial share payment to Chazel will be adjusted for the difference between this value and the actual debt value at the date of closing using the 20-day VWAP of the MNY shares.

  2. Debt owed to the owners of the Rey Salomon mine, including monthly payments and buyout, which the Company would assume.

- Montan will have a 3-month due-diligence period to inspect CD assets before committing to execution of sale. During this period, Montan will assume all costs to maintain the Rey Salomon mine option and all expenses to maintain CD with a starting of July 25, 2016 onward. The agreement states that Montan must pay the lease payments and other expenses one week prior to their due date, otherwise the agreement may be terminated at Chazel's option. Montan must provide 15 days notice for termination of the option, and complete a $150,000 financing during the due diligence period.

- Consideration for the acquisition from Montan will consist of the following:

(amount expressed in Canadian dollars, except where indicated)

1. 10 million Montan Shares on execution of sale (adjusted as outlined previously) to be held in escrow and released at 2 million shares at the end of every 3 months from the day of closing.

2. 2 million Montan Shares upon sale of 1,000 oz Silver-contained ore or dore from either the mine or the plant.

3. 2 million Montan Shares upon sale of an additional 2,000 oz Silver-contained ore or dore (3,000 oz total) from either the mine or the plant.

Montan elected to proceed with transaction and assumed the option payments and CD operating costs from July 25, 2016, onward. Therefore, the standstill and exclusivity period which allows Montan the time to secure funds to cover the costs of the ongoing Rey Salomon option payments and CD operating costs. are extended until October 30, 2016, or until a Definitive Agreement is completed.

As at the end of July 31, 2016, and date of reporting, the Company made a payment of $53,290 towards this CD investment which is included in exploration expense. (see also note 22(i))

10 Office equipment

	Cost			Accumulated amortization			Net book value
	As at July 31, 2015	Additions	As at July 31, 2016	As at July 31, 2015	Amortization	As at July 31, 2016	As at July 31, 2016
Office and furniture	$ 1,941	$ -	$ 1,941	$ (452)	$ (1,489)	$ (1,941)	$ -
	Cost			**Accumulated amortization**			**Net book value**
	As at July 31, 2014	**Additions**	**As at July 31, 2015**	**As at July 31, 2014**	**Amortization**	**As at July 31, 2015**	**As at July 31, 2015**
Office and furniture	$ -	$ 1,941	$ 1,941	$ -	$ 452	$ (452)	$ 1,489

11 Mineral properties

	July 31, 2016	July 31, 2015
Opening balance	$ 766,072	$ -
Acquisition cost – reverse take-over (see note 2)	-	764,023
Write-off of Alicia	(766,072)	-
Deferred exploration expense – field and camp cost	-	2,049
	$ -	$ 766,072

On September 25, 2009, the Company entered into an option and mining lease agreement (the “Alicia Option Agreement” or “AOA”) with a Peruvian subsidiary of Panoro Minerals Ltd. (“Panoro”) pursuant to which MSG Peru had the right to acquire up to a 100% interest, subject to a 2% net smelter return royalty (the “Alicia Royalty”), in the 2,593 hectare Alicia Property in the Department of Cusco, approximately 500 km southeast of Lima.

Under the terms of the AOA, the Company secured a 55% interest in the Alicia Property by (a) issuing a further 500,000 common shares to Panoro and (b) carrying out work expenditures of US$650,000. The Company issued to Panoro 200,000 common shares, valued at $30,000, on February 14, 2011, and 300,000 common shares, valued at $18,000 on June 10, 2011, and confirmed to Panoro that it had carried out the required work expenditures.

(amount expressed in Canadian dollars, except where indicated)

The Company secured the remaining 45% interest in the Alicia Property, by (a) issuing a further 400,000 common shares, valued at $28,000, to Panoro on February 15, 2013 and (b) carrying out work expenditures at the Alicia Property, aggregating US$1.25 million. During the period ended July 31, 2016, the Company decided not to pursue work on the Alicia property and wrote off the carrying value.

