TOACHI MINING INC.
(formerly, Ferrum Americas Mining Inc.)

Consolidated Financial Statements

For the years ended

July 31, 2016 and 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying annual consolidated financial statements of Taochi Mining Inc. ("Toachi" or the "Company") (formerly, Ferrum Americas Mining Inc.) have been prepared by management in accordance with International Financial Reporting Standards and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained.

The Audit Committee of the Board of Directors has reviewed with the Company's independent auditors the scope and results of the annual audit and the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, Collins Barrow Toronto LLP are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR") AND DISCLOSURE CONTROLS AND PROCEDURES ("DCP")

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

As the Company is a Venture Issuer (as defined under under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and management are not required to include representations relating to the establishment and/or maintenance of DCP and/or ICFR, as defined in NI 52-109.

"Nick Tintor"	*"Stephen Gledhill"*
………………………………………	………………………………………
Nick Tintor	Stephen Gledhill
Chief Executive Officer	Chief Financial Officer
Toronto, Ontario	Toronto, Ontario
November 16, 2016	November 16, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Toachi Mining Inc. (formerly, Ferrum Americas Mining Inc.)

We have audited the accompanying consolidated financial statements of Toachi Mining Inc. (formerly, Ferrum Americas Mining Inc.) and its subsidiary, which comprise the consolidated statements of financial position as at July 31, 2016 and July 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flow for the years ended July 31, 2016 and July 31, 2015 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 Toachi Mining Inc. (formerly, Ferrum Americas Mining Inc.) and its subsidiary as at July 31, 2016 and July 31, 2015, and its financial performance and its cash flows for the years ended July 31, 2016 and July 31, 2015 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Chartered Professional Accountants
Licensed Public Accountants
November 16, 2016

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TOACHI MINING INC.
(formerly, Ferrum Americas Mining Inc.)
Consolidated Statements of Financial Position
(Canadian dollars)

As at	**July 31, 2016**	July 31, 2015
	$	$
Assets		
Current assets		
Cash	**3,088,620**	3,823
Amounts receivable and prepaids *(note 8)*	**62,980**	4,935
Total current assets	**3,151,600**	8,758
Total assets	**3,151,600**	8,758
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(notes 7 and 9)*	**447,302**	307,805
Due to related parties *(note 10)*	**4,512**	-
Total current liabilities	**451,814**	307,805
Total liabilities	**451,814**	307,805
Shareholders' equity (deficiency)		
Share capital *(note 11)*	**9,694,405**	7,094,437
Reserve for share-based payments *(note 11)*	**394,372**	165,642
Reserve for warrants *(note 11)*	**1,525,036**	432,981
Accumulated deficit	**(8,914,027)**	(7,992,107)
Total shareholders' equity (deficiency)	**2,699,786**	(299,047)
Total liabilities and shareholders' equity (deficiency)	**3,151,600**	8,758

Going concern *(note 2)*
Subsequent events *(note 14)*

Approved for issuance on behalf of the Board of Directors on November 16, 2016:

"Jonathan Goodman"

Jonathan Goodman
Director

"Carolina Vargas"

Carolina Vargas
Director

TOACHI MINING INC.
(formerly, Ferrum Americas Mining Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Canadian dollars)

Year ended July 31,	**2016**	2015
	$	$
Operating expenses		
Consulting and professional fees	**172,445**	29,657
Exploration and evaluation expenditures *(note 7)*	**496,147**	119,066
Foreign exchange (gain) loss	**(5,782)**	53,064
General and administrative	**73,047**	61,695
Management fees *(note 10)*	**81,000**	88,000
Share-based payments *(note 11)*	**353,139**	31,435
Total operating expenses	**1,169,996**	382,917
Net loss before other items	**(1,169,996)**	(382,917)
Other items		
Interest accretion	**-**	(16,317)
Total other items	**-**	(16,317)
Net loss before income tax	**(1,169,996)**	(399,234)
Deferred income tax recoveries *(note 13)*	**-**	3,002
Net loss and comprehensive loss	**(1,169,996)**	(396,232)
Basic and fully diluted net loss per share	**(0.07)**	(0.04)
Weighted average number of shares	**17,108,571**	9,258,704

TOACHI MINING INC.
(formerly, Ferrum Americas Mining Inc.)
Consolidated Statement of Changes in Equity
(Canadian dollars)

