



PPX Mining Corp.
(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2017 and 2016

Expressed in Canadian Dollars
(Unaudited – Prepared by Management)

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PPX Mining Corp.
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The accompanying unaudited condensed interim consolidated financial statements of PPX Mining Corp. for the three and six months ended March 31, 2017 and 2016 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements.

/s/ Brian Maher

Brian Maher, Chief Executive Officer
Vancouver, BC Canada
May 29, 2017

/s/ Brian Imrie

Brian Imrie, Director
Vancouver, BC Canada
May 29, 2017

PPX Mining Corp.
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	Notes	March 31, 2017 (\$)	September 30, 2016 (\$)
ASSETS			
Current Assets			
Cash		7,220,585	509,140
Accounts receivable	5	43,874	23,520
Prepaid expenses		109,068	49,526
Total current assets		7,373,527	582,186
Non-current assets			
Deferred financing costs	12	-	76,356
Exploration and evaluation assets	6	2,932,598	1,097,305
Advances for assets under construction	6	6,184,035	6,099,405
Property, plant and equipment	7	739,149	459,095
TOTAL ASSETS		17,229,309	8,314,347
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8, 15	509,406	952,974
Interest payable	12	83,119	-
Promissory note	11	1,501,863	1,481,309
Total current liabilities		2,094,388	2,434,283
Non-current liabilities			
Gold streaming facility	12	2,735,576	-
Decommissioning obligation	13	16,482	16,714
TOTAL LIABILITIES		4,846,446	2,450,997
SHAREHOLDERS' EQUITY			
Share capital	14	50,461,691	46,488,242
Share-based payment reserve	14	6,877,248	5,886,882
Warrants reserve	14	8,570,607	4,414,362
Accumulated other comprehensive loss		(616,576)	(700,654)
Deficit		(52,910,107)	(50,225,482)
TOTAL SHAREHOLDERS' EQUITY		12,382,863	5,863,350
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		17,229,309	8,314,347

Nature of operations (Note 1)
Contingency (Note 18)
Subsequent events (Note 14 and 19)

Approved on behalf of the Board:

/s/ Brian J Maher

Director

/s/ Brian Imrie

Director

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

PPX Mining Corp.
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended March 31, 2017 and 2016
(Unaudited – Expressed in Canadian Dollars)

		Three months ended		Six months ended	
		March 31		March 31	
	Notes	2017	2016	2017	2016
		(\$)	(\$)	(\$)	(\$)
Operating expenses					
Communication and regulatory		144,808	18,981	327,255	38,388
Consulting fees, salaries and benefits	15	604,042	238,000	819,084	433,857
Depreciation	7	1,555	6,047	1,555	11,948
Foreign exchange loss (gain)		(18,354)	(157,129)	41,822	(63,904)
Office and miscellaneous		23,400	36,822	84,757	62,666
Premises		21,658	16,860	35,845	31,907
Professional fees		59,780	21,923	108,826	71,605
Share-based payments	14, 15	-	-	990,366	512,185
Travel and promotion		64,905	47,077	117,890	61,730
Net loss before finance items		(901,794)	(228,581)	(2,527,400)	(1,160,382)
Finance items					
Interest expense	9, 10, 11, 12	(82,733)	(73,446)	(157,225)	(142,798)
Change in fair value of derivative liability	10, 11	-	44,242	-	751,914
Transaction costs		-	(2,851)	-	(2,851)
Net loss for the period		(984,527)	(260,636)	(2,684,625)	(554,117)
Other Comprehensive Income					
Foreign exchange difference on translation		(109,417)	(470,425)	84,078	(160,795)
Total comprehensive loss for the period		(1,093,944)	(731,061)	(2,600,547)	(714,912)
Basic and Diluted Loss per share		(0.00)	(0.00)	(0.01)	(0.00)
Weighted average number of shares outstanding					
Basic and Diluted		318,886,108	249,770,440	331,607,630	249,520,647

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

PPX Mining Corp.
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended March 31, 2017 and 2016
(Unaudited – Expressed in Canadian Dollars)