12 Convertible debenture

a) On August 31, 2015, the Company issued two convertible debentures in the aggregate amount of $216,860. Each note accrues simple interest at 14% per annum until maturity, being one year from issuance. The principal amount of each note is convertible at any time at a price of $0.125 into units of the Company comprising one share and one share purchase warrant. Each whole warrant may be exercised at an exercise price of $0.175 into one additional common share of the Company for a period of 2 years from closing of the note financing.

Based on the discount factor of 20% over the loan life of one year, the equity portion was valued at $10,843. Accretion for the debenture for this fiscal year ended July 31, 2016 was $5,873 (July 31, 2015 - $Nil) related to this loans. Annual interest expense of this debenture of $30,360 was prepaid upon issuance of the convertible debenture. During the year ended July 31, 2016, $16,445 (July 31, 2015 - $Nil) was amortized from prepaid expense.

On March 15, 2016, the two holders of convertible debentures converted their notes for common shares at deemed value of $0.125 for the issuance of 1,734,880 shares and warrants. Each warrant is exercisable at an exercise price of $0.175 into one additional common shares until expiry on March 15, 2018. The equity portion of the convertible debenture in the amount of $10,843 was transferred to share capital on the conversion to common shares. In addition, the carrying value of the convertible debentures of $211,891 was transferred as follows; to share capital $159,846, and to reserves $52,045. The Company wrote off the prepaid interest of $13,915 related to these debentures.

Convertible debenture principal issued	$ 216,860
Equity portion	(10,843)
Accretion	5,874
Convertible debenture balance converted into equity	211,891
Equity portion reclassified to share capital upon settlement	10,843
Shares issued upon conversion of principal (see note 15(a))	(170,689)
Share purchase warrants issued upon conversion of principal (see note 15(b))	(52,045)
Convertible debenture carrying value as at July 31, 2016	$ -

b) On September 14, 2015, the Company issued convertible debentures in the aggregate amount of $129,070. Each note accrues simple interest at 14% per annum until maturity, being one year from issuance. The principal amount of each note is convertible at any time at a price of $0.125 into units of the Company comprising one share and one share purchase warrant. Each whole warrant may be exercised at an exercise price of $0.175 into one additional common share of the Company for a period of 2 years from closing of the note financing.

Based on the discount factor of 20% over the loan life of one year, the equity portion was valued at $6,454. Accretion for the debenture for year ended July 31, 2016 was $5,916 (July 31, 2015 - $Nil) related to this loans. Annual interest expense of this debenture of

(amount expressed in Canadian dollars, except where indicated)

$18,070 was prepaid upon issuance of the convertible debenture. During the year ended July 31, 2016, $16,564 (July 31, 2015 - $Nil) was amortized from prepaid expense.

Convertible debenture principal issued	$ 129,070
Equity portion	(6,454)
Accretion	5,916
Convertible debenture carrying value as at July 31, 2016	**$ 128,532**

13 Director's loan

On August 19, 2015, a director of the Company advanced a non-interest bearing loan of $50,000 to the Company of which $10,000 repaid cash. On March 15, 2016, the Company settled the balance of the debt through issuance of 800,000 shares (see note 15(a)(ii)) with a deemed value of $0.05. The carrying value of the debt of $40,000 was recorded to share capital.

On July 29, 2016, another director of the Company advanced a non-interest bearing loan of $10,000 to the Company. This loan is outstanding as at July 31, 2016 (July 31, 2015 - $nil).

14 Loan payable

On April 5, 2016, the Company entered into a loan agreement for $30,000 with a private Canadian company. The loan accrues interest at a rate of 12% per annum, payable annually beginning February 5, 2017 with full repayment of unpaid interest and principle due on February 8, 2018. As part of the loan agreement, the Company is to issue 120,000 Montan common shares subject to regulatory approval. As of July 31, 2016 these shares have not been issued. The fair value of the common shares, $3,600, on date of execution has been recorded as transaction costs and were netted against the loan and $625 (2015 - $nil) has been recorded as accretion expense during the period ended July 31, 2016. The Company has recorded $1,200 (2015- $nil) of interest during the period ended July 31, 2016.