	Share Capital		Reserves				
	Number of Shares[1]	Amount	Share-based payments	Warrants	Equity component of convertible debentures	Deficit	Total
		$	$	$	$	$	$
Balance at July 31, 2014	8,929,935	6,557,104	134,207	432,981	108,082	(7,595,875)	(363,501)
Issued on conversion of debenture	500,000	537,333	-	-	(108,082)	-	429,251
Share-based payments *(note 11)*	-	-	31,435	-	-	-	31,435
Loss and comprehensive loss	-	-	-	-	-	(396,232)	(396,232)
Balance at July 31, 2015	9,429,935	7,094,437	165,642	432,981	-	(7,992,107)	(299,047)
Issued for cash *(note 11)*	**28,920,000**	**4,371,000**	**-**	**-**	**-**	**-**	**4,371,000**
Financing costs *(note 11)*	**-**	**(558,804)**	**-**	**(363,166)**	**-**	**-**	**(921,970)**
Fair value of warrants *(note 11)*	**-**	**(1,212,228)**	**-**	**1,578,888**	**-**	**-**	**366,660**
Expired options/warrants	**-**	**-**	**(124,409)**	**(123,667)**	**-**	**248,076**	**-**
Share-based compensation *(note 11)*	**-**	**-**	**353,139**	**-**	**-**	**-**	**353,139**
Loss and comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(1,169,996)**	**(1,169,996)**
Balance at July 31, 2016	**38,349,935**	**9,674,405**	**394,372**	**1,525,036**	**-**	**(8,914,027)**	**2,699,786**

[1]As at July 31, 2015 and 2014, number of shares has been adjusted for the Consolidation (see note 1).

TOACHI MINING INC.
(formerly, Ferrum Americas Mining Inc.)
Consolidated Statements of Cash Flow
(Canadian dollars)

Year ended July 31,	**2016**	2015
	$	$
Operations		
Net loss	**(1,169,996)**	(396,232)
Non-cash items:		
Share-based payments *(note 11)*	**353,139**	31,435
Interest accretion	**-**	16,317
Deferred income tax recoveries *(note 13)*	**-**	(3,002)
Net change in non-cash working capital items:		
Amounts receivable and prepaid expenses	**(58,045)**	19,936
Trade payables and accrued liabilities	**139,497**	105,084
Cash used for operations	**(735,405)**	(226,462)
Financing		
Issuance of common shares (net of issuance costs) *(note 11)*	**3,815,690**	-
Advances of related-party loans	**69,884**	-
Repayment of related-party loans	**(65,372)**	-
Cash provided from financing activities	**3,820,202**	-
Increase (decrease) in cash and cash equivalents	**3,084,797**	(226,462)
Cash and cash equivalents at beginning of year	**3,823**	230,285
Cash and cash equivalents at end of year	**3,088,620**	3,823
Supplemental cash flow information:		
Interest paid	**-**	-
Income taxes paid	**-**	-

1. NATURE OF OPERATIONS

Toachi Mining Inc. (the "Company") (formerly Ferrum Americas Mining Inc. ("Ferrum")) is a minerals exploration company and the consolidated financial statements include the financial statements of the Company and its wholly-owned, Empresa Minera Yacuses S.A. ("Yacuses"), incorporated in Bolivia on February 3, 2011.

The Company was incorporated under the *Canada Business Corporations Act* on October 14, 2010 under the name of 7674279 Canada Inc. On November 26, 2010, the Company changed its name to Ferrum International Mining Inc. and further changed its name on January 28, 2011, to Ferrum Americas Mining Inc. At a Special Meeting of Shareholders held on January 28, 2016, Ferrum received approval from its shareholders to change its name to Toachi Mining Inc. and to a 1-for-5 share consolidation (the "Consolidation"). On March 14, 2016, the Company announced the name-change, Consolidation and change of TSX Venture Exchange ("TSXV") ticker symbol to "TIM".

The Company's main and registered office is located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, Canada, M5H 1T1. The principal business activity of the Company is the development of the La Plata project's (see note 7) gold, copper, zinc and silver volcanogenic-massive-sulphide ("VMS") project in Ecuador.

2. GOING CONCERN

These consolidated financial statements (the "Financial Statements") have been prepared on the basis of accounting principles applicable to a going concern, which assume that Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, these Financial Statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the consolidated Financial Statements.

The reader is also directed to review note 5 (b) - ***Financial instruments – Liquidity risk***.

The Company currently doesn't generate revenue and in order to meet its work commitments and planned exploration expenditures for its projects as well as further working capital requirements over the next 12 months, it will be required to complete additional financings (debt and/or equity). These conditions are material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. Management continues to work toward completing additional financings, as required.

3. STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee.

The Financial Statements were approved by the Company's Board of Directors on November 16, 2016.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Financial Statements have been prepared on the historic cost basis except for certain financial instruments, that are measured at fair value, as explained in the accounting policies. Under IFRS, fair value is, "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

(b) Basis of consolidation

The Financial Statements include the financial statements of the Company and its wholly-owned subsidiary, Yacuses. Subsidiaries are all entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies and the reporting date of the Company.

(c) Exploration and evaluation expenditures

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, Plant and Equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Share-based payments

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be reliably measured, the transactions are measured at fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity using the Black-Scholes option pricing model, at the date on which they are granted. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payment reserve.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The fair value of options and/or warrants that are unexercised upon expiry is removed from the appropriate reserve account and transferred to retained earnings/accumulated deficit.