	2017 (\$)	2016 (\$)
Cash flows from operating activities		
Net loss for the period	(2,684,625)	(554,117)
Adjustments for items not affecting cash:		
Accretion expense	-	122,206
Depreciation	1,555	11,948
Accrued interest expense	83,119	19,258
Share-based payments	990,366	512,185
Change in fair value of derivative liability	-	(751,914)
	(1,609,585)	(640,434)
Changes in non-cash working capital items:		
Accounts receivable	(20,354)	11,177
Prepaid expenses	(59,542)	2,889
Accounts payable and accrued liabilities	(334,468)	210,468
Cash used in operating activities	(2,023,949)	(415,900)
Cash flows from financing activities		
Proceeds from related party loans	-	184,588
Proceeds from gold streaming facility	3,056,468	-
Proceeds from issuance of convertible debenture	-	136,935
Proceeds from issuance of common shares, net of share issue costs	6,999,888	153,910
Cash provided by financing activities	10,056,356	475,433
Cash flows from investing activities		
Mineral property expenditures	(1,010,625)	(181,202)
Property, plant and equipment acquisitions	(276,177)	-
Cash used in investing activities	(1,286,802)	(181,202)
Foreign exchange effect on cash	(34,160)	(20,710)
Increase (decrease) in cash for the period	6,745,605	(121,669)
Cash, beginning of period	509,140	218,804
Cash, end of period	7,220,585	76,425
Supplemental cash flow information (Note 17)		
Interest paid	-	-
Income taxes paid	-	-

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

PPX Mining Corp.
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Shareholders' Equity
(Unaudited – 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, 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	3,772,500	280,649	96,601	-	-	-	-	377,250
Share issue costs	-	(41,260)	-	-	-	-	-	(41,260)
Shares issued to settle debt	1,050,000	94,500	-	-	-	-	-	94,500
Cancellation of common shares	(2,465,000)	-	-	-	-	-	-	-
Fair value of finders' units	164,375	14,944	1,494	-	-	-	-	16,438
Share-based payments	-	-	-	512,185	-	-	-	512,185
Subscriptions received	-	-	-	-	(198,518)	-	-	(198,518)
Foreign exchange translation difference	-	-	-	-	-	(160,795)	-	(160,795)
Net loss for the period	-	-	-	-	-	-	(554,117)	(554,117)
March 31, 2016	251,499,767	44,523,473	2,974,721	5,886,882	-	(779,457)	(48,998,677)	3,606,942
Units issued in private placement	57,500,000	1,555,600	1,319,400	-	-	-	-	2,875,000
Share issue costs	-	(218,481)	-	-	-	-	-	(218,481)
Shares issued to settle debt	6,262,703	747,891	-	-	-	-	-	747,891
Fair value of finders' warrants	-	(120,241)	120,241	-	-	-	-	-
Foreign exchange translation difference	-	-	-	-	-	78,803	-	78,803
Net loss for the period	-	-	-	-	-	-	(1,226,805)	(1,226,805)
September 30, 2016	315,262,470	46,488,242	4,414,362	5,886,882	-	(700,654)	(50,225,482)	5,863,350
Units issued in private placement	125,000,233	3,961,352	3,538,662	-	-	-	-	7,500,014
Share issue costs	-	(500,126)	-	-	-	-	-	(500,126)
Shares issued pursuant to exploration work	7,635,914	916,310	-	-	-	-	-	916,310
Fair value of finders' warrants	-	(404,087)	617,583	-	-	-	-	213,496
Share-based payments	-	-	-	990,366	-	-	-	990,366
Foreign exchange translation difference	-	-	-	-	-	84,078	-	84,078
Net loss for the period	-	-	-	-	-	-	(2,684,625)	(2,684,625)
March 31, 2017	447,898,617	50,461,691	8,570,607	6,877,248	-	(616,576)	(52,910,107)	12,382,863

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

PPX Mining Corp.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended March 31, 2017 and 2016

(Unaudited – Expressed in Canadian Dollars)

Note 1 – Nature of Operations

PPX Mining 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 and then PPX Mining Corp. on August 4, 2016. 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.

Note 2 – Basis of Preparation

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2016.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2017.

Note 3 – Significant Accounting Policies

These condensed interim 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 condensed interim 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 condensed interim consolidated financial statements.

