PPX Mining Corp.

(Formerly Peruvian Precious Metals Corp.)
(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended September 30, 2016 and 2015

Expressed in Canadian Dollars

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Independent Auditor's Report

To the Shareholders of
PPX Mining Corp. (formerly Peruvian Precious Metals Corp.)

We have audited the accompanying consolidated financial statements of PPX Mining Corp. (formerly Peruvian Precious Metals Corp.) and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2016 and September 30, 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and 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, and for such internal control as management determines is necessary to enable the preparation of 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 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PPX Mining Corp. (formerly Peruvian Precious Metals Corp.) and its subsidiaries as at September 30, 2016 and September 30, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of PPX Mining Corp. (formerly Peruvian Precious Metals Corp.) to continue as a going concern.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
January 27, 2017

PPX Mining Corp.
(Formerly Peruvian Precious Metals Corp.)
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	**September 30, 2016 ($)**	September 30, 2015 ($)
ASSETS			
Current Assets			
Cash		**509,140**	218,804
Accounts receivable	5	**23,520**	23,869
Prepaid expenses		**49,526**	20,591
Total current assets		**582,186**	263,264
Non-current assets			
Deferred financing costs	6	**76,356**	-
Exploration and evaluation assets	6	**1,097,305**	773,836
Advances for assets under construction	6	**6,099,405**	6,672,500
Property, plant and equipment	7	**459,095**	21,030
TOTAL ASSETS		**8,314,347**	7,730,630
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8, 15	**952,974**	1,753,933
Interest payable	10	**-**	17,908
Convertible debentures	10	**-**	199,150
Promissory note	11	**1,481,309**	1,468,736
Derivative liability	10, 11	**-**	713,213
Total current liabilities		**2,434,283**	4,152,940
Decommissioning obligation	12	**16,714**	16,431
TOTAL LIABILITIES		**2,450,997**	4,169,371
SHAREHOLDERS' EQUITY			
Share capital	13	**46,488,242**	44,174,640
Subscriptions received	13	**-**	198,518
Share-based payment reserve	13	**5,886,882**	5,374,697
Warrants reserve	13	**4,414,362**	2,876,626
Accumulated other comprehensive loss		**(700,654)**	(618,662)
Deficit		**(50,225,482)**	(48,444,560)
TOTAL SHAREHOLDERS' EQUITY		**5,863,350**	3,561,259
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8,314,347**	7,730,630

Nature of Operations and Going Concern (Note 1)
Contingency (Note 20)
Subsequent Events (Notes 6 and 21)

Approved on behalf of the Board:

/s/ Brian J Maher — Director

/s/ Brian Imrie — Director

The accompanying notes to the Consolidated Financial Statements are an integral part of this statement.

PPX Mining Corp.

(Formerly Peruvian Precious Metals Corp.)
(An Exploration Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2016 and 2015
(Expressed in Canadian Dollars)

	Notes	**2016 ($)**	2015 ($)
Operating expenses			
Communication and regulatory		**157,074**	130,151
Consulting fees, salaries and benefits	15	**802,565**	809,438
Depreciation	7	**23,443**	9,914
Foreign exchange loss (gain)		**(75,307)**	405,327
Office and miscellaneous		**132,601**	218,544
Peruvian VAT recovery		**-**	(968,788)
Premises		**67,572**	63,106
Professional fees		**271,841**	348,326
Share-based payments	13, 15	**512,185**	525,331
Travel and promotion		**231,610**	182,223
Write-down of exploration and evaluation assets	6	**-**	218,159
Net loss before finance Items		**(2,123,584)**	(1,941,731)
Finance items			
Interest expense	9, 10, 11	**(219,736)**	(645,077)
Change in fair value of derivative liability	10, 11	**624,666**	744,740
Loss on settlement of debt	9, 10, 13	**(59,417)**	(474,678)
Transaction costs		**(2,851)**	(105,636)
Net loss for the year		**(1,780,922)**	(2,422,382)
Other Comprehensive Income (Loss)			
Foreign exchange difference on translation		**(81,992)**	508,364
Total comprehensive loss for the year		**(1,862,914)**	(1,914,018)
Basic and Diluted Loss per share		**(0.01)**	(0.01)
Weighted average number of shares outstanding Basic and Diluted		**260,757,754**	187,139,050

The accompanying notes to the Consolidated Financial Statements are an integral part of this statement.

PPX Mining Corp.

(Formerly Peruvian Precious Metals Corp.)
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the years ended September 30, 2016 and 2015
(Expressed in Canadian Dollars)

	2016 ($)	2015 ($)
Cash flows from operating activities		
Net loss for the year	**(1,780,922)**	(2,422,382)
Adjustments for items not affecting cash:		
Accretion expense	**182,393**	510,039
Depreciation	**23,443**	9,914
Accrued interest expense	**-**	135,038
Foreign exchange loss (gain)	**(75,307)**	405,327
Peruvian VAT recovery	**-**	(968,788)
Loss on settlement of debt	**59,418**	474,678
Share-based payments	**512,185**	525,331
Change in fair value of derivative liability	**(624,666)**	(744,740)
Non-cash transaction costs – convertible debenture	**-**	105,636
Write-down of exploration and evaluation assets	**-**	218,159
	(1,703,456)	(1,751,788)
Changes in non-cash working capital items:		
Accounts receivable	**349**	(4,548)
Prepaid expenses	**(28,935)**	7,400
Accounts payable and accrued liabilities	**(610,103)**	(373,388)
Cash used in operating activities	**(2,342,145)**	(2,122,324)
Cash flows from financing activities		
Proceeds from related party loans	**184,588**	-
Repayment of related party loans	**(183,279)**	-
Proceeds from issuance of promissory note	**-**	1,670,467
Repayment of promissory note	**-**	(246,020)
Proceeds from issuance of convertible debenture	**138,400**	249,419
Deferred financing costs	**(76,356)**	(3,187)
Subscriptions received	**-**	198,518
Proceeds from issuance of common shares, net of share issue costs	**2,810,429**	7,827,931
Cash provided by financing activities	**2,873,782**	9,697,128
Cash flows from investing activities		
Advances for assets under construction	**-**	(6,304,585)
Mineral property expenditures	**(351,945)**	(961,032)
Cash used in investing activities	**(351,945)**	(7,265,617)
Foreign exchange effect on cash	**110,644**	(147,178)
Increase in cash for the year	**290,336**	162,009
Cash, beginning of year	**218,804**	56,795
Cash, end of year	**509,140**	218,804
Supplemental cash flow information (Note 18)		
Interest paid	**-**	(7,448)
Income taxes paid	**-**	-

The accompanying notes to the Consolidated Financial Statements are an integral part of this statement.

PPX Mining Corp.

(Formerly Peruvian Precious Metals Corp.)