The dilutive effect of outstanding options, warrants and conversion features is reflected as additional dilution in the computation of earnings per share.

In situations where the Company issued units, the value of warrants is included as a separate reserve of the Company's equity.

(e) Taxation

Income tax expense represents the sum of taxes currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Taxation (Cont'd)

Deferred income tax

Deferred income tax is provided on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Taxation (Cont'd)

Deferred income tax (Cont'd)

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(f) Loss per share

The Company presents basic and fully-diluted loss per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding during the year. Fully-diluted EPS is determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise share options granted to employees, directors and consultants, issued warrants and conversion features, if applicable. During the years ended July 31, 2016 and 2015, all outstanding stock options, warrants and conversion features were antidilutive. In the comparative year, EPS has been adjusted to reflect the effect of the Consolidation.

(g) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: Held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's amounts receivable excluding HST are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. As at July 31, 2016 and 2015, the Company has not classified any assets as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or 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 trade payables and accrued liabilities, due to related parties are classified as other-financial-liabilities.

(i) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has occurred, the amount of the loss is measured as the difference between the asset's 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 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 period, 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 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.

(j) Cash

Cash on the statements of financial position comprises cash held at banks under general deposit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. There were no provisions as at July 31, 2016.

(l) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and its subsidiary is the Canadian Dollar. The consolidated financial statements are presented in Canadian dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss and comprehensive loss.

(m) Significant accounting judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates, when applicable, relate to valuation of deferred income tax amounts and the calculation of share-based payments and warrants. The most significant judgements, relate to functional currency and recognition of deferred tax assets and liabilities. The Company also applies judgement in assessing its ability to continue as a going concern for at least twelve months.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Adoption of new and revised standards and interpretations

IFRS 9 *Financial Instruments*

Issued by IASB July 2014; effective for the Company's annual period beginning July 1, 2018.

IFRS 9 will replace IAS 39 Financial *Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets.** Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.
- **Classification and measurement of financial liabilities.** When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets.** An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- **Hedge accounting:** Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company is currently assessing the implications IFRS 9 will have on the Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Adoption of new and revised standards and interpretations (Cont'd)

IFRS 15 *Revenue from Contracts with Customers*

Issued by IASB May 2014; effective for the Company's annual period beginning August 1, 2018.

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

Revenue is recognized based on a five-step model:
1. Identify the contract with customer;
2. Identify the performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and,
5. Recognize revenue when (or as) the performance obligations are satisfied.

New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company is currently assessing the implications IFRS 15 will have on the Financial Statements.

Annual Improvements 2012-2014 Cycle

Issued by IASB September 2014; effective for the Company's annual period beginning August 1, 2016.

The following standards have been revised to incorporate amendments issued by the IASB:
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – Clarifies the application of guidance when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa), and the circumstances in which an asset (or disposal group) no longer meets the criteria for held for distribution.
- IFRS 7 *Financial Instruments: Disclosures* – Clarifies guidance on servicing contracts and the applicability of the amendments to IFRS 7 regarding offsetting financial assets and financial liabilities to interim financial statements.
- IAS 19 *Employee Benefits* – Clarifies the application of the discount rate requirements for currencies for which there is no deep market in high quality corporate bonds.
- IAS 34 *Interim Financial Reporting* – Clarifies the meaning of disclosure of information "elsewhere in the interim financial report".

The Company does not expect these amendments will have a significant impact on the Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Adoption of new and revised standards and interpretations (Cont'd)

IFRS 16 Leases

Issued by IASB January 2016; effective for the Company's annual period beginning August 1, 2019.

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers.*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.
- The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Company is currently assessing the implications IFRS 16 will have on the Financial Statements.

Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

Issued by IASB January 2016; effective for the Company's annual period beginning August 1, 2017.

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Company is currently assessing the implications Amendments to IAS 7 will have on the Financial Statements.

5. FINANCIAL INSTRUMENTS

Fair Value

The Company has classified its cash as FVTPL, which is measured at Level 1 in the fair-value hierarchy. Trade payables and accrued liabilities, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company has no accounts receivable.

Cash is held with major Canadian bank and therefore the risk of loss is minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due (see *note 2*) by raising funds through asset sales or completing debt or equity financings. Management monitors its working capital and seeks financing as necessary. As at July 31, 2016, the Company had a cash balance of $3,088,620 (2015 - $3,823) and working capital of $2,699,786 (2015 – working capital deficit of $299,047). The Company's trade payables and accrued liabilities balance of $447,302, include $79,789 of trade payables, which are subject to normal trade terms and $367,513, which are due pursuant to the option agreements on the Cerro Rojo Project (see note 7). Negotiations are currently underway with Camilla, Rolando and Surumi (as those entities are defined in note 7) to return the Company's 50%-owned stake in the Cerro Rojo Project together with its wholly-owned subsidiary, Empresa Minera Yacuses S.A., in exchange for this outstanding amount (see *notes 7 and 15*).

