TOACHI MINING INC.

(formerly Ferrum Americas Mining Inc.)

Unaudited Interim

Consolidated Financial Statements

As at and for the three months ended

October 31, 2016 and 2015

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of Toachi Mining Inc. (formerly Ferrum Americas Mining Inc.) (the "Company") have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three months ended October 31, 2016 and 2015 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements (the “Consolidated Financial Statements”) of the Company are the responsibility of the management and its Board of Directors (the “Board”).

The Consolidated Financial Statements have been prepared by management, on behalf of the Board, in accordance with the accounting policies disclosed in the notes to the Financial Statements. Where necessary, management has made informed judgments and estimates in accounting for transactions that were not complete at the statement of financial position date. In the opinion of management, the Consolidated Financial Statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board is responsible for reviewing and approving the Consolidated Financial Statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the Consolidated Financial Statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the Consolidated Financial Statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Nick Tintor”
……………………………………
Nick Tintor
Chief Executive Officer

Toronto, Ontario
December 21, 2016

“Stephen Gledhill”
……………………………………
Stephen Gledhill
Chief Financial Officer

Toronto, Ontario
December 21, 2016

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

Unaudited Interim Consolidated Statements of Financial Position
(Canadian dollars)

As at	October 31, 2016	July 31, 2016
	$	$
Assets		
Current assets		
Cash	**3,061,303**	3,088,620
Amounts receivable and prepaid expenses *(note 8)*	**24,674**	62,980
Total current assets	**3,085,977**	3,151,600
Non-current assets		
Investment in CMLP *(note 7)*	1	-
Total non-current assets	1	-
Total assets	**3,085,978**	3,151,600
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(note 9)*	**507,852**	447,302
Due to related parties *(note 10)*	**7,526**	4,512
Total current liabilities	**515,378**	451,814
Total liabilities	**515,778**	451,814
Shareholders' equity		
Share capital *(note 11)*	**10,795,222**	9,694,405
Reserve for share-based payments *(note 11)*	**706,372**	394,372
Reserve for warrants *(note 11)*	**1,211,719**	1,525,036
Accumulated deficit	**(10,142,713)**	(8,914,027)
Total shareholders' equity	**2,570,600**	2,699,786
Total liabilities and shareholders' equity	**3,085,978**	3,151,600

Going concern *(note 2)*
Subsequent events *(note 13)*

Approved for issuance on behalf of the Board on December 21, 2016:

"Jonathan Goodman" — *"Carolina Vargas"*

Jonathan Goodman
Director

Carolina Vargas
Director

See notes to the unaudited interim consolidated financial statements.

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

Unaudited Interim Consolidated Statements of Loss and Comprehensive Net Loss
(Canadian dollars)

	3 months ended	
	October 31, 2016	October 31, 2015
	$	$
Operating expenses		
Consulting and professional fees	**22,569**	1,825
Exploration and evaluation expenditures *(note 7)*	**1,257,526**	21,700
General and administrative	**74,634**	2,038
Management fees *(note 10)*	**75,000**	-
Share-based compensation *(notes 10 and 11)*	**312,000**	-
Total operating expenses	**1,741,729**	25,563
Net loss before other items	**(1,741,729)**	(25,563)
Other items		
Gain on extinguishment of debt *(note 7)*	**367,513**	-
Foreign exchange gain (loss)	**145,529**	(5)
Total other items	**513,042**	(5)
Loss and comprehensive loss	**(1,228,687)**	(25,568)
Basic and fully diluted net loss per share	**(0.03)**	(0.00)
Weighted average number of shares *(note 12(b))*	**38,920,589**	9,429,937

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

Unaudited Interim Consolidated Statement of Changes in Equity
(Canadian dollars)