(An Exploration Stage Company)

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital (Number)	Share Capital	Warrants Reserve	Share-Based Payment Reserve	Subscriptions Received	Accumulated Other Comprehensive Income (Loss) - Cumulative Translation Adjustments	Deficit	Total
		$	$	$	$	$	$	$
September 30, 2014	**157,343,904**	**36,265,258**	**1,158,773**	**4,849,366**	**-**	**(1,127,026)**	**(46,022,178)**	**(4,875,807)**
Units issued in private placement	71,688,090	6,466,269	1,499,239	-	-	-	-	7,965,508
Share issue costs	-	(149,577)	-	-	-	-	-	(149,577)
Shares issued to settle debt	14,158,871	1,683,313	-	-	-	-	-	1,683,313
Shares issued for transaction costs	1,151,575	115,991	-	-	-	-	-	115,991
Fair value of finders' warrants	4,515,452	(218,614)	218,614	-	-	-	-	-
Fair value of finders' shares	120,000	12,000	-	-	-	-	-	12,000
Share-based payments	-	-	-	525,331	-	-	-	525,331
Subscriptions received	-	-	-	-	198,518	-	-	198,518
Foreign exchange translation difference	-	-	-	-	-	508,364	-	508,364
Net loss for the year	-	-	-	-	-	-	(2,422,382)	(2,422,382)
September 30, 2015	**248,977,892**	**44,174,640**	**2,876,626**	**5,374,697**	**198,518**	**(618,662)**	**(48,444,560)**	**3,561,259**
Units issued in private placement	61,272,500	1,836,249	1,416,001	-	-	-	-	3,252,250
Share issue costs	-	(259,741)	-	-	-	-	-	(259,741)
Shares issued to settle debt	7,312,703	842,391	-	-	-	-	-	842,391
Cancellation of common shares	(2,465,000)	-	-	-	-	-	-	-
Fair value of finders' units	164,375	14,944	1,494	-	-	-	-	16,438
Fair value of finders' warrants	-	(120,241)	120,241	-	-	-	-	-
Share-based payments	-	-	-	512,185	-	-	-	512,185
Subscriptions received	-	-	-	-	(198,518)	-	-	(198,518)
Foreign exchange translation difference	-	-	-	-	-	(81,992)	-	(81,992)
Net loss for the year	-	-	-	-	-	-	(1,780,922)	(1,780,922)
September 30, 2016	**315,262,470**	**46,488,242**	**4,414,362**	**5,886,882**	**-**	**(700,654)**	**(50,225,482)**	**5,863,350**

The accompanying notes to the Consolidated Financial Statements are an integral part of this statement.

Note 1 – Nature of Operations and Going Concern

PPX Mining Corp. (formerly Peruvian Precious Metals Corp.) (the "Company") was incorporated on July 28, 1987, under the Alberta Business Corporations Act. Following a number of name changes the Company became Peruvian Precious Metals Corp. on July 2, 2013. On August 4, 2016, the Company changed its name to PPX Mining Corp. The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed.

The Company is a public company with its shares listed on the TSX Venture Exchange and the Lima Stock Exchange (Bolsa De Valores De Lima). The head office, principal address and records office of the Company are located at 880 – 580 Hornby Street, Vancouver, BC, Canada, V6C 3B6.

As its principal business, the Company acquires and explores mineral properties in areas deemed to have relatively high potential for mining success and relatively low political risk. The Company's business plan is to engage in these mining activities on a long-term basis.

The Company is in the process of exploring mineral properties in Peru and has not yet determined whether the properties contain economically recoverable ore reserves. As the Company does not yet have cash flow from operations, it must rely on debt or equity financings to fund operations. To date the Company's main source of funding has been the issuance of equity securities or debt for cash, through private placements to sophisticated investors and through public offering to institutional investors.

The Company has historically raised operating capital from the sale of equity and various forms of debt, something the Company will continue to do so. During the year ended September 30, 2016, the Company raised funds through the completion of a private placement, loans from related parties, and a convertible debenture to assist with funding ongoing operations.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. The Company has incurred operating losses since inception, including $1,780,922 for the year ended September 30, 2016 and has accumulated a deficit of $50,225,482 as at September 30, 2016. The Company has a working capital deficiency of $1,852,097 as at September 30, 2016. The Company will need to raise additional funds in order to continue on as a going concern and there can be no assurances that sufficient funding, including adequate financing, will be available to explore its mineral properties and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions and mineral property exploration success. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments 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, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the consolidated financial statements. Subsequent to September 30, 2016, the Company closed one private placement for gross proceeds of $7,500,014 and received the first tranche payment of US$2,500,000 pursuant to the Gold Streaming Agreement with RIVI Opportunity Fund LP (note 6).

Note 2 – Basis of Preparation

The consolidated financial statements of the Company for the year ending September 30, 2016, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on January 27, 2017.

Note 3 – Significant Accounting Policies

These consolidated financial statements are expressed in Canadian dollars, the Company's presentation currency and have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out in this note have been applied consistently to all periods presented in these consolidated financial statements.

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Consolidation

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries in Peru, Sienna Minerals S.A.C. and Agraria Huaranchal S.A.C. All significant intercompany transactions and balances have been eliminated.

Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the determination of decommissioning obligations and income and sales tax obligations, the recoverability of exploration and evaluation assets, the assumptions used in the determination of the fair value of share-based payments and derivative liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments, as follows:

- the point in time that an economic feasibility study has established the presence of proven and probable reserves;
- deferred tax assets recorded in the consolidated financial statements;
- the determination of the functional currency in accordance with International Accounting Standards ("IAS") 21 "The Effects of Changes in Foreign Exchange Rates";
- contingency as disclosed in Note 20;
- determination of derivative liability.

Note 3 – Significant Accounting Policies (continued)

Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional and presentation currency of the Company is the Canadian dollar while the functional currency of its subsidiaries is the United States ("US") dollar as they are the currencies of the primary economic environments in which the companies operate. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the year in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and Subsidiary Companies

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's exchange difference on translating foreign operations on the Statement of Comprehensive Income (Loss) and are reported as a separate component of shareholders' equity titled "Cumulative Translation Adjustments". These differences are recognized in the profit or loss in the year in which the operation is disposed of.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments that are readily convertible to cash which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. As at September 30, 2016 and 2015 the Company did not have any cash equivalents.

Note 3 – Significant Accounting Policies (continued)

Exploration and Evaluation Assets

Mineral exploration and evaluation costs are charged to operations in the period incurred until such time as the property has been acquired or is under option, in which case subsequent exploration costs and costs incurred to develop the property are capitalized.

Direct costs related to the acquisition of mineral property interests are capitalized on a property by property basis. Property acquisition costs include cash expenses and the fair market value of common shares, based on the trading price of the shares, issued for mineral properties interests, pursuant to the related property agreements. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded as mineral property costs upon payment.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Upon commencement of commercial production of a mineral property, the related capitalized costs are amortized and depleted on a unit-of-production basis using estimated proven reserves of the mineral property.

Periodic reviews are made by management and where the long-term expectation is that the net carrying amount of these capitalized exploration and development costs will not be recovered, the carrying amount is then written down accordingly and the write-down amount charged to operations.