The Company manages the liquidity risk through raising capital and/or selling its assets in whole or in part, as necessary.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk primarily consists of interest rate risk and currency risk. The market risks to which the Company is exposed are as follows:

5. FINANCIAL INSTRUMENTS (Cont'd)

Fair Value (Cont'd)

(d) Market risk

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash consists of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their cash flow or estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk with respect to cash balances and transactions during the year as a portion of these amounts are denominated in US dollars and Bolivianos. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's net exposure to foreign currency risk on its financial instruments is as follows:

	July 31, 2016	July 31, 2015
	$	$
US dollar cash	**392,336**	22
Boliviano trade and other payables	**(3,559)**	(3,559)
Option payments (note 7)	**(367,513)**	(288,678)
Net exposure	**21,264**	(292,214)

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar and the Bolivian Boliviano would result in a greater or lessening, as applicable, loss of approximately $2,126 (2015 - $29,221) to the Company.

6. CAPITAL MANAGEMENT

The Company considers its capital to be its shareholders' equity (deficiency), which is comprised of share capital, reserve for share-based payments, reserve for warrants and accumulated deficit, which as at July 31, 2016, totalled $2,699,786 (July 31, 2015 – deficit of $299,047). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's projects are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise more funds to complete its La Plata project in Ecuador and to return its 50%-stake in its Cerro Rojo project in Bolivia, in exchange for relief of outstanding amounts due to the optionor. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options and warrants, the sale of equity capital of the Company or the sale by the Company of an interest in its current or future properties, in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

Management reviews is capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable

There were no changes in the Company's approach to capital management during the year ended July 31, 2016. The Company is not subject to externally imposed capital restrictions.

7. RESOURCE PROPERTY INTERESTS

(a) La Plata Project

The La Plata project is gold, copper, silver zinc VMS deposit.

On February 10, 2016, the Company was granted the option (the "Option") to acquire a minimum 60% and a maximum 75% interest in Compania Minera La Plata, S.A. ("CMLP"), a related company to Sultana, to secure the Option (the "Option Agreement"). CMLP is in the process of legalizing the transfer of 2 concessions, collectively referred to as the La Plata project located approximately 85 kilometres southwest of Quito, Ecuador. The concessions cover approximately 2,235 hectares. On February 10, 2016, the Company completed the definitive agreements and entered into an option agreement (the "Option Agreement").

The Option Agreement

Payment obligations pursuant to the Option Agreement are to be made over the following period (the "Option Period"):

A. US$75,000 non-refundable payment (paid on November 6, 2015), which granted the Company exclusivity rights over a period that terminated on February 10, 2016.
B. US$125,000 payment when the Company confirmed its continuation with the Option (paid on February 18, 2016).

7. RESOURCE PROPERTY INTERESTS (Cont'd)

(a) La Plata Project (Cont'd)

C. Cash payments totalling US$2.0 million made to the optionor over a four-year period, as follows:
   i) US$75,000 upon execution of the letter of intent (paid, November 6, 2015);
   ii) a further US$125,000 on or before the February 10, 2016 (paid);
   iii) a further US$200,00 on or before November 6, 2016;
   iv) a further US$250,000 on or before November 6, 2017;
   v) a further US$250,000 on or before November 6, 2018; and
   vi) a further US$1,000,000 on or before November 6, 2019.

D. US$4.0 mllion of project expenditures made to the optionor over the same four-year period.

Completion of the above-noted payments, earns the Company a 60% ownership interest in CMLP (the "First Interest"). Within 90 days of earning the First Interest, the Company has the right to give notice it will finance the cost of a feasibility study over an additional two-year period and acquire an additional 5% interest. If the Company earns the First Interest and they further arrange capital-expenditure financing of less than US$60 million to build a mine at the project, it will earn an additional 5% interest for a total of 70% interest and if capital-expenditure financing exceeds US$60 million, it will earn an additional 10% interest for a total of 75% interest in the project.

During the Option Period, Toachi (the optionee) shall act as the operator (the "Operator") of the La Plata project. The Operator earns a fee equal to 5% of all exploration expenditures (as such is defined in the Option Agreement), which exclude payments made to the optionor (the "Operator's Fee"). For the year ended July 31, 2016, there have been no exploration expenditures made that qualify for the Operator's Fee.

(b) Cerro Rojo Project

The Cerro Rojo project consists of 4 mining concessions and 53 claims (or squares) with each square having an area of 500 metres by 500 metres, or 25 hectares. The concessions consist of Damasias Fatima (14 squares), Cerro Chico (3 squares), Cerro Lejos (15 squares) and part of Fatima ("Fatima 21") (21 squares), all totalling 1,325 hectares (the "Mining Concessions").