	Share Capital		Reserves			
	Number of Shares	Amount	Share-based payments	Warrants	Deficit	Total
		$	$	$	$	$
Balance at July 31, 2015	9,429,935	7,094,437	165,642	432,981	(7,992,106)	(299,046)
Loss and comprehensive net loss	-	-	-	-	(25,568)	(25,568)
Balance at October 31, 2015	9,429,935	7,094,437	165,642	432,981	(8,017,674)	(324,614)
Common shares issued for cash *(note 11)*	28,920,000	4,371,000	-	-	-	4,371,000
Fair value of issued warrants *(note 11)*	-	(1,212,228)	-	1,578,888	-	366,660
Financing costs *(note 11)*	-	(558,804)	-	(363,166)	-	(921,970)
Expired options and warrants	-	-	(124,409)	(123,667)	248,076	-
Share-based payments *(note 11)*	-	-	353,139	-	-	353,139
Loss and comprehensive net loss	-	-	-	-	(1,144,428)	(1,144,428)
Balance at July 31, 2016	38,349,935	9,694,405	394,372	1,525,036	(8,914,026)	2,699,787
Common shares issued on exercise of warrants *(note 11)*	**2,625,000**	**787,500**	**-**	**-**	**-**	**787,500**
Fair value transfer of exercised warrants *(note 12)*	**-**	**313,317**	**-**	**(313,317)**	**-**	**-**
Share-based compensation *(note 11)*	**-**	**-**	**312,000**	**-**	**-**	**312,000**
Loss and comprehensive net loss	**-**	**-**	**-**	**-**	**(1,228,687)**	**(1,228,687)**
Balance at October 31, 2016	**40,974,935**	**10,795,222**	**706,372**	**1,211,719**	**(10,142,713)**	**2,570,600**

.

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

Unaudited Interim Consolidated Statements of Cash Flow
(Canadian dollars)

3 months ended	October 31, 2016	October 31, 2015
	$	$
Operations activities		
Loss	**(1,228,687)**	(25,568)
Non-cash items:		
Gain on extinguishment of debt *(note 7)*	**(367,513)**	-
Share-based compensation *(note 11)*	**312,000**	-
Net change in non-cash working capital items:		
Amounts receivable and prepaid expenses	**38,306**	131
Trade payables and accrued liabilities	**428,064**	12,306
Cash used for operations	**(817,830)**	(13,131)
Financing activities		
Issuance of common shares on exercise of warrants *(note 11)*	**787,500**	-
Advances of related-party loans *(note 10)*	**-**	12,000
Advanced from related parties *(note 10)*	**3,014**	-
Cash provided from financing activities	**790,514**	12,000
Investing activities		
Investment in CMLP *(note 7)*	**(1)**	-
Cash used for investing activities	**(1)**	-
Increase (decrease) in cash	**(27,317)**	(1,131)
Cash at beginning of year	**3,088,620**	3,823
Cash at end of period	**3,061,303**	2,692
Supplemental cash flow information:		
Interest paid	**-**	-
Income taxes paid	**-**	-

See notes to the unaudited interim consolidated financial statements.

1. NATURE OF OPERATIONS

Toachi Mining Inc. (the "Company") (formerly Ferrum Americas Mining Inc. ("Ferrum")) is a minerals exploration company that 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 "Consolidated 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 Consolidated 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 that 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. BASIS OF PREPARATION

3.1 Statement of compliance

The Consolidated Financial Statements, including comparatives, have been prepared in accordance with IAS 34 *'Interim Financial Reporting'*. Interim financial statements would not normally include all the information required for audited annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company as at and for the years ended July 31, 2016 and 2015.

The Consolidated Financial Statements were approved for issuance by the Board on December 21, 2016.

3.2 Basis of presentation

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as set out in note 5. The financial statements are presented in Canadian dollars, the Company's functional currency.

3.3 Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiary, Empresa Minera Yacuses S.A. ("Yacuses"), incorporated in Bolivia on February 3, 2011. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of operations and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-Company transactions, balances, income and expenses are eliminated on consolidation.