The amounts shown for exploration and evaluation assets represent acquisition and deferred exploration costs incurred to date, on a property by property basis, and are not intended to reflect present or future values. It is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Title to Mineral Property Interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Property, Plant and Equipment

Items of equipment are recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. The Company’s depreciation method is the straight-line method based on the estimated useful lives at the following rates:

Office furniture	3 years
Computer equipment	2 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

Share Issuance Costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

Note 3 – Significant Accounting Policies (continued)

Valuation of Equity Units Issued in Private Placements

The Company uses the Black-Scholes option value model to value any warrants and agent options issued in private placements in the same currency as the Company's functional and presentation currency. The fair value assigned to warrants is recorded as a reduction to share capital and an increase to warrants reserve. The fair value assigned to agent options is recorded as share issue costs and an increase to warrants reserve. Upon exercise the consideration paid by the holder together with the amount previously recognized is recorded as an increase to share capital. Proceeds from unit placements are allocated between shares and warrants issued based on the residual value method, with the warrants being valued first using the Black-Scholes option pricing model.

When the terms of the warrants are modified, no adjustments are recognized in equity.

Share-Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Note 3 – Significant Accounting Policies (continued)

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired.

i. *Financial assets and liabilities at fair value through profit or loss (“FVTPL”):* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Cash and derivative liability are classified as FVTPL.

   The Company’s derivative liability arises from the convertible debentures and promissory note. The convertible debentures and promissory note entitle the holder to acquire a fixed number of common shares for a fixed US dollar price per share. The Company’s functional currency is currently Canadian dollars.

   An obligation to issue shares for a price that is not denominated in the Company’s functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value. The Company has recorded the changes in fair value of derivative liability as financing income and expenses.

   Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in profit or loss. Gains and losses arising from the changes in fair value are presented in profit or loss. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the Consolidated Statement of Financial Position date, which is classified as non-current.

ii. *Available-for-Sale (“AFS”) investments:* Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income (loss) and classified as a component of equity. The Company does not hold any available-for-sale assets.

iii *Held-to-Maturity investments:* Held-to-Maturity investments are non-derivatives that are designated in the category where the Company’s intent is to hold the investment to maturity. Held-to-Maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost. The Company does not hold any held-to-maturity assets.

iv. *Loans and Receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Financial instruments held by the Company classified in this category include accounts receivable.

v. *Other Financial Liabilities:* Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable and accrued liabilities, interest payable, convertible debentures and promissory note are classified as other financial liabilities.

Note 3 – Significant Accounting Policies (continued)

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the financial asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

Impairment of Non-Financial Assets

Non-financial assets are evaluated at each reporting date by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating the recoverable amount, if applicable, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social, legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Reversal of Impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Note 3 – Significant Accounting Policies (continued)

Provisions

Decommissioning and restoration provision are future obligations required to retire an asset. They include dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, and are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk-free rate. The decommissioning and restoration provision is adjusted at each reporting period for change to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows, and the risk-free rate specific to the liability.

The liability is also accreted to full value over time through periodic charges to earnings. This accretion of the discount is charged to finance expense in profit or loss.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to decommissioning and restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit.

Other provisions are recognized when a current legal or constructive obligation exists as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate pre-tax discount rate, risk specific to the liability.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Profit or Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. There were 93,723,342 outstanding options, warrants and similar instruments at September 30, 2016 (2015 – 55,755,408).

Note 4 – Accounting Standards

IFRS Issued but not yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not completed its assessment of the impact that the new and amended standards will have on its financial statements. The Company also has not early adopted any of these standards in the consolidated financial statements.

IFRS 9 "Financial Instruments"
The IASB intends to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

IFRS 15 "Revenue from Contracts with Customers"
The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2018.

IFRS 16 "Leases"
IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

This interpretation is effective for reporting periods beginning on or after January 1, 2018.

Note 5 – Accounts Receivable

	September 30, 2016 ($)	September 30, 2015 ($)
Canadian GST recoverable	**21,571**	23,261
Other	**1,949**	608
	23,520	23,869

Note 6 – Exploration and Evaluation Assets

	IGOR Concession (Peru) ($)
September 30, 2014	**-**
Drilling, road and site preparation	721,401
Salaries, claims maintenance and staking	259,707
Social development	10,887
Write-down of capitalized costs	(218,159)
September 30, 2015	**773,836**
Drilling, road and site preparation	117,675
Salaries, claims maintenance and staking	208,734
Social development	3,828
Foreign Exchange	(6,768)
September 30, 2016	**1,097,305**

Igor Concession

On June 30, 2005, the Company, through its subsidiary Sienna Minerals S.A.C. acquired a 60% interest in the Igor Concession acquiring some 1,000 hectares in Peru and on March 9, 2006 acquired the remaining 40%.

During the year ended September 30, 2013, due to the fact that no substantive expenditures on further exploration for and evaluation of mineral resources were budgeted or planned until the Company could raise sufficient funding, management decided to write down the capitalized costs. The Company continued the process of writing down the capitalized expenditures during the first two quarters of the 2015 fiscal year. Starting in the third quarter of the 2015 fiscal year, the Company started to capitalize the exploration and evaluation expenditures on the mineral resources again, as management determined that it can carry out its intended plan with respect to the Igor project.

On February 4, 2015, the Company signed a series of agreements with AM Mining SAC (“AMM”) who will construct and operate the Company’s 350 metric tonne per day (“350 mt/d”) gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery, capable of producing precious metal ore at the Igor Project. AMM anticipates that it will take up to 18 months to fully commission the processing plant at the Igor Project and will operate the plant for up to 54 months. During the year ended September 30, 2015, the Company paid AMM US$5,000,000 pursuant to the agreements with AMM. During the year ended September 30, 2016, $459,095 (US$350,000) of the amount paid has been incurred as assets under construction costs. Please see Note 7. As at September 30, 2016, $6,099,405 (US$4,650,000) remains as advances for assets under construction as compared to $6,672,500 (US$5,000,000) at September 30, 2015.

The Company has the right to terminate the agreements by paying AMM a termination fee based on potential loss of earnings from the anticipated processing plant operations. The base termination fee is US$13,500,000. For each month that the agreement is in effect, the termination fee is reduced by US$187,500, commencing at the end of the first month following the effective date of the agreement. The termination fee can be further reduced by applying a credit equal to 50% of any appreciation in value of the shares acquired by AMM in the private placement. AMM has the right to receive a 120-day notice in event of a termination of the agreements.

Note 6 – Exploration and Evaluation Assets (continued)

The Company entered into a mining assignment contract with Proyectos Le Patagonia, S.A.C. ("Patagonia") whereby Patagonia was authorized to carry out mining exploration and activity on part of the Igor concession. This mining assignment is effective until the earlier of the date Patagonia extracts 600,000 metric tons of ore or June 7, 2024.

Patagonia is responsible for obtaining all necessary permits and licenses to carry out mining operations in order to reach certain production milestones.

The Company is responsible for building and installing a processing plant with a capacity of at least 150 metric tons per day ("TMPD") and to be expanded to 350 TMPD.

In the event that extraction activities are suspended, the party responsible will incur a penalty of US$7 multiplied by the number of unproduced tons.

In the event the Company terminates the assignment contract, it will be subject to a penalty ranging from US$500,000 to US$3,000,000, which may be adjusted by US$5 multiplied by the tons of ore extracted.