(1) <u>The Camila Agreement</u>

Pursuant to an agreement dated December 6, 2010, between the Company and Camila Mines S.A. ("Camila"), (the "Camila Agreement"), further amended on May 2, 2013 (the "Amended Camila Agreement"), a joint venture under the name of Amanecer RC was established. Under the joint venture, Camila has agreed to contribute the Fatima 21 concessions to the joint venture. In addition to making 100% of the exploration expenditures, the Company has agreed to make the following payments to Camila in order to acquire a 98% interest in the joint venture:

A. Cash payments pursuant to the Camila Agreement:

   (i) US$200,000 on December 17, 2010 (paid); and
   (ii) US$85,000 upon closing of the Transaction (paid).

7. RESOURCE PROPERTY INTERESTS (Cont'd)

(b) Cerro Rojo Project (Cont'd)

(1) The Camila Agreement (Cont'd)

B. Cash payments pursuant to the Amended Camila Agreement

(i) US$30,000 on or about June 30, 2013 (unpaid but accrued, see notes 9 and 14(iii));
(ii) US$100,000 within 30 days of the commercial operations commencement date of the mine; and
(iii) US $2,165,000 plus US$1,251,959 or a total of US$3,413,459 (the "Camila Royalty Value"), to be paid through royalties calculated at a rate of US$2.00 per ton for the first 100,000 tons and US$1.00 per ton for all the production over the first 100,000 tons of ore produced from the concessions, for each year of production, up to the amount of the Camila Royalty Value. Payments to be made on a quarterly basis with 30 days of the end of the quarter following the quarter due.

C. Share payments pursuant to the Camila Agreement:

US$1,000,000 in shares of the Company once such shares have been listed on the Toronto Stock Exchange ("TSX") with such shares being valued at the same price per share as the initial public offering price of the Company's shares (issued).

D. Share payments pursuant to the Amended Camila Agreement:

US$1,500,000 payable in Ferrum shares by June 30, 2013, such shares issued with a deemed value of US$0.15 each, subject to limiting the number of shares issued such that Camila's cumulative shareholdings in the Company remain at less than 10% of the outstanding issued common shares of the Company (or other limit as imposed by the TSXV). In May 2013, the Company issued 1,666,667 shares to Camila in fulfillment of this requirement. The effect of the Amended Camila Agreement was to reduce the dilution of the share payment contemplated in the original Camila Agreement of US$1,500,000 to US$250,000, with the remaining cash amount of US$1,250,000 postponed to payment at the time of production by including it in the Camila Royalty Value.

7. RESOURCE PROPERTY INTERESTS (Cont'd)

(b) Cerro Rojo Project (Cont'd)

(2) The Rolando Agreement

Pursuant to an agreement dated December 6, 2010, between the Company and Empresa Minera Rolando ("Rolando") and Empresa Minera Surumi S.R.L. ("Surumi") (the "Rolando Agreement"), further amended on May 2, 2013 (the "Amended Rolando Agreement"), a joint venture under the name of Cerro Rojo was established. Rolando and Surumi have agreed to contribute Damasias Fatima, Cerro Chico and Cerro Lejos concessions to the joint venture. In addition to making 100% of the exploration expenditures, the Company has agreed to make the following payments to Rolando and Surumi in order to acquire a 98% interest in the joint venture:

A. Cash payments pursuant to the Rolando Agreement:

(i) US$500,000 on December 17, 2010 (paid);
(ii) US$200,000 upon closing of the Transaction (paid); and
(iii) US$50,000 due 6 months after (November 17, 2012) receipt of all necessary operating and drill permits required for the exploration of the concessions (paid).

B. Cash payments pursuant to the Amended Rolando Agreement:

i. US$120,000 on or about June 30, 2013 (unpaid but accrued, see notes 9 and 14(iii));
ii. US$5,000 per month starting May 17, 2014 until the commencement of mining operations. As of May 17, 2014, the Company commenced accruing a monthly amount of US$5,000 payable to Rolando and Surumi;
iii. US$400,000 within 30 days of the commercial operations commencement date of the mine; and
iv. US$7,005,000 to be paid through royalties (the "Rolando Royalty Value") calculated at a rate of US$2.00 per ton for the first 100,000 tons and US$1.00 per ton for all production over the first one hundred thousand tons of ore produced from the concessions, for each year of production, up to the amount of the Rolando Royalty Value. Payments to be made quarterly with 30 days of the end of the quarter following the quarter due.