4. NEW AND REVISED STANDARDS AND INTERPRETATIONS

At the date of authorization of the Financial Statements, the IASB and IFRS Interpretations Committee ("IFRIC") have issued the following revised Standards which are not yet effective for the relevant reporting periods and for which the Company has not early adopted. However, the Company is currently assessing what impact the application of these Standards or amendments will have on the consolidated financial statements of the Company.

Issued by IASB July 2014; effective for the Company's annual period beginning August 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 Consolidated Financial Statements.

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 Consolidated 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 Consolidated Financial Statements.

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 Consolidated 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 Consolidated 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. Amounts receivable, excluding HST recoverable, are classified for accounting purposes as loans and receivables, which are measured at amortized cost, which approximates fair value due to their short-term nature. 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.

As at October 31, 2016 and July 31, 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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.

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 and/or equity financings. Management monitors its working capital and seeks financing as necessary. As at October 31, 2016, the Company had a cash balance of $3,061,303 (July 31, 2016 - $3,088,620) and working capital of $2,570,599 (July 31, 2016 – $2,699,786). The Company's trade payables and

accrued liabilities balances totalling $507,852 (see note 9), are subject to normal trade terms.

(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 consists of interest rate risk, currency risk and other price risk. The market risks to which the Company is exposed are as follows:

(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 period as a portion of these amounts are denominated in US dollars and Bolivianos. The Company has not entered into any foreign currency contracts or hedges to mitigate this risk.

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

	October 31, 2016	July 31, 2016
	$	$
US dollar cash	**149,764**	392,336
Boliviano trade and other payables	**(3,724)**	(3,559)
$US Option payments (note 7)	**-**	(367,513)
$US accounts payable	**(486,902)**	-

Net exposure	**(340,862)**	21,264

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 for the period (2016 – year) of approximately $34,100 (July 31, 2016 – $2,100) 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 October 31, 2016, totalled $2,570,600 (July 31, 2016 – $2,699,786). 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 3 months ended October 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 as follows:

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).
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 (paid);
   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 million 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”). The Optionor and the Company are in negotiations to amend this component of the Option Agreement and as such, for the 3 months ended October 31, 2016, there have been no Operator Fees recorded.

(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) The Camila Agreement

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);
(ii) US$85,000 upon closing of the Transaction (paid);

B. Cash payments pursuant to the Amended Camila Agreement

(i) US$30,000 on or about June 30, 2013 (unpaid). As at October 31, 2016, all amounts accrued in regard to these payments have been forgiven by the optionor and the Company has recorded a gain on the relief of this debt;
(ii) US$100,000 within 30 days of the commercial operations commencement date of the mine.
(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); and

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.

(2) <u>The Rolando Agreement</u>

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. <u>Cash payments pursuant to the Rolando Agreement:</u>

(i) US$500,000 on December 17, 2010 (paid);
(ii) US$200,000 upon closing of the Transaction (paid);
(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. <u>Cash payments pursuant to the Amended Rolando Agreement:</u>

(i) US$120,000 on or about June 30, 2013 (unpaid). As at October 31, 2016, all amounts accrued in regard to these payments have been forgiven by the optionor and the Company has recorded a gain on the relief of this debt ;
(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 (unpaid). As at October 31, 2016, all amounts accrued in regard to these payments have been forgiven by the optionor and the Company has recorded a gain on the relief of this debt;
(iii) US$400,000 within 30 days of the commercial operations commencement date of the mine.
(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.

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).

(b) 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.

(c) 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.

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

This new 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.

The Company has come to initial 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 has recorded the effect as a reduction in accounts payable and a gain on the extinguishment of debt.