	July 31, 2016
Opening balance	$ 0
Loan	30,000
Transaction cost	(3,600)
Finance cost – accretion expense	625
	$ 27,025

15 Share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

During the year ended July 31, 2016, 4,554,000 (July 31, 2015 – 4,544,000) common shares are held in escrow and scheduled to be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the TSX Venture and as to the remainder in six equal tranches of 15% every six months thereafter, for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If a Final Exchange Bulletin is not issued the shares will not be released from escrow and if the Company is delisted, the shares will be cancelled.

(a) Share issuance

Fiscal 2015

i) During the year ended July 31, 2015 the Company completed a concurrent financing and raised gross proceeds of $520,000 by the issuance of 5,200,000 shares at a price of $0.10 per Share. The Company paid an aggregate finder's fee of $5,600 and incurred expenses of $149. The Company also issued finder's warrants which entitle the holders to purchase up to 56,000 shares at a price of $0.10 per share for a period of 12 months. All shares issued in connection with the concurrent financing are subject to a statutory hold period expiring on July 6, 2015.

ii) During the year ended July 31, 2015, the Company closed a non-brokered private placement by issuing 2,947,778 units at a price of $0.18 per unit for gross cash proceeds of $530,600. Each unit consists of one common share and one half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at an exercise price of $0.25 per share expiring on July 6, 2017. The Company paid an finder's fee of $19,006. The Company also issued finder's warrants which entitle the holders to purchase up to 91,700 shares at a price of $0.18 per share for a period of 24 months.

iii) During the year ended July 31, 2015, the Company issued 250,000 finder's shares in relation to amalgamation.

Fiscal 2016

i) On October 19 and October 21, 2015, the Company closed two tranches of private placement financing for issued 1,366,125 units and 62,500 units respectively. The units we issued at a price of $0.08 for aggregate gross proceeds of $114,290. Each unit consists of one common share and one common share purchase warrant. One warrant will be exercisable into one common share at a price of $0.12 for a period of two years following the closing of the offering. The share purchase warrant's fair value of $81,101 (see note 15(b)(ii)) was recorded in reserves.

ii) On March 15, 2016, the Company issued 7,068,083 common shares at deemed price of $0.05 per share to settle certain debts owed to various vendors and related parties. Of the 7,068,083 shares, 4,525,848 were issued to the parties at arm's length and 2,542,235 (inclusive of 800,000 common shares issued for settlement of director's loan, see note 12 for details) were issued to the parities at non-arm's length. For accounting purpose, the fair value of shares issued to the arm's length parties was $226,292, with $135,775 being allocated to share capital and $90,517 being recorded in net loss. The shares issued to non-arm's length individuals were recorded at their carrying value and $127,112 was recorded in share capital.

iii) On March 15, 2016, the convertible debenture holders elected for early conversion at a conversion price of $0.125 per share (see note 12a, resulting an issuance of 1,734,880 units. Each unit consists of one common shares and one share purchase warrant. One warrant will be exercisable into one common share at a price of $0.175 until expiry on March 15, 2018. The initial equity portion valued at $10,843 was transferred to share capital. The fair value of $159,846 of the shares issued and recorded in share capital; additionally, the share purchase warrant's fair value of $52,045 (see note 15(b)(iii)) was recorded in reserves.

iv) On May 2, 2016, one of the option holders exercised 500,000 stock options at an exercise price of $0.05. The Company reduced an amount owning to the individual in the amount of $25,000. For accounting purpose, $41,935 was recorded as share capital. (see note 16 (b))

v) On May 19, 2016, the Company closed a private placement of 4,162,500 units at $0.04 per unit for gross proceeds of $166,500. Each unit consists of one common share and one-half of a transferable common share purchase warrant. Each whole warrant will be exercisable into one common share at a price of $0.05 until expiry on May 19, 2018. The Company paid $1,350 cash and issued 54,000 share purchase warrants in respect of finder's fees on the placement. The share purchase warrant's fair value of $72,843 ((see note 15(b) (iv)) was recorded in reserves.