Subsequent to the year ended September 30, 2016, the Company issued 7,635,914 shares to Patagonia as an initial investment and compensation for expenditures incurred by Patagonia.

On February 16, 2016, the Company announced that it has entered into a non-binding agreement with RIVI Opportunity Fund LP ("RIVI") to provide the Company with an investment of US$5,000,000 in return for a Metal Purchase Agreement ("MPA" or "Gold Streaming Agreement") on future precious metal production from the Company's Igor 4 concession, at its Igor Project in northern Peru. As at September 30, 2016, the Company incurred $76,356 in deferred financing costs in relation to the agreement with RIVI. Subsequent to September 30, 2016, the Gold Streaming Agreement with RIVI was executed with the following key terms:

- RIVI has made a first tranche payment of US$2,500,000 upon execution of definitive documents by RIVI and the Company. The second tranche of an additional US$2,500,000 shall be payable upon meeting future production milestones, subject to the successful completion of the test mining program. The first tranche payment is subject to interest of 10% per annum, accruing on daily balances until the end of the third month after certain production milestones are met.
- The Company will pay a structuring fee of 3% of each tranche payment upon receipt.
- RIVI shall be entitled to receive 10% of the Company's portion of the combined production of gold and silver ounces from the Igor 4 concession on a Gold Equivalent Ounce ("GEO") basis. In addition to the initial tranches described above, the Company will also receive a payment of the lesser of US$400 or 80% the market price of gold per GEO delivered under the Gold Streaming Agreement.
- Seventy-two months after receiving the second tranche of the financing, and when 20,000 GEOs have been delivered under the Gold Streaming Agreement, the Company shall have the option to reduce the delivery schedule to 5% of the GEOs produced on the Igor 4 concession by making a one-time payment of US$5,000,000 to RIVI. The spot price of gold must be greater than US$1,200 per ounce in order to exercise this option.

On October 11, 2016, the Company granted RIVI a first and preferred mining tenements mortgage of US$5 million on the Igor mining concessions and general security interest over all of the present and after-acquired assets within the property.

Subject to regulatory approval, the Company has agreed to pay a cash finder's fee of US$300,000 (of which US$150,000 has been paid subsequent to September 30, 2016) and to issue 3,000,000 warrants to arm's length finders. The warrants have an exercise price of $0.12 per share and expire October 11, 2018.

Note 7 – Property, Plant and Equipment

Cost	Equipment ($)	Assets Under Construction [1] ($)	Total ($)
Balance – September 30 2014	100,707	-	100,707
Foreign Exchange	10,922	-	10,922
Balance – September 30, 2015	111,629	-	111,629
Additions	-	467,320	467,320
Foreign Exchange	5,308	(8,225)	(2,917)
Balance – September 30, 2016	**116,937**	**459,095**	**576,032**
Accumulated Depreciation			
Balance – September 30 2014	71,265	-	71,265
Additions	9,914	-	9,914
Foreign Exchange	9,420	-	9,420
Balance – September 30, 2015	90,599	-	90,599
Additions	23,443	-	23,443
Foreign Exchange	2,895	-	2,895
Balance – September 30, 2016	**116,937**	**-**	**116,937**
Net Book Value at September 30, 2015	**21,030**	**-**	**21,030**
Net Book Value at September 30, 2016	**-**	**459,095**	**459,095**

[1] Assets under construction is pursuant to an agreement with AMM. Please see Note 6

Note 8 – Accounts Payable and Accrued Liabilities

	September 30, 2016 ($)	September 30, 2015 ($)
Trade accounts payable	**638,648**	1,417,899
Acquisition of surface rights	**314,326**	336,034
	952,974	1,753,933

Note 9 – Loans from Related Parties

On March 23, 2016, the Company entered into a loan agreement in the principal amount of US$100,000 with an immediate family member of a director of the Company. The loan bore interest at 12% per annum and was due on July 30, 2016. On July 30, 2016, the Company settled the principal due of US$100,000 ($130,560) and the accrued interest was forgiven.

On March 29, 2016, the Company entered into a loan agreement in the principal amount of $33,000 with a director of the Company. The loan bore interest at 12% per annum and was due on July 30, 2016. On July 22, 2016, the Company settled the principal due of $33,000 and the accrued interest was forgiven.

On March 30, 2016, the Company entered into a loan agreement in the principal amount of US$15,000 with another director of the Company. The loan bore interest at 12% per annum and was due on July 30, 2016. On July 30, 2016, the Company settled the principal due of US$15,000 ($19,719) and the accrued interest was forgiven.

The change in the loans from related parties is as follows:

	September 30, 2016 ($)
Balance, beginning of the year	**-**
Fair value at inception	**184,588**
Repayment	**(183,279)**
Foreign Exchange	**(1,309)**
Balance, end of the year	**-**

During the year ended September 30, 2016, the Company incurred interest expense of $7,546 and a foreign exchange gain of $1,309.

Note 10 – Convertible Debentures

On August 15, 2014, the Company entered into an agreement to issue a convertible debenture for aggregate proceeds of US$800,000. The convertible debenture was unsecured and bore an interest rate of 13% per annum, calculated on the principal balance, payable every four months commencing April 30, 2015. The convertible debenture was non-transferable and could be converted into common shares of the Company at any time at a conversion price of US$0.065 for a period of one year. The Company also issued 307,695 common shares, valued at $27,692, and US$6,243 as a finder's fee. During the year ended September 30, 2015, the Company settled the US$800,000 convertible debenture and accrued interest of US$104,000 by issuing 13,907,692 common shares at a price of $0.12 per share valued at $1,661,963, resulting in a loss on conversion of $478,446. The Company also issued 984,615 common shares, valued at $98,461 to an arm's length individual for assisting with the conversion of the debenture.

On March 26, 2015, the Company entered into an agreement to issue a second convertible debenture for proceeds of US$200,000, maturing on March 26, 2016. The convertible debenture was unsecured and bore an interest rate of 13% per annum, calculated on the principal balance, payable every four months commencing on September 30, 2015. The convertible debenture was non-transferable and could be converted into 2,352,941 common shares of the Company at any time at a conversion price of US$0.085 per share for a period of one year. The Company also issued 166,960 common shares, valued at $17,530 as a finder's fee. During the year ended September 30, 2016, the Company settled the US$200,000 convertible debenture and accrued interest of US$26,058 by issuing 2,876,619 common shares at a price of $0.115 per share valued at $330,811, resulting in a loss on conversion of $34,291.

On January 22, 2016, the Company entered into an agreement to issue a third convertible debenture for proceeds of US$100,000, maturing on October 22, 2016. The convertible debenture was unsecured and bore an interest rate of 12% per annum, calculated on the principal balance, payable every four months commencing on May 22, 2016. The convertible debenture was non-transferable and could be converted into common shares of the Company at any time at a conversion price of $0.05 per share for a period of nine months. If the convertible debenture was not converted in nine months, the Company will repay the full amount of the debenture along with any outstanding accrued interest. The Company settled the US$100,000 convertible debenture and derivative liability on September 27, 2016 by issuing 2,768,000 common shares at a price of $0.125 per share valued at $346,000, resulting in a combined loss on settlement of $35,193. The accrued interest was forgiven.