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

	Three months ended		Cumulative to
	October 31, 2016	October 31, 2015	October 31, 2016
	$	$	$
La Plata Project			
Acquisition costs	**-**	-	326,256
Administrative	**91,129**	-	91,129
Assays	**-**	-	1,,320
Camp Costs	**280,078**	-	280,078
Consulting	**-**	-	35,542
Drilling	**662,033**	-	662,033
Engineering	**13,042**	-	38,991
Environmental	**26,753**	-	26,753
Geologists	**153,180**	-	153,180
Legal & governmental	**25,806**	-	25,806
Travel	**5,505**	-	34,050
	1,257,526	-	1,674,838
Cerro Rojo Project			
Acquisition costs	**-**	21,700	2,940,754
Assays	**-**	-	22,503
Consulting	**-**	-	506,505
Drilling	**-**	-	507,840
General	**-**	-	1,602,490
Geologists	**-**	-	94,636
Geophysics	**-**	-	2,800
GIS	**-**	-	5,200
Permits and licensing	**-**	-	28,082
Travel	**-**	-	115,245
	-	21,700	5,826,055
Total	**1,257,526**	21,700	**7,500,893**

8. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

The Company's amounts receivable consist of harmonized services tax ("HST") recoverable from the Canadian government taxation authorities and prepaid expenses relating to insurance coverage.

Below is an analysis of the Company's amounts receivable and prepaid expenses:

	As at,	
	October 31, 2016	July 31, 2016
	$	$
HST recoverable	**20,784**	57,422
Prepaid expenses	**3,890**	5,558
Total amounts receivable and prepaid expenses	**24,674**	62,980

The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables and prepaids.

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

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 as well as amounts payable for operating and financing activities. The usual credit period for trade purchases is between 30 to 90 days. The balance also consists of accrued but unpaid option payments for which the Company is currently in negotiations with the optionor.

The following is an analysis of the trade payable and accrued liabilities:

As at	**October 31, 2016**	July 31, 2016
	$	$
Consulting and professional fees	**13,853**	46,179
Exploration expenditures	**486,907**	-
General and administrative	**7,092**	33,610
Joint venture payments (note 7)	**-**	367,513
Total trade payables and accrued liabilities	**507,852**	447,302

The following is an aged analysis of the trade payables and accrued liabilities:

As at	**October 31, 2016**	July 31, 2016
	$	$
1 – 30 days	**475,442**	74,275

31 – 60 days	**6,765**	-
61 – 90 days	**20,145**	18,824
Over 3 months	**-**	332,691
Total trade payables	**500,352**	425,790
Accrued liabilities	**7,500**	21,512
Total	**507,852**	447,302

10. RELATED-PARTY TRANSACTIONS AND BALANCES

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:

	Three months ended	
	October 31, 2016	October 31, 2016
	$	$
Management fees charged by an entity controlled by the Company's CEO and CFO	**75,000**	33,000
Directors' fees	**10,500**	-
Share-based compensation for the Company's Directors, CEO and CFO	**312,000**	-
Total for period	**397,500**	33,000

During the 3 months ended October 31, 2015 (the comparative period), the Company issued a promissory note in the amount of $12,000 to a director of the Company, in exchange for cash to assist with ongoing operations.

As at October 31, 2016, the balance of $7,526 (July 31, 2016 - $4,512) is due to directors of the Company for reimbursable travel expenses.

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".

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.

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.

On October 12, 2016, the Company issued 2,625,000 on the exercise of that number of warrants (see note 11 (d)). The exercise of the warrants raised proceeds of $787,500. The fair value of the exercised warrants of $313,317 was also transferred to share capital from the warrants.

(c) Share-based payments

Toachi 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 October 31, 2016, the Company had 1,855,494 additional options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	Number	Weighted average exercise price
Balance at July 31, 2015[1]	765,500	0.482
Granted	950,000	0.380
Forfeit	(273,500)	(0.700)
Balance at July 31, 2016	**1,442,000**	**0.374**
Granted	800,000	0.400
Balance at October 31, 2016	**2,242,000**	**0.385**
Exercisable at October 31, 2016	**2,242,000**	**0.385**

[1] After giving effect to the Consolidation.