(amount expressed in Canadian dollars, except where indicated)

vi) On July 20, 2016, one of options holders exercised 1,000,000 stock options at an exercise price of $0.06 for total proceeds of $60,000. For accounting purpose, $79,529 was recorded as share capital (see note 16 (d)).

(b) **Share purchase warrants**

i) The fair values of the share purchase warrants issued on or before July 31, 2015 was determined on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.57% risk free interest rate, expected life of 2 years, 173% annualized volatility and 0% dividend rate.

ii) During October 2015, the Company closed two tranches of private placement financing for 1,428,625 units. ((see note 15 (a)(i)). The fair values of the warrants issued was calculated at $81,105 and was determined on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.50% risk free interest rate, expected life of 2 years, 292% annualized volatility and 0% dividend rate.

iii) On March 15, 2016, the Company issued 1,734,883 share purchase warrants as a result of early conversion from the convertible debenture holders (see note 12(a)). The fair value of the warrants issued was calculated as $52,045 and was determined using the Black-Scholes option pricing model using the following assumptions: expected life of 2 years, volatility of 294%, annual rate of dividends of 0.00% and risk free rate of 0.56%. ((see 15(a)(iii))

iv) On May 19, 2016, the Company issued 2,081,250 share purchase warrants with the private placement that closed on that date. The fair value of the warrants issued was calculated as $72,843 and the fair value of the 54,000 finder's warrants issued was calculated as $1,890. The fair value of the warrants was determined on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.67% risk free interest rate, expected life of 2 years, 294% annualized volatility and 0% dividend rate. ((see note 15(a)(v))

The following is a summary of the share purchase warrants outstanding as at July 31, 2016 and July 31, 2015:

	July 31, 2016		**July 31, 2015**	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Outstanding - beginning of year	1,621,589	$ 0.24	300,000	$ 0.20
Issued	5,298,758	0.11	1,621,589	0.24
Expired	(56,000)	0.15	(300,000)	0.20
Exercised	-	-	-	-
Outstanding – as at July 31, 2016	6,864,347	$ 0.14	1,621,589	$ 0.24

Number of warrants	Exercise price per warrant	Expiry date
1,473,889	$0.25	July 6, 2017
91,700	$0.18	July 6, 2017
1,366,125	$0.12	October 19, 2017
62,500	$0.12	October 21, 2017
1,734,883	$0.175	March 15, 2018
2,135,250	$0.05	May 19, 2018
6,864,347		

As at July 31, 2016, the weighted average exercise price of the warrants outstanding was $0.14 (July 31, 2015 - $0.24) with a weighted average remaining contractual life of 1.4 years (July 31, 2015 – 1.55 years).

(amount expressed in Canadian dollars, except where indicated)

16 Share based compensation

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. The stock option plan is subject to regulatory approval.

a) On May 1, 2016, the Company issued 500,000 stock options to one consultant at an exercise price of $0.05 per share for expiry date May 2, 2017. The fair value of $16,935 for these stock option warrants was determined using Black-Scholes option pricing model using the following assumptions: expected life of 1 year, volatility of 197%, annual rate of dividends of 0.00% and risk free rate of 0.6106%.

b) On May 2, 2016, the one option holder exercised 500,000 stock options at an exercise price of $0.05 per share for total amount of $25,000. This amount was offset by the outstanding consulting fee that the Company owed to this option holder (see 15(a)(iv) & 16(a)).

c) On July 19, 2016, the Company issued 1,000,000 stock options to one consultant at an exercise price of $0.06 per share for expiry date July 19, 2017. The fair value of $19,529 for these stock option warrants was determined using Black-Scholes option pricing model using the following assumptions: expected life of 1 year, volatility of 291%, annual rate of dividends of 0.00% and risk free rate of 0.6106%.

d) On July 20, 2016, the one option holder exercised 1,000,000 stock options at an exercise price of $0.06 per share for total proceeds of $60,000. (see 15(a)(vi) &16(c))