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

Consolidation

The condensed interim 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 condensed interim 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 condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim 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

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For the Three and Six Months Ended March 31, 2017 and 2016

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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 18;
- determination of derivative liability.

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.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended March 31, 2017 and 2016

(Unaudited – Expressed in Canadian Dollars)

Note 5 – Accounts Receivable

	March 31, 2017 (\$)	September 30, 2016 (\$)
Canadian GST recoverable	41,121	21,571
Other	2,753	1,949
	43,874	23,520

Note 6 – Exploration and Evaluation Assets

	IGOR Concession (Peru) (\$)
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
Drilling, road and site preparation	1,438,966
Salaries, claims maintenance and staking	374,460
Social development	4,409
Foreign Exchange	17,458
March 31, 2017	2,932,598

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%.

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 March 31, 2017, \$6,184,035 (US\$4,650,000) remains as advances for assets under construction as compared to \$6,099,405 (US\$4,650,000) at September 30, 2016.

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.

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.

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For the Three and Six Months Ended March 31, 2017 and 2016

(Unaudited – Expressed in Canadian Dollars)

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.

On October 13, 2016, the Company issued 7,635,914 shares valued at \$916,310 for exploration work done by Patagonia on the Igor concession.

Note 7 – Property, Plant and Equipment

Cost	Equipment (\$)	Property (\$)	Assets Under Construction ⁽¹⁾ (\$)	Total (\$)
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
Additions	9,404	266,773	-	276,177
Foreign Exchange	1,509	(899)	6,370	6,980
Balance – March 31, 2017	127,850	265,874	465,465	859,189
Accumulated Depreciation				
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
Additions	1,555	-	-	1,555
Foreign Exchange	1,548	-	-	1,548
Balance – March 31, 2017	120,040	-	-	120,040
Net Book Value at September 30, 2016	-	-	459,095	459,095
Net Book Value at March 31, 2017	7,810	265,874	465,465	739,149

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

Note 8 – Accounts Payable and Accrued Liabilities

	March 31, 2017 (\$)	September 30, 2016 (\$)
Trade accounts payable	304,180	638,648
Acquisition of surface rights	205,226	314,326
	509,406	952,974

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended March 31, 2017 and 2016

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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, 2015	-
Fair value at inception	184,588
Repayment	(183,279)
Foreign Exchange	(1,309)
September 30, 2016	-

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 March 26, 2015, the Company entered into an agreement to issue a 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 another 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. 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.

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.

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.

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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, 2015	106,015
Fair value at inception	91,415
Change in fair value including foreign exchange	(17,468)
Converted to shares	(179,962)
September 30, 2016	-

The change in the convertible debentures is as follows:

	(\$)
September 30, 2015	199,150
Fair value at inception	46,985
Transaction costs	(1,465)
Amortization of discount	145,578
Foreign exchange	(7,918)
Loss on settlement	43,925
Shares issued to settle convertible debenture	(426,255)
September 30, 2016	-

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 and a foreign exchange gain of \$871. The total interest expense on the convertible debentures for the year ended September 30, 2016 was \$173,575.

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 March 31, 2017, the fair value was \$nil.

The change in the derivative liability is as follows:

	(\$)
September 30, 2015	607,198
Change in fair value including foreign exchange	(607,198)
September 30, 2016	-

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The change in the promissory note is as follows:

	March 31, 2017 (\$)	September 30, 2016 (\$)
Balance, beginning of the year / period	1,481,309	1,468,736
Amortization of discount	-	38,615
Foreign exchange	20,554	(26,042)
Balance, end of the year / period	1,501,863	1,481,309

Note 12 – Gold Streaming Facility

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. On October 11, 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. After deducting a structuring fee of US\$75,000 on the first tranche payment, the fair value of the net proceeds received was US\$2,425,000 (\$3,256,047). 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 Company will pay another structuring fee of 3% of the second tranche payment upon receipt. Subject to regulatory approval, the Company has agreed to pay an additional cash finder’s fee of US\$150,000.
- 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 incurred \$275,935 in financing costs, \$76,356 of which were recorded as deferred financing costs as at September 30, 2016. On October 10, 2016, the company issued 3,000,000 finders’ warrants to an arm’s length finder valued at \$213,496, entitling the holder to purchase one common share at a price of \$0.12 per share and expiring October 10, 2018. 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 (%)	0.60
Expected life (years)	2
Expected annualized volatility (%)	116.66