The following table provides further information on the outstanding options as at October 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]	2.99	18,872
6-Jan-19	240,000[4]	**240,000**	2,4	0.500[4]	2.18	24,000
28-Jue-21	950,000	**950,000**	3	0.380	4.66	351,500
9-Sept-21	800,000	**800,000**	5	0.400	4.86	312,000
	2,242,000	**2,242,000**		0.385	4.28	706,371

[1]The grant-date fair value of the options issued was $0.09 each.
[2]The grant-date fair value of the options issued was $1.20 each.
[3]The grant-date fair value of the options issued was $0.37 each.
[4]Amounts reflect the Consolidation.
[5]The grant-date fair value of the options issued was $0.39 each.

To calculate the fair value of the options issued during the 3 months ended October 31, 2016, the Company used the Black-Scholes option pricing model with the following weighted-average assumptions: Risk-free rate of 0.71%, expected volatility of 199.06%; expected life of 5 years, expected dividends of $nil and common share price of $0.40.

(d) Warrants

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

Date of Expiry	**Type**	**Number[1]**	**Exercise Price[1]**	**Fair Value**
			$	$
November 29, 2016	Warrant	1,546,570[1]	1.00[1]	309,314
June 15, 2018	Warrant	7,125,000[2]	0.30	812,958[2]
June 15, 2018	Broker Options	1,358,000	0.20	366,660
Cost of financing allocated to warrants				(277,213)[2]
		10,029,570	**0.40**	**1,211,719**

[1] Private placement completed on November 29 and December 2, 2013 and adjusted for the Consolidation.
[2] Balance reflects the exercise of 2,625,000 warrants during the period with a fair value of $415,448 less financing costs allocated to the exercised warrants of $102,131.

12. SEGMENTED INFORMATION

Operating segments

At October 31, 2016, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Latin America (inactive) and Ecuador (active). The Company's corporate division only earns revenues (interest income) that are considered incidental to the activities of the Company.

Geographic segments

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's reportable segments is as follows:

As at	**October 31, 2016**	July 31, 2016
	$	$
Assets		
Canada	**3,085,977**	3,151,600
Bolivia	**-**	-
Ecuador	**-**	-
Total assets	**3,085,977**	3,151,600

	Three months ended	
	October 31, 2016	October 31, 2015
	$	$
Loss and comprehensive net loss		
Canada	**41,891**	(4,624)
Bolivia	**(11,258)**	(20,943)
Ecuador	**(1,259,320)**	-
Total	**(1,228,687)**	(25,568)

Cash used for operations	**$**	$
Canada	**(34,316)**	7,813
Bolivia	**(11,093)**	(20,943)
Ecuador	**(722,421)**	-
	(817,830)	13,131

13. SUBSEQUENT EVENT

Private placement

On November 22, 2016, the Company closed on a bought deal private placement (the "Financing") with an underwriter acting on its own behalf and on behalf of a syndicate of underwriters (collectively, the "Underwriters"), whereby the Underwriters purchased 10,000,000 common shares of the Company on a bought deal basis at a price of $0.40 per common share, for aggregate gross proceeds to the Company of $4,000,000.

The Company paid to the Underwriters a cash commission equal to 6% of the gross proceeds raised under the Financing, other than in relation to any common shares issued to certain "president's list" investors, in respect of which the Underwriters received a cash commission equal to 3% of the gross proceeds raised under the Financing. The Company also issued to the Underwriters compensation options (the "Underwriters' Options") equal to 6% of the Shares issued pursuant to the Financing, other than in relation to Shares issued to certain "president's list" investors, in respect of which the Underwriters were issued Underwriters' Options equal to 3% of such Shares issued. Each Underwriters' Option is exercisable into one common share of the Company at a price of $0.40 until November 22, 2018.