The following is a summary of the stock options outstanding as at July 31, 2016 and July 31, 2015:

	July 31, 2016		**July 31, 2015**	
	Number of stock options	**Weighted average exercise price**	**Number of stock options**	**Weighted average exercise price**
Outstanding - beginning of year	1,875,000	$ 0.17	800,000	$ 0.20
Granted	1,500,000	0.06	1,075,000	0.15
Exercised	(1,500,000)	0.06	-	-
Cancelled or expired	(520,000)	0.15	-	-
Outstanding - end of year	1,355,000	$ 0.17	1,875,000	$ 0.17

Number of stock option outstanding and vested	**Exercise price per stock option**	**Expiry date**
800,000	$0.20	December 5, 2022
555,000	$0.15	March 7, 2020
1,355,000		

As at July 31, 2016, the weighted average exercise price of the stock options outstanding was $0.17 (July 31, 2015 - $0.17) with the weighted average remaining contractual life of 5.17 years (July 31, 2015 – 4.49 years). The average fair value of options issued during the year ended July 31, 2016 was $0.25 (2015 - $0.10).

(amount expressed in Canadian dollars, except where indicated)

17 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

The remuneration of the Company's directors and other key management personnel during the year ended July 31, 2016 and July 31, 2015 are as follows:

	July 31, 2016	July 31, 2015
Consulting fees	$ 197,169	$ 214,876
Share-based payments	-	83,739

These expenses were measured at the exchange amounts agreed upon by the parties. As at July 31, 2016 the Company had amounts payable of $13,797 (July 31, 2015 - $5,250) to these parties. These amounts are unsecured and non-interest bearing.

On March 15, 2016, the Company issued shares to settle a director's loan (see note 13) and various related party accounts payables (see note 15(a)(ii)).

18 Income taxes

The income taxes shown in the consolidated statements of earnings differ from the amounts obtained by applying statutory rates to the earnings before provision for income taxes due to the following:

	Year ended	
	July 31, 2016	July 31, 2015
Loss before income taxes	$ (2,480,744)	$ (1,155,945)
Statutory rate	26.00%	26.00%
Income tax recovery at statutory rates	644,993	300,546
Non-deductible expenses	(442,000)	(130,288)
Increase in deferred tax assets from reverse takeover	-	1,764,500
Change in unrecognized deferred tax asset not recognized	(202,993)	(2,479,578)
Other	-	544,820
Income tax (expense) recovery	$ -	$ -

The components of deferred income taxes are as follows:

	July 31, 2016	July 31, 2015
Deferred tax asset		
Operating loss carry forward	$ 1,830,000	$ 1,683,367
Mineral property	1,057,000	839,000
Share issuance cost	-	30,126

(amount expressed in Canadian dollars, except where indicated)

	$ 2,887,000	$ 2,552,493
Deferred tax assets not recognized	$ (2,887,000)	$ (2,552,493)
Net deferred tax assets	$ -	$ -

The Company has non-capital losses carried forward for which no deferred tax asset is recognized. They expire in the years as follows:

	Canada	Peru
2026	$ 269,000	$ -
2027	450,000	-
2028	387,000	-
2029	278,000	-
2030	345,000	-
2031	519,000	-
2032	633,760	-
2033	570,629	-
2034	448,581	
2035	979,531	-
No expiry	778,000	1,382,355
	$ 5,658,501	$ 1,382,355

19 Segment disclosures

The Company operates in one operating segment (exploration) in two countries. Details of the investments in mineral properties are disclosed in Note 11. The Company's assets by country are:

Year ended July 31, 2016	Canada	Peru	Total
Cash and cash equivalent	$ 2,996	$ -	$ 2,996
Other receivables	17,840	-	17,840
Prepaid expenses	138,014	-	138,014
	158,850	-	158,850
Mineral property	-	-	-
Total assets – July 31, 2016	$ 158,850	$ -	$ 158,850
Segment loss year ended July 31, 2016	$ 1,627,311	$ 853,433	$ 2,480,744

(amount expressed in Canadian dollars, except where indicated)