Note 10 – Convertible Debentures (continued)

The conversion feature of the convertible debentures met the definition of a derivative liability as outlined in IAS 39. As a result, the conversion feature of the debentures was required to be recorded as a derivative liability and initially measured at fair market value and revalued on each subsequent reporting date with the changes in the fair value of the derivative liability being recorded in profit and loss. Also in accordance with IAS 39, the transaction costs were allocated on a pro-rata basis to the derivative liability and the convertible debentures. The amount allocated to the derivative liability was recorded in profit and loss while the amount allocated to the convertible debentures was a reduction in the initial fair value of the convertible debentures.

On inception of the March 26, 2015 debenture, the fair value of the derivative liability related to the conversion feature was $102,075 and at the conversion date, the fair value was $nil (September 30, 2015 – $106,015). The derivative liability was calculated using the Black-Scholes Option Pricing Model with the following assumptions.

	2015
Dividend yield (%)	Nil
Risk–free interest rate (%)	0.50
Expected life (years)	0.49 – 1.00
Expected annualized volatility (%)	97.54 – 130.57

The conversion feature for the March 26, 2015 convertible debenture was initially valued at $102,075 with the resulting residual value being allocated to the host convertible debenture in the amount of $147,344, which was then reduced to $136,988 with the allocation of the pro-rated transaction costs of $10,356.

On inception of the January 22, 2016 debenture, the fair value of the derivative liability related to the conversion feature was $91,415 and at the conversion date, the fair value was $nil.

The conversion feature for the January 22, 2016 convertible debenture was initially valued at $91,415 with the resulting residual value being allocated to the host convertible debenture in the amount of $46,985, which was then reduced to $45,520 with the allocation of the pro-rated transaction costs of $1,465.

The change in the derivative liability related to the conversion feature is as follows:

	September 30, 2016 ($)	September 30, 2015 ($)
Balance, beginning of the year	**106,015**	1,294,334
Fair value at inception	**91,415**	102,075
Change in fair value including foreign exchange	**(17,468)**	(1,290,394)
Converted to shares	**(179,962)**	-
Balance, end of the year	**-**	106,015

Note 10 – Convertible Debentures (continued)

The change in the convertible debentures is as follows:

	September 30, 2016 ($)	September 30, 2015 ($)
Balance, beginning of the year	**199,150**	499,004
Fair value at inception	**46,985**	147,344
Transaction costs	**(1,465)**	(10,356)
Amortization of discount	**145,578**	483,475
Foreign exchange	**(7,918)**	127,042
Loss on settlement	**43,925**	423,404
Shares issued to settle convertible debenture	**(426,255)**	(1,470,763)
Balance, end of the year	**-**	199,150

During the year ended September 30, 2016, in addition to the amortization of the discount on the convertible debentures, the Company incurred interest expense of $27,997 (2015 – $127,602) and a foreign exchange gain of $871 (2015 – loss of $11,904). The total interest expense on the convertible debentures for the year ended September 30, 2016 was $173,575 (2015 – $611,077) and the accrued interest as at September 30, 2016 was $nil (2015 – $17,908).

Note 11 – Promissory Note

On June 8, 2015, the Company entered into a promissory note agreement for proceeds of US$1,129,305 ($1,418,407). The promissory note is unsecured and is payable by the greater of cash payment of US$1,129,305 or 12,344,782 common shares of the Company. The promissory note was due February 3, 2016. During the year ended September 30, 2016, the Company exercised an option to extend the due date by six months, pursuant to which the promissory note was due August 3, 2016. The promissory note is past due and repayable on demand.

The repayment feature of the promissory note met the definition of a derivative liability as outlined in IAS 39. As a result, the repayment feature of the promissory note was required to be recorded as a derivative liability and measured initially at fair market value and revalued on each subsequent reporting date with the changes in the fair value of the derivative liability being recorded in profit and loss. Subsequent to maturity, the repayment feature was measured by reference to its intrinsic value.

On inception, the fair value of the derivative liability was $61,544 and as at September 30, 2016, the fair value was $nil (2015 – $607,198). The derivative liability was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	2015
Dividend yield (%)	**Nil**
Risk–free interest rate (%)	**0.49 – 0.52**
Expected life (years)	**0.35 – 0.59**
Expected annualized volatility (%)	**89.05 – 144.78**

The change in the derivative liability is as follows:

	September 30, 2016 ($)	September 30, 2015 ($)
Balance, beginning of the year	**607,198**	-
Fair value at inception	**-**	61,544
Change in fair value including foreign exchange	**(607,198)**	545,654
Balance, end of the year	**-**	607,198

Note 11 – Promissory Note (continued)

The change in the promissory note is as follows:

	September 30, 2016 ($)	September 30, 2015 ($)
Balance, beginning of the year	**1,468,736**	-
Fair value at inception	**-**	1,356,863
Amortization of discount	**38,615**	26,564
Foreign exchange	**(26,042)**	85,309
Balance, end of the year	**1,481,309**	1,468,736

Note 12 – Decommissioning Obligation

The Company estimated the fair value of the decommissioning obligation that arose as a result of exploration activities to be $16,714. The fair value of the liability was determined to be equal to the estimated remediation costs. As at September 30, 2016, the Company cannot make a reasonable estimate of the timing of the cash flows and the fair value of the future decommissioning provision cannot be reasonably determined.

The following table describes the changes to the Company's decommissioning liability:

	Amount ($)
Balance at September 30, 2014	17,137
Foreign exchange	(706)
Balance at September 30, 2015	16,431
Foreign exchange	283
Balance at September 30, 2016	16,714

Note 13 – Share Capital

a) Authorized

Unlimited number of common shares, without par value; and unlimited number of preference shares, without par value.

b) Issued

Fiscal 2016 transactions

On October 5, 2015, the Company cancelled 2,465,000 common shares as part of a settlement agreement with a former director. Please see Note 15.

On October 16, 2015, the Company issued 1,050,000 common shares at a value of $94,500 as part of a debt settlement with a former director resulting in a gain on debt settlement of $10,500.

Note 13 – Share Capital (continued)

b) Issued (continued)

Fiscal 2016 transactions (continued)

On December 31, 2015 and January 22, 2016, the Company closed a non-brokered private placement issuing 3,772,500 units at a price of $0.10 per unit for gross proceeds of $377,250. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.15 for a period of two years from closing. Should the shares of the Company trade over $0.24 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. In connection with the non-brokered private placement, the Company incurred legal and filing fees of $24,822 and issued 164,375 Finder's Units valued at $16,438. Each Finder's Unit consists of one common share and one common share purchase warrant (an "Agent Warrant") which entitles the holder to purchase one additional common share at a price of $0.15 on or before December 31, 2017. The Company has assigned $96,601 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $280,649 assigned to the shares. The fair value of the warrants and Agent Warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	0.39 - 0.48
Expected life (years)	2
Expected annualized volatility (%)	123.82 – 136.82

On July 22, August 4 and August 11, 2016, the Company closed a non-brokered private placement, issuing 57,500,000 units at a price of $0.05 per unit for gross proceeds of $2,875,000. Each unit consists of one common share and one half common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at a price of $0.075 for a period of two years from closing. Should the shares of the Company trade over $0.24 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. In connection with the non-brokered private placement, the Company incurred legal and filing fees of $127,115, paid a cash Finder's fee of $91,366 and issued 2,409,000 Agent Warrants valued at $120,241. Each Agent Warrant entitles the holder to purchase one common share at a price of $0.075 for a period of two years from closing. The Company has assigned $1,319,400 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $1,555,600 assigned to the shares. The fair value of the warrants and Agent Warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	0.49 - 0.57
Expected life (years)	2
Expected annualized volatility (%)	108.96 – 115.08

On September 27, 2016, the Company settled a US$100,000 convertible debenture by issuing 2,768,000 common shares at a price of $0.125 per share valued at $346,000, resulting in a loss on conversion of $35,193. Please refer to Note 10.