Rolando and Surumi are entitled to receive a bonus (the "Bonus") if the following conditions are met: i) a payment of US$0.02 for each ton of resources exceeding the first 150 million tons of resources from the Mining Concessions; ii) a payment of US$0.03 per ton on all resources exceeding the first 300 million tons of ore from the Mining Concessions; iii) the Bonus shall not exceed US$10 million and will be paid only once a positive feasibility has been issued and a successful agreement for financing the project has been obtained; and iv) the Bonus payment requires that the grade of the mineral shall be equal to or in excess of 50% iron.

7. RESOURCE PROPERTY INTERESTS (Cont'd)

(b) Cerro Rojo Project (Cont'd)

(2) The Rolando Agreement (Cont'd)

Pursuant to both agreements, the terms of which are 40 years, the Company has earned a 50% interest in the joint ventures by completing the initial payments of US$200,000 and US$500,000 under the Camila and Rolando agreements, respectively. On May 24, 2012, the Company announced the receipt of the environmental permits for its Cerro Rojo iron ore project (with effective date of May 17, 2012).

(c) Title to properties

Although the Company has taken steps to verify the title to resource properties in which it has interests, in accordance with industry standards 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.

(d) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

(e) Bolivia's "Law of Mother Earth"

This law prioritizes the importance of nature to the Bolivian people and could have significant consequences to the country's mining industry. Although the Bolivian government has taken over assets of other operating mining and energy companies, there have been no actions taken against the Company. The potential effects on the Company's exploration activities are uncertain at this time.

7. RESOURCE PROPERTY INTERESTS (Cont'd)

(e) Bolivia's "Law of Mother Earth" (Cont'd)

The Company's exploration and evaluation expenditures on resource property interests are comprised of the following:

	Year ended July 31, 2016	Year ended July 31, 2015	Cumulative to date
	$	$	$
La Plata project			
Acquisition costs	**326,256**	-	326,256
Assays	**1,320**	-	1,320
Consulting	**35,542**	-	35,542
Engineering	**25,649**	-	25,649
Travel	**28,545**	-	28,545
	417,312	-	417,312
Cerro Rojo project			
Acquisition costs	**78,835**	72,191	2,940,754
Assays	**-**	-	22,503
Consulting	**-**	-	506,505
Drilling	**-**	20,266	507,840
General	**-**	-	1,602,490
Geologists	**-**	5,497	94,636
Geophysics	**-**	-	2,800
GIS	**-**	-	5,200
Permits and licensing	**-**	-	28,082
Travel	**-**	21,112	115,245
	78,835	119,066	5,826,045
Total	**496,147**	119,066	6,243,357

8. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

Below is an aged analysis of the Company's amounts receivable (including HST recoverable):

As at	**July 31, 2016**	July 31, 2015
	$	$
HST recoverable	**57,422**	254
Prepaid expenses	**5,558**	4,681
Total amounts receivable and prepaid expenses	**62,980**	4,935

At July 31, 2016 and 2015, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables.

The Company holds no collateral for any receivable amounts outstanding as at July 31, 2016 and 2015.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Trade payables and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an analysis of the trade payables and accrued liabilities by expense category:

As at	**July 31, 2016**	July 31, 2015
	$	$
General and administrative	**33,610**	2,069
Consulting and professional fees	**46,179**	13,500
Joint venture payments (notes 7 and 14)	**367,513**	292,236
Total trade payables and accrued liabilities	**447,302**	307,805

As at	**July 31, 2016**	July 31, 2015
	$	$
1 – 30 days	**74,275**	41,179
31 – 60 days	**-**	6,250
61 – 90 days	**18,824**	12,128
Over 3 months	**332,691**	234,748
Total trade payables	**425,790**	294,305
Accrued liabilities	**21,512**	13,500
Total trade payables and accrued liabilities	**447,302**	307,805

10. RELATED-PARTY TRANSACTIONS

The Financial Statements include the following balances and transactions with directors and/or officers of the Company and/or entities related to or controlled by them:

	Year ended	
	July 31, 2016	July 31, 2015
	$	$
Management fees charged by an entity controlled by the Company's CEO and CFO	**81,000**	88,000
Directors' fees	**6,000**	-
Share-based compensation for the Company's Directors, CEO and CFO.	**334,639**	31,435
Total for the year	**421,639**	119,435

In June 2014, the Company and RGMI amended the management agreement between the parties (the "Management Agreement"), with RGMI agreeing to a reduction to the monthly management fee paid to it by the Company to $11,000 per month. As at April 1, 2015, the Company ceased any management fees due to RGMI due to financial constraints.

In March 2016, the Company and RGMI further amended the Management Agreement to reflect the payment of management fees of $3,000 per month for each of March and April 2016 and thereafter at a rate of $25,000 per month.

During the year, the Company's CEO provided loans to the Company in the amount of $69,884 (2015 - $nil) of which $65,372 (2015 - $nil) has been repaid.

The Company's CEO and CFO beneficially own RGMI.

As at July 31, 2016, $4,512 (2015 - $nil) was due to a director of the Company as reimbursement for travel expenses. Amounts due to related parties are interest-free and have no fixed term of repayment.