The change in the gold streaming facility is as follows:

	(\$)
September 30, 2016	-
Fair value at inception	3,256,047
Financing costs	(275,935)
Fair value of finders’ warrants issued	(213,496)
Foreign exchange	(31,040)
March 31, 2017	2,735,576

During the three and six months ended March 31, 2017, the Company recorded interest expense of \$82,733 and \$157,225. The accrued interest reported at March 31, 2017 of \$83,119 (US\$62,500) includes a foreign exchange loss of \$386.

- 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

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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 also 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.

Note 13 – Decommissioning Obligation

The Company estimated the fair value of the decommissioning obligation that arose as a result of exploration activities to be \$16,482 (September 30, 2017 - \$16,714). The fair value of the liability was determined to be equal to the estimated remediation costs. As at March 31, 2017, 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, 2015	16,431
Foreign exchange	283
Balance at September 30, 2016	16,714
Foreign exchange	(232)
Balance at March 31, 2017	16,482

Note 14 – Share Capital

a) Authorized

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

b) Issued

Fiscal 2017 transactions

On October 13, 2016, the Company issued 7,635,914 common shares valued at \$916,310 for exploration work on the Igor concession (note 6).

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 connection with the non-brokered private placement, the Company incurred legal and filing fees of \$71,906, paid cash finder's fees of \$428,220, and issued 7,137,014 finder's warrants (an "Agent Warrant") valued at \$404,087. 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. The Company has assigned \$3,538,662 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of \$3,961,352 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 (%)	1.07
Expected life (years)	3
Expected annualized volatility (%)	122.66

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.

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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 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.

b) 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

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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 six months ended March 31, 2017 and the year ended September 30, 2016 are as follows:

	March 31, 2017		September 30, 2016	
	Number of Options	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)
Beginning of the year / period	17,133,000	0.17	11,533,000	0.22
Granted	15,036,000	0.10	7,850,000	0.10
Expired	(2,883,000)	0.25	(2,250,000)	0.16
End of the year / period	29,286,000	0.13	17,133,000	0.17

During the six months ended March 31, 2017 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. The options vest immediately upon issuance. The estimated fair value of the share options granted during the six months ended March 31, 2017 was \$990,366.

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.

The fair value of the options granted during the six months ended March 31, 2017 and year ended September 30, 2016 is estimated on the dates of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

	March 31, 2017	September 30, 2016
Dividend yield	Nil	Nil
Expected annualized volatility (%)	100.59	98.89
Risk-free interest rate (%)	0.96	1.16
Expected life of options (years)	5	5
Grant date fair value (\$)	0.066	0.065
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.

A summary of the Company's options outstanding and exercisable as at March 31, 2017 is as follows:

Options Outstanding	Number of Options Exercisable	Exercise Price (\$)	Remaining Contractual Life (Years)	Expiry Date
550,000	550,000	0.47	0.04	April 16, 2017 ⁽¹⁾
1,800,000	1,800,000	0.26	0.92	February 28, 2018
1,550,000	1,550,000	0.15	1.50	September 30, 2018
3,500,000	3,500,000	0.16	2.58	October 28, 2019
6,850,000	6,850,000	0.10	3.55	October 15, 2020
15,036,000	15,036,000	0.10	4.59	November 1, 2021
29,286,000	29,286,000	0.13	3.44	

⁽¹⁾ These options expired unexercised subsequent to March 31, 2017.