Year ended July 31, 2015	Canada		Peru		Total	
Cash and cash equivalent	$	58,213	$	2,122	$	60,335
Restricted cash		-		252		252
Other receivables		14,864		42,791		57,655
Prepaid expenses		122,509		7,305		129,814
		195,586		52,470		248,056
Advances – Goldsmith Resources SAC		484,684		-		484,684
Office equipment		-		1,489		1,489
Mineral property		-		766,072		766,072
Total assets – July 31, 2015	$	680,270	$	820,031	$	1,500,301
Segment loss year ended – July 31, 2015	$	1,070,205	$	85,740	$	1,155,945

20 Capital management

The Company's objectives for capital management are to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of items included in shareholders' equity, net of cash and cash equivalents as follows:

	July 31, 2016		July 31, 2015	
Total equity	$	(167,647)	$	1,418,768
Less: cash and cash equivalents		(2,996)		(60,335)
	$	(170,643)	$	1,358,433

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

(amount expressed in Canadian dollars, except where indicated)

21 Supplemental cash flow information

Supplemental cash flow information-non-cash financing and investing activities		July 31, 2016	July 31, 2015
Equity portion – convertible debentures	12	$ 6,454	$ -
Fair value of shares issued to settle liabilities	15	262,887	-
Fair value of shares from convertible debenture early conversion	12	170,689	-
Fair value of warrants from convertible debenture early conversion	12 15(b)	52,045	-
Reduction of AP upon exercise of options	15 (a)(iv)	25,000	-
Other receivables received from reverse takeover	2	-	13,830
Office equipment received from reverse takeover	2	-	1,941
Accounts payable acquired on reverse takeover transaction	2	-	168,160
Common shares issued on reverse takeover transaction	2	-	622,075
Common shares issued as finder's fees	2	-	25,000
Share purchase warrants issued as finder's fees	2	-	19,082
Restricted cash acquired on reverse takeover	2	-	1,025

22 Subsequent event

a) On August 2, 2016, 230,000 existing stock options cancelled due as the optionees ceased to be officers or contractors of the Company.

b) The Company amended the exercise price of 1,125,000 options to $0.10 per share from an average of $0.17 per share.

c) On August 2, 2016, the Company granted 2,600,000 stock options to its directors and contractors at an exercise price of $0.10 with an expiry date on August 2, 2021.

d) On August 25, 2016, the Company closed a private placement for 4,700,000 units at a price of $0.10 for gross proceeds of $470,000. Each unit consist of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at a price of $0.15 until expiry on August 25, 2018.

e) On September 8, 2016, the two holders of the remaining convertible notes agreed to an extension in the term by a period of one year, where the principal amount is payable in cash, and the interest has been pre-paid through participation in a private placement financing closing on September 21, 2016 (see g below). Each Note accrues simple interest at 14% per annum which has been prepaid until maturity. The principal amount of each note is convertible at any time at a price of $0.125 into units of the Company comprising one common share and one common share purchase warrant. Each whole warrant may be exercised at an exercise price of $0.175 into one additional common share of the Company for a period of 2 years from closing of issuance.

f) On September 19, 2016, 312,500 warrants were exercised with a strike price of $0.05 per share for total proceeds of $15,625.

g) On September 22, 2016, 1,000,000 options cancelled as the optionees ceased to be director and officers of the Company.

h) On October 28, 2016, the Company closed a private placement for 8,170,000 units at a price of $0.05 for gross proceeds of $408,500. Each unit consist of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at a price of $0.10 for a period of five years after the closing date.

i) On October 31, 2016, the Company signed a Binding Letter of Intent ("BLOI") with Chazel Capital Inc. ("Chazel") to acquire 100% of Cerro Dorado S.A.C. ("CD").The mineral property under option by CD is comprised of 4 concessions totalling 1,172 hectares located in the department of Arequipa, province of Caraveli, Peru. As consideration for the acquisition, the Company will issue 10,000,000 common shares to Chazel on closing of transaction. Closing of the transaction is subject to regulatory approval.