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and outstanding

On November 6, 2015, the Company announced that it had closed a non-brokered private placement offering of 47.1 million subscription receipts (the "Subscription Receipts") of the Company (the "Offering"), for aggregate gross proceeds of $471,000, representing a price of $0.01 per Subscription Receipt. Each Subscription Receipt issued by the Company entitles the holder thereof to receive one common share of the Company. The Subscription Receipts were comprised of two tranches, being $96,000 worth of "Tranche 1 Subscription Receipts" and $375,000 worth of "Tranche 2 Subscription Receipts".

11. SHARE CAPITAL (Cont'd)

(b) Issued and outstanding (Cont'd)

On November 6, 2015, the Tranche 1 Subscription Receipts were automatically exchanged into 9,600,000 pre-Consolidation common shares and the Company received proceeds of $96,000.

On February 18, 2016, the Company converted the Tranche 2 Subscription Receipts into 37,500,000 common shares and contemporaneously received proceeds of $375,000.

On March 14, 2016, the Company completed the Consolidation. Subsequent to the Consolidation, the Company had 18,849,935 common shares outstanding. For disclosure purposes, on the consolidated statements of changes in equity, the number of shares outstanding has been adjusted to reflect the Consolidation and on the consolidated statements of loss and comprehensive loss, the comparative period's outstanding weighted-average outstanding common shares has been adjusted to reflect the Consolidation.

On June 15, 2016, the Company completed a brokered private placement (the "Brokered Financing"), issuing an aggregate of 17,150,000 units (the "Units") at an issue price of $0.20 per Unit for aggregate gross proceeds of $3,430,000.

Additionally, concurrent with closing of the Brokered Financing, the Company closed a non-brokered private placement (the "Non-Brokered Financing" and together with the Brokered Financing, the "Financings") of Units whereby the Company issued an aggregate of 2,350,000 Units at an issue price of $0.20 for aggregate gross proceeds of $470,000. Pursuant to the Financings, the Company issued an aggregate of 19,500,000 Units for aggregate gross proceeds of $3,900,000.

Each Unit issued is comprised of one common share of the Company and one-half of a common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one common share at a price per common share of $0.30, until June 15, 2018.

On closing of the Financings, the Company paid cash brokers' fees equal to 7% of the gross proceeds raised through the Brokered Financing ($240,100) and issued to the brokers, compensation options (the "Brokers' Options") equal to 7% of the Units issued, being 1,358,000 Brokers' Options, all pursuant Brokered Financing. The fair value of the Brokers' Options of $366,660 was calculated using the Black-Sholes option pricing model with variables detailed below. Each Brokers' Option is exercisable into one common share at a price of $0.20 per common share until June 15, 2018. The Company also paid to the lead broker a corporate finance fee of $31,500 and reimbursement of transaction costs of $41,878. In addition, further financing costs totalling $241,832, were incurred. The total financing costs of $921,970, have been allocated between share capital ($558,804) and reserve for warrants ($363,166) based on the relative fair value of the issued warrants, again as calculated using the Black-Scholes option pricing model with variables detailed below.

11. SHARE CAPITAL (Cont'd)

(b) Issued and outstanding (Cont'd)

The Black-Scholes option pricing model was used to determine the fair value of the issued warrants of $1,536,364 and Brokers' Options of $366,660. The weighted average assumptions used were as follows: risk-free interest rate of 0.48%; expected volatility of 219.94%; expected life of 2 years; expected dividends of $nil and weighted average common share price of $0.30.

(c) Share-based payments

The Company has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at July 31, 2016, the Company had 2,392,994 additional options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	Number	Weighted average exercise price[1]
Balance at July 31, 2014[1]	410,000	0.685
Granted[1]	355,500	0.250
Balance at July 31, 2015	**765,500**	**0.482**
Granted	950,000	0.380
Forfeit	(273,500)	(0.700)
Balance at July 31, 2016	**1,442,000**	**0.374**
Exercisable at July 31, 2016	**1,442,000**	**0.374**

[1]After giving effect to the Consolidation.
[2]Weighted average exercise price at July 31, 2016, reflects the Consolidation.

The following table provides further information on the outstanding options as at July 31, 2016:

Expiry Date	Number exercisable	Number outstanding	Weighted average exercise price	Weighted average years remaining	Fair Value
			$		$
27-Oct-19	252,000[4]	**252,000** [1,4]	0.250[4]	3.49	18,872
6-Jan-19	240,000[4]	**240,000** [2,4]	0.500[4]	2.69	24,000
28-June-21	950,000	**950,000** [3]	0.380	4.21	351,500
	1,442,000	**1,442,000**	0.372	3.10	394,372

12. SHARE CAPITAL (Cont'd)

(c) Share-based payments

[1]The grant-date fair value of the options issued was $0.09 each (post-Consolidation).
[2]The grant-date fair value of the options issued was $1.20 each (post-Consolidation).
[3]The grant-date fair value of the options issued was $0.37 each.
[4]Amounts reflect the Consolidation.