On September 30, 2016, the Company settled the US$200,000 convertible debenture plus accrued interest of US$26,058 by issuing 2,876,619 common shares at a price of $0.115 per common share valued at $330,811, resulting in a loss on conversion of $34,291. Please refer to Note 10.

On September 30, 2016, the Company issued 618,084 common shares valued at $71,080 as part of debt settlement agreements of $64,899 with two directors and a consultant and realized a loss on debt settlement of $6,181.

Note 13 – Share Capital (continued)

Fiscal 2015 transactions

On October 7, 2014, the Company closed a non-brokered private placement with Proyectos La Patagonia S.A.C. ("Patagonia") for gross proceeds of $478,588 for issuance of 5,317,644 common shares.

On November 3, 2014, the Company completed a non-brokered private placement issuing 4,949,690 units at $0.13 per unit for gross proceeds of $643,460. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.18 for a period of two years from closing. Should the shares of the Company trade over $0.24 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company also issued 319,555 Finder's Units to an arm's length finder. Each Finder's Unit consists of one common share and one Agent Warrant which entitles the holder to purchase one additional common share at a price of $0.18 on or before November 3, 2016. The Company has assigned $323,080 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $320,380 assigned to the shares. The fair value of the warrants and Agent Warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	1.01
Expected life (years)	2
Expected annualized volatility (%)	124.01

On December 31, 2014, the Company completed a non-brokered private placement issuing 2,223,626 units at $0.13 per unit for gross proceeds of $289,071. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.18 for a period of two years from closing. Should the shares of the Company trade over $0.24 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company also incurred legal and filing fees of $17,889 and issued 155,653 Finder's Units to an arm's length finder. Each Finder's Unit consists of one common share and one Agent Warrant which entitles the holder to purchase one additional common share at a price of $0.18 on or before December 31, 2016. The Company has assigned $158,950 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $130,121 assigned to the shares.

The fair value of the warrants and Agent Warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	1.01
Expected life (years)	2
Expected annualized volatility (%)	128.48

On March 26, 2015, the Company issued 166,960 common shares as part of the transaction fee for the convertible debenture transaction. The shares were valued at $17,530. Please refer to note 10.

On May 12, 2015, the Company completed a non-brokered private placement issuing 15,385,390 units at $0.10 per unit for gross proceeds of $1,538,539. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.15 for a period of two years from closing. Should the shares of the Company trade over $0.24 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company issued 655,304 Finder's Units to an arm's length finder. Each Finder's Unit consists of one common share and one Agent Warrant which entitles the holder to purchase one additional common share at a price of $0.16 on or before May 11, 2018. The Company also incurred legal and filing fees of $21,551, paid a cash Finder's fee of US$45,670 ($54,553) and issued 575,527 Agent Warrants to another arm's length finder, with each Agent Warrant entitling the holder to purchase one common share at a price of $0.16 on or before May 11, 2018. The Company has assigned $936,640 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $601,899 assigned to the shares.

Note 13 – Share Capital (continued)

Fiscal 2015 transactions (continued)

The fair value of the warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	1.01
Expected life (years)	2
Expected annualized volatility (%)	130.25

The fair value of the Agent Warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	1.01
Expected life (years)	3
Expected annualized volatility (%)	112.26

On July 13, 2015, the Company completed a non-brokered private placement issuing 42,311,740 common shares at $0.115 per common share for gross proceeds of $4,865,850. In connection with the non-brokered private placement, the Company also incurred legal and filing fees of $37,950, issued 3,384,940 Finder's Units to an arm's length finder, each Finder's Unit consisting of one common share and one Agent Warrant which entitles the holder to purchase one additional common share at a price of $0.18 on or before July 13, 2017.

The fair value of the Agent Warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	1.01
Expected life (years)	2
Expected annualized volatility (%)	128.59

On August 15, 2015, the Company settled the US$800,000 convertible debenture plus accrued interest of US$104,000 by issuing 13,907,692 common shares at a price of $0.12 per common share valued at $1,661,963, resulting in a loss on conversion of $478,446. The Company also issued 984,615 common shares, valued at $98,461 to an arm's length individual for assisting with the conversion of the debenture. Please refer to Note 10.

On September 1, 2015, the Company issued 251,179 common shares valued at $21,350 as part of a debt settlement agreement of $25,118 with a former director and realized a gain on debt settlement of $3,768. Please refer to Note 15.

On September 4, 2015, the Company completed a non-brokered private placement issuing 1,500,000 units at $0.10 per unit for gross proceeds of $150,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.15 for a period of two years from closing. Should the shares of the Company trade over $0.24 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company issued 120,000 common shares to arm's length finders' valued at $12,000 and incurred legal and filing fees of $17,634. The Company has assigned $80,569 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $69,431 assigned to the shares.

The fair value of the warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	1.01
Expected life (years)	2
Expected annualized volatility (%)	131.99

Note 13 – Share Capital (continued)

c) Share Purchase Options

Pursuant to the Company's share option plan (the "Option Plan"), the Company may grant incentive share options to directors, officers, employees and consultants of the Company or any subsidiary thereof. The total number of shares issuable pursuant to the Option Plan is up to a maximum of 10% of the issued and outstanding common shares of the Company at any given time. The exercise price of each share option is to be determined at the discretion of the board of directors at the time of the granting of the share option, as are the term and vesting policies, provided that the exercise price shall not be lower than the market price or such discount from the market price as may be permitted by the stock exchange on which the common shares are listed and provided that no share option shall have a term exceeding ten years (or such longer period as is permitted by the stock exchange on which the common shares are listed). There may not be issued to insiders within a one-year period, a number of common shares exceeding 10% of the outstanding issue and no one eligible optionee can receive share options entitling the eligible optionee to purchase more than 5% of the total common shares. Finally, there may not be issued to any one insider and such insider's associates, within a one-year period, a number of common shares of the Company exceeding 5% of the outstanding issue.