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c) Warrants

	March 31, 2017		September 30, 2016	
	Number of Warrants	Weighted Average Exercise Price (\$)	Number of Warrants	Weighted Average Exercise Price (\$)
Beginning of the year / period	56,581,206	0.11	24,433,706	0.16
Issued	62,500,116	0.09	32,522,500	0.08
Expired	(7,173,316)	0.17	(375,000)	0.16
End of the year / period	111,908,006	0.09	56,581,206	0.11

A summary of the Company's warrants outstanding as at March 31, 2017 is as follows:

Warrants Outstanding	Exercise Price (\$)	Remaining Contractual Life (Years)	Expiry Date
15,385,390	0.15	0.12	May 12, 2017 ⁽¹⁾
1,500,000	0.15	0.43	September 4, 2017
828,750	0.15	0.75	December 31, 2017
2,943,750	0.15	0.81	January 22, 2018
16,248,000	0.075	1.31	July 22, 2018
11,303,000	0.075	1.35	August 4, 2018
1,199,000	0.075	1.36	August 11, 2018
62,500,116	0.085	2.70	December 13, 2019
111,908,006	0.09	1.10	

⁽¹⁾ These warrants expired unexercised subsequent to March 31, 2017.

d) Agent Warrants

	March 31, 2017		September 30, 2016	
	Number of Warrants	Weighted Average Exercise Price (\$)	Number of Warrants	Weighted Average Exercise Price (\$)
Beginning of the year / period	7,664,354	0.18	5,090,979	0.18
Granted	10,137,014	0.10	2,573,375	0.08
Expired	(475,208)	0.18	-	-
End of the year / period	17,326,160	0.11	7,664,354	0.14

A summary of the Company's agent warrants outstanding as at March 31, 2017 is as follows:

Agent Warrants Outstanding	Exercise Price (\$)	Remaining Contractual Life (Years)	Expiry Date
164,375	0.15	0.76	December 31, 2017
1,230,831	0.16	1.12	May 11, 2018
3,384,940	0.18	0.29	July 13, 2017
591,000	0.075	1.32	July 22, 2018
1,734,000	0.075	1.36	August 4, 2018
84,000	0.075	1.38	August 11, 2018
3,000,000	0.12	1.54	October 10, 2018
7,137,014	0.085	2.73	December 13, 2019
17,326,160	0.11	1.45	

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Note 15 – Related Party Transactions

(a) Compensation of key management personnel

The Company's key management personnel consist of the Company's officers, directors and companies associated with them including the following:

- Maher Global Exploration, a company controlled by Brian Maher, Chief Executive Officer
- KA Gold LLC, a company controlled by Kimberly Ann, former Chief Financial Officer and Vice President of Corporate Development
- Malaspina Consultants Inc, a company in which Natasha Tsai, Interim Chief Financial Officer, is an Associate

Compensation includes salaries and professional fees paid to the President and Chief Executive Officer, former Chief Financial Officer and Vice President of Corporate Development, Interim Chief Financial Officer and amounts paid to directors.

	Three months ended March 31,		Six months ended March 31,	
	2017 (\$)	2016 (\$)	2017 (\$)	2016 (\$)
Consulting fees, salaries and benefits	406,730	154,721	563,431	302,660
Professional fees	3,500	-	3,500	-
Share-based compensation	-	-	958,355	492,611
	410,230	154,721	1,525,286	795,271

(b) Other related parties

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2017 included \$nil (September 30, 2016 – \$87,138), 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 included 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 which expired on November 24, 2016.

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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:

	March 31, 2017 (\$)	September 30, 2016 (\$)
Canada	6,984,340	476,626
Peru	10,244,969	7,837,721
Total assets	17,229,309	8,314,347

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

	Three months ended		Six months ended	
	March 31, 2017 (\$)	March 31, 2016 (\$)	March 31, 2017 (\$)	March 31, 2016 (\$)
Canada	(891,520)	(155,139)	(2,434,031)	(349,825)
Peru	(93,007)	(105,497)	(250,594)	(204,292)
Net loss	(984,527)	(260,636)	(2,684,625)	(554,117)

Note 17 – 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 six months ended March 31, 2017 and 2016, the following activities were excluded from the consolidated statements of cash flows:

	2017 (\$)	2016 (\$)
Fair value of finders' units	-	16,438
Fair value of finders' warrants	213,496	-
Issuance of shares pursuant to exploration work	916,310	-
Accounts payable related to exploration and evaluation assets	205,226	317,534

Note 18 – 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 March 31, 2017.

Note 19 – Subsequent event

On May 8, 2017, the Company granted 600,000 options to an employee of the Company, allowing the holder to purchase one common share at an exercise price of \$0.075 per common share over a life of 5 years.