The Black-Scholes option pricing model was used to determine the fair value of the issued options of $351,500. The weighted average assumptions used were as follows: risk-free interest rate of 0.57%; expected volatility of 199.08%; expected life of 5 years; expected dividends of $nil and weighted average common share price of $0.38.

(d) Warrants

The outstanding issued warrants balance at July 31, 2016, is comprised of the following items:

Date of Expiry	Type	Number	Exercise Price	Fair Value
			$	$
November 29, 2016	Warrant	1,546,570[1]	1.00[1]	309,314
June 15, 2018	Warrant	9,750,000	0.30	1,536,364
June 15, 2018	Brokers Options	1,358,000	0.20	366,660
Cost of financing allocated to warrants		-	-	(363,166)
		12,654,570	**0.38**	**1,849,172**

[1]Private placement completed on November 29 and December 2, 2013 and adjusted for the Consolidation.

12. SEGMENTED INFORMATION

Operating segments

At July 31, 2016, the Company's operations comprise a single operating segment engaged in mineral exploration in Bolivia (inactive-see notes 7 and 15) and Ecuador. The Company's corporate division only earns revenues (interest income) that are considered incidental to the activities of the Company.

12. SEGMENTED INFORMATION (Cont'd)

Geographic information

The Company is in the business of mineral exploration in Ecuador and is winding down its business in Bolivia. The Company's operations in Ecuador and Bolivia are responsible for each country's mineral exploration activities while the Canadian operations are corporate head office activities. Geographic information concerning the Company is as follows:

As at	**July 31, 2015**	July 31, 2015
	$	$
Assets		
Canada	**3,151,600**	8,758
Bolivia	**-**	-
Ecuador	**-**	-
Total assets	**3,151,600**	8,758

	Year ended July 31, 2016	Year ended July 31, 2015
	$	$
Loss and comprehensive loss		
Canada	**(583,920)**	(355,888)
Bolivia	**(93,471)**	(40,344)
Ecuador	**(492,605)**	-
Consolidated loss	**(1,169,996)**	(396,232)

13. DEFERRED INCOME TAXES

The following table reconciles income taxes calculated at combined Canadian federal/provincial rates with the income tax expense in the Financial Statements:

	2016	2015
	$	$
Loss for the year	**(1,169,996)**	(396,232)
Canadian statutory tax rate	**26.5%**	26.5%
Income tax recovery computed at the statutory rate	**(310,000)**	(104,400)
Non-deductible expenses	**131,915**	(2,752)
Share issuance costs	**(109,647)**	-
Change in deferred tax assets not recognized	**176,097**	434,052
Non-capital loss adjustment	**111,635**	(329,902)
	-	(3,002)

13. DEFERRED INCOME TAXES (Cont'd)

The components of deferred income tax assets are as follows:

	2016	2015
	$	$
Deferred income tax assets:		
Non-capital loss carry-forwards	**870,937**	935,967
Exploration and evaluation expenditures	**1,622,951**	1,491,472
Share issuance costs	**123,942**	14,295
Deferred income tax assets	**2,617,830**	2,441,734
Deferred income tax assets not recognized	**(2,617,830)**	(2,441,734)
Deferred income tax assets, net	**-**	-

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately $3,293,689 (2015 - $3,400,316, expiring in 2035) expiring in 2036.

14. SUBSEQUENT EVENTS

(i) On September 9, 2016, the Company issued 800,000 options to participants of the stock option plan. The options vested immediately and have an expiration date of September 9, 2021.

(ii) On October 12, 2017, 2,625,000 warrants with an exercise price of $0.30 and an expiry date of June 15, 2018, were exercised, raising gross proceeds of $787,500.

(iii) The Company has come to initital terms of settlement on the obligations related to the Cerro Rojo project (see note 9). The joint venture partner has acknowledged that the Company has no further obligations and the Company is working on the terms to facilitate the return of any interests to the Optionor. As a result, the Company will be recording the effect in the first quarter of 2017 as a reduction in accounts payable and a gain on the extinguishment of debt.

(iv) On November 2, 2016, the Company announced it had entered into a $4 million "bought-deal" offering (the "Bought-deal Offering") with a syndicate of underwriters (the "Underwriters") to issue 10,000,000 common shares at a price of $0.40 per common share. The Company also granted the Underwriters an option to sell up to an additional 1,500,000 common shares for additional proceeds of up to $600,000.

On November 3, 2016, the Company announced an increase to the Bought-deal Offering, bringing the total to $5.3 million. In addition the Underwriters option was increased to 1,750,000 common shares for up to an additional $700,000.