The changes in share options during the years ended September 30, 2016 and 2015 are as follows:

	September 30, 2016		September 30, 2015	
	Number of Options	**Weighted Average Exercise Price ($)**	Number of Options	Weighted Average Exercise Price ($)
Beginning of the year	**11,533,000**	**0.22**	9,383,000	0.24
Granted	**7,850,000**	**0.10**	5,420,000	0.18
Expired	**(2,250,000)**	**0.16**	(3,270,000)	0.22
End of the year	**17,133,000**	**0.17**	11,533,000	0.22

During the year ended September 30, 2016 the Company granted 7,850,000 stock options to certain directors, officers and employees. The stock options have an exercise price of $0.10 per share and a life of 5 years. The options vest immediately upon issuance. The estimated fair value of the share options granted during the year ended September 30, 2016 was $512,185.

During the year ended September 30, 2015, the Company granted 5,420,000 share options to directors, officers and an employee. The share options have a weighted average exercise price of $0.18 per share and a life of 3.42 years. The options vested immediately upon issuance. The estimated fair value of the share options granted during the year ended September 30, 2015 was $525,331.

The fair value of the options granted during the years ended September 30, 2016 and 2015 is estimated on the dates of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

	September 30, 2016	September 30, 2015
Dividend yield	**Nil**	Nil
Expected annualized volatility (%)	**98.89**	100.35
Risk-free interest rate (%)	**1.16**	1.65
Expected life of options (years)	**5**	4.15
Grant date fair value ($)	**0.065**	0.097
Forfeiture rate	**Nil**	Nil

Option pricing models require the input of subjective assumptions including the expected price volatility and the expected option life. Expected price volatility was calculated based on the Company's historical share prices. Changes in these assumptions can materially affect the estimated fair value of the stock options granted.

Note 13 – Share Capital (continued)

c) Share Purchase Options (continued)

A summary of the Company's options outstanding and exercisable as at September 30, 2016 is as follows:

Options Outstanding	Number of Options Exercisable	Exercise Price ($)	Remaining Contractual Life (Years)	Expiry Date
[(1)]1,663,000	1,663,000	0.25	0.15	November 25, 2016
550,000	550,000	0.47	0.54	April 16, 2017
1,800,000	1,800,000	0.26	1.41	February 28, 2018
1,550,000	1,550,000	0.15	2.00	September 30, 2018
3,500,000	3,500,000	0.16	3.08	October 28, 2019
[(1)]1,220,000	1,220,000	0.25	0.15	November 24, 2016
6,850,000	6,850,000	0.10	4.04	October 15, 2020
17,133,000	17,133,000	0.17	2.19	

[(1)] These options expired unexercised subsequent to September 30, 2016.

d) Warrants

	September 30, 2016		September 30, 2015	
	Number of Warrants	**Weighted Average Exercise Price ($)**	Number of Warrants	Weighted Average Exercise Price ($)
Beginning of the year	**24,433,706**	**0.16**	13,332,447	0.33
Issued	**32,522,500**	**0.08**	24,058,706	0.16
Expired	**(375,000)**	**0.16**	(12,957,447)	0.34
End of the year	**56,581,206**	**0.11**	24,433,706	0.16

A summary of the Company's warrants outstanding as at September 30, 2016 is as follows:

Warrants Outstanding	Exercise Price ($)	Remaining Contractual Life (Years)	Expiry Date
[(1)]4,949,690	0.16	0.09	November 3, 2016
[(1)]2,223,626	0.18	0.25	December 31, 2016
15,385,390	0.15	0.61	May 12, 2017
1,500,000	0.15	0.93	September 4, 2017
828,750	0.15	1.25	December 31, 2017
2,943,750	0.15	1.31	January 22, 2018
16,248,000	0.075	1.81	July 22, 2018
11,303,000	0.075	1.84	August 4, 2018
1,199,000	0.075	1.86	August 11, 2018
56,581,206	0.11	1.22	

[(1)] These warrants expired unexercised subsequent to September 30, 2016.

Note 13 – Share Capital (continued)

e) Agent Warrants

	September 30, 2016		September 30, 2015	
	Number of Warrants	**Weighted Average Exercise Price ($)**	Number of Warrants	Weighted Average Exercise Price ($)
Beginning of the year	**5,090,979**	**0.18**	925,150	0.21
Granted	**2,573,375**	**0.08**	5,090,979	0.18
Expired	**-**	**-**	(925,150)	0.21
End of the year	**7,664,354**	**0.14**	5,090,979	0.18

A summary of the Company's agent warrants outstanding as at September 30, 2016 is as follows:

Agent Warrants Outstanding	**Exercise Price ($)**	**Remaining Contractual Life (Years)**	**Expiry Date**
[(1)]319,555	0.18	0.09	November 3, 2016
[(1)]155,653	0.18	0.25	December 31, 2016
164,375	0.15	1.25	December 31, 2017
1,230,831	0.16	1.61	May 11, 2018
3,384,940	0.18	0.79	July 13, 2017
591,000	0.075	1.82	July 22, 2018
1,734,000	0.075	1.86	August 4, 2018
84,000	0.075	1.88	August 11, 2018
7,664,354	0.14	1.21	

[(1)] These warrants expired unexercised subsequent to September 30, 2016.

Note 14 – Financial Instruments

(a) Fair value of financial instruments

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

i. Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
ii. Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
iii. Level 3 – Input for assets and liabilities that is not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Note 14 – Financial Instruments (continued)

(a) Fair value of financial instruments (continued)

The following table presents the financial instruments recorded at fair value in the consolidated statements of financial position, classified using the fair value hierarchy described above:

September 30, 2016	Level 1	Level 2	Level 3
Cash	$ 509,140	$ -	$ -
Derivative liability	$ -	$ -	$ -

September 30, 2015	Level 1	Level 2	Level 3
Cash	$ 218,804	$ -	$ -
Derivative liability	$ -	$ -	$ 713,213

The fair value of accounts receivable, accounts payable and accrued liabilities, interest payable, promissory note payable and convertible debenture approximate their carrying amounts due to their short terms to maturity.

The derivative liability is measured at fair value through profit and loss using Black-Scholes option pricing model. This basis of determining fair value is a level 3 technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

(b) Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company's maximum exposure to credit risk for cash and receivables is the amounts disclosed in the consolidated statements of financial position. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

The Company's accounts receivable at September 30, 2016 primarily consist of goods and services sales tax (GST) due from the Federal Government of Canada.

The best representation of the Company's maximum exposure (excluding tax effects) to credit risk, which is a worst-case scenario and does not reflect results expected by the Company, is as set out in the following table:

	September 30, 2016 ($)	September 30, 2015 ($)
Cash	509,140	218,804
Accounts receivable	23,520	23,869
	532,660	242,673

Note 14 – Financial Instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. At September 30, 2016, the Company has a cash balance of $509,140 to settle its obligations related to accounts payable and accrued liabilities of $952,974 and a promissory note with a face value of US$1,129,305 on demand. Subsequent to September 30, 2016, the Company closed one private placement for gross proceeds of $7,500,014 and received the first tranche payment of US$2,500,000 pursuant to the Gold Streaming Agreement with RIVI.

(d) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Peru and Canada and a portion of its expenses are incurred in United Sates dollars and Peruvian Soles. A significant change in the currency exchange rates between the US dollar relative to the Canadian dollar and the Peruvian Soles to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At September 30, 2016 the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Peruvian Soles:

	Peruvian Soles (/S.)	US Dollars ($)
Cash	55,000	139,000
Accounts payable and accrued liabilities	(1,150,000)	(92,000)
Promissory Note	-	(1,129,305)

At September 30, 2016, USD amounts were converted at a rate of USD 1.00 to CAD 1.31; Peruvian Soles amounts were converted at a rate of Peruvian Sol 1.00 to CAD 0.3874.

Based on the above net exposures as at September 30, 2016, and assuming that all other variables remain constant, a 10% change of the Canadian dollar against the US dollar and Peruvian Soles would result in a change of approximately $184,000 in the Company's comprehensive income (loss) for the year.

(e) Interest rate risk

The Company is exposed to interest rate risk related to the promissory note and convertible debenture. Management considers the risk insignificant.

(f) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Note 15 – Related Party Transactions

(a) Compensation of key management personnel

Certain of the Company's key management personnel render services to the Company as sole proprietors or through companies in which they are an officer or director.

Company name	Controlled by	Position	Nature of transactions
Maher Global Exploration	Brian Maher	Chief Executive Officer	Consulting fees
KA Gold LLC	Kimberly Ann	Chief Financial Officer	Consulting fees

Compensation includes salaries paid to the President and Chief Executive Officer, Chief Financial Officer, Vice President of Corporate Development, and amounts paid to directors as consulting fees for their services provided to the Company outside of their capacity as a director.

	Years ended September 30,	
	2016 ($)	2015 ($)
Consulting fees, salaries and benefits	**641,761**	538,902
Termination benefits	**-**	2,512
Share-based compensation	**492,611**	501,910
	1,134,372	1,043,324

(b) Other related parties

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2016 included $87,138 (2015 – $305,682), which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

(c) Note Receivable from former Officer/Director

During the year ended September 30, 2013, the Company entered into a loan agreement with the former President/Director ("director") of the Company, whereby, the Company would provide him with a loan of $616,250 in order for him to exercise his share options to purchase 2,465,000 shares of the Company.

The terms of the loan required the former director to place the shares in trust with the Company's counsel as security for the loan. The loan accrued interest at a rate of 4% per annum with principal repayments following the below schedule:

1. $136,250 due August 31, 2014;
2. $175,000 due September 14, 2015 ; and
3. $305,000 due on November 24, 2016

Interest amounts began accruing at the inception of the loan and had been capitalized to the note receivable. No interest was to be paid during the first three years of the term.

During the year ended September 30, 2015, the Company and the former director agreed to settle all obligations. The settlement includes the cancellation of the loan of $616,250 receivable by the Company and the cancellation of 2,465,000 common shares (cancelled on October 6, 2015) of the Company held as collateral for the loan, as well as the issuance of 251,179 common shares of the Company valued at $21,350 to settle outstanding debt of $25,118, and the issuance of 1,220,000 stock options at an exercise price of $0.25 per common share with an expiry date of November 24, 2016.

Note 16 – Segmented Information

The Company operated in one reportable operating segment, being mineral exploration. Geographic segment information of the Company's total assets is as follows:

	September 30, 2016 ($)	September 30, 2015 ($)
Canada	**476,626**	177,293
Peru	**7,837,721**	7,553,337
Total assets	**8,314,347**	7,730,630

Geographic segmentation of the Company's (loss) income is as follows:

	Years ended September 30	
	2016 ($)	2015 ($)
Canada	**(1,374,211)**	(2,679,464)
Peru	**(406,711)**	257,082
Net loss	**(1,780,922)**	(2,422,382)

Note 17 – Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure. The Company manages its capital structure, being its promissory note, convertible debenture and equity components, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has no significant source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed covenants. There were no changes in the Company's approach to capital management during the years ended September 30, 2016 and 2015.

Note 18 – Supplemental Cash Flow Information

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the consolidated statements of cash flows.

During the year ended September 30, 2016, the following activities were excluded from the consolidated statements of cash flows:

	2016 ($)	2015 ($)
Shares issued for debt	842,391	1,683,313
Fair value of finders' warrants	16,438	218,614
Warrants issued for share issue costs	120,241	-
Fair value of finder's shares	-	12,000
Accounts payable related to exploration and evaluation assets	314,326	336,034
Assets under construction transferred from advances	467,320	-

Note 19 – Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows for the years ended September 30:

	2016 ($)	2015 ($)
Loss before income taxes	(1,780,922)	(2,422,382)
Statutory Canadian corporate tax rate	26.00%	26.00%
Income tax recovery at statutory rates	(463,000)	(630,000)
Non-deductible items	136,000	107,000
Non-capital losses expired	-	110,000
Difference in tax rates in other jurisdictions	(1,059,000)	1,212,000
Change in taxable benefits not realized	1,386,000	(799,000)
Deferred income tax recovery	-	-

The significant components of the Company's deferred income tax assets are as follows:

	September 30, 2016 ($)	September 30, 2015 ($)
Deferred income tax assets (liabilities)		
Exploration and evaluation assets and equipment	8,368,000	7,437,000
Convertible debenture and promissory note	16,000	185,000
Share issuance costs	95,000	75,000
Non-capital losses available for future periods	4,650,000	4,056,000
Others	17,000	12,000
	13,146,000	11,765,000
Unrecognized deferred tax assets	(13,146,000)	(11,765,000)
Net deferred tax assets	-	-

At September 30, 2016, the Company has available non-capital tax losses for Canadian income tax purposes of approximately $13,592,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

	Canada ($)
2026	676,000
2027	601,000
2028	534,000
2029	374,000
2030	417,000
2031	460,000
2032	944,000
2033	2,454,000
2034	2,805,000
2035	2,736,000
2036	1,591,000
	13,592,000

Note 19 – Income Taxes (continued)

The Company has losses in Peru which can be carried forward indefinitely but are limited to 50% of taxable income each subsequent year.

In addition, the Company has available resource properties tax pool of approximately $2,059,000 in Canada and approximately $27,649,000 in Peru, which may be deductible at various rates dictated by relevant tax authorities. Those amounts are subject to review by relevant tax authorities and are subject to revision. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

Note 20 – Contingency

The Company's subsidiaries in Peru may be subject to additional tax assessments and the imposition of fines and interest by SUNAT, the Peruvian tax authority, due to the treatment and classification of intercompany advances to the Peruvian subsidiaries and the related withholding taxes imposed. The Company is of the opinion that these potential tax liabilities cannot be reasonably estimated at this time. As such, no loss provision has been made in these consolidated financial statements as at September 30, 2016.

Note 21 – Subsequent events

On October 13, 2016, the Company issued 7,635,914 common shares for exploration work on the Igor concession (note 6).

On November 1, 2016, the Company granted 15,036,000 stock options to certain directors, officers and employees. The stock options have an exercise price of $0.10 per share and a life of 5 years.

On December 13, 2016, the Company closed a non-brokered private placement issuing 125,000,233 units at a price of $0.06 per unit for gross proceeds of $7,500,014. Each unit consists of one common share and half a common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.085 on or before December 13, 2019. In consideration for introducing certain subscribers to the private placement, the Company paid a cash finders' fee of 6% of the amount raised from those subscribers and has issued 7,137,014 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.085 for a period of three years from closing.