Montan Mining Corp. (formerly Strait Minerals Inc.)

Consolidated Interim Financial Statements
For six months ended January 31, 2016 and January 31, 2015
(Unaudited - expressed in Canadian dollars, except where indicated)

Montan Mining Corp. (formerly Strait Minerals Inc.)

Consolidated Interim Statements of Financial Position

(unaudited - expressed in Canadian dollars, except where indicated)

	Note	January 31, 2016	July 31, 2015
Assets			
Current assets			
Cash and cash equivalents		$ 2,549	$ 60,335
Restricted cash		252	252
Other receivables	5	17,230	57,655
Prepaid expenses	5	203,961	129,814
		223,992	248,056
Advance to Goldsmith Resource SAC (“Goldsmith”)	6	-	484,684
Office equipment	7	460	1,489
Mineral properties	8	766,072	766,072
Total assets		$ 990,524	$ 1,500,301
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 412,947	$ 45,508
Loan payable	10	40,000	-
Convertible debenture	9	335,840	36,025
Total liabilities		$ 788,787	$ 81,533
Shareholders’ equity			
Share capital	11	2,419,803	2,386,614
Reserves	12	618,979	520,581
Deficit		(2,837,045)	(1,488,427)
Total shareholders’ equity		201,737	1,418,768
Total liabilities and shareholders’ equity		$ 990,524	$ 1,500,301

Nature of operations (note 1)
Subsequent event (note 16)

Approved by the Board of Directors

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

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

Montan Mining Corp. (formerly Strait Minerals Inc.)

Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - expressed in Canadian dollars, except where indicated)

		Three Months Ended January 31,		Six Months Ended January 31,	
	Note	**2016**	**2015**	**2016**	**2015**
General and administration expenses					
Accounting and audit fees		$ (34,867)	$ (14,470)	$ (52,044)	$ (14,470)
Administrative fees		-	(12,500)	-	(20,000)
Bank charges		(474)	-	(1,730)	-
Consulting fee	13	(231,548)	(39,700)	(370,639)	(39,700)
Exploration expense		(289)	-	(5,422)	-
Filing fees		(4,828)	(16,750)	(5,935)	(17,280)
Foreign exchange		1,689	-	644	-
Insurance		(4,707)	-	(8,299)	-
Interest expenses		(74)	-	(74)	-
Investor communications		(38,747)	(17,892)	(85,708)	(17,892)
Legal expenses		(14,670)	(51,199)	(34,630)	(52,713)
Office expenses		(14,452)	-	(31,868)	(602)
Rent		(11,981)	(512)	(26,408)	-
Transfer agent fees		(1,912)	-	(4,636)	-
Travel expense		(10,344)	(8,731)	(28,085)	(8,731)
		(367,204)	(161,754)	(654,834)	(171,388)
Other expense					
Interest income		5	3,143	5	3,143
Finance cost – accreted interest	9	(4,324)	-	(7,207)	-
Finance cost – interest expense	9	(12,108)	-	(20,179)	-
Other income	6(b)	32,415		32,415	
Write off – Goldsmith advances	6(c)	-	-	(698,818)	-
Net loss		(351,216)	(158,611)	(1,348,618)	(168,245)
Loss per share					
Basic and diluted		$ (0.01)	$ (0.02)	$ (0.06)	$ (0.02)
Weighted average shares					
Basic and diluted		24,214,646	8,000,000	23,407,841	8,000,000
Total shares issued and		24,029,662	8,000,000	24,029,662	8,000,000

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

Montan Mining Corp. (formerly Strait Minerals Inc.)

Consolidated Interim Statements of Changes in Shareholders' Equity and Deficit

(Unaudited - expressed in Canadian dollars, except where indicated)

	Note	Shares	Share capital	Convertible debenture equity component	Reserves	Deficit	Total equity
Balance as at July 31, 2015		22,601,037	$ 2,386,614	$ -	$ 520,581	$ (1,488,427)	$ 1,418,768
Net loss for the year		-	-	-	-	(1,348,618)	(1,348,618)
Share issuance – private placement	11	1,428,625	33,189	-	81,101	-	114,290
Convertible debenture issuance	9	-	-	17,297	-	-	17,297
Balance as at January 31, 2016		24,029,662	$ 2,419,803	$ 17,297	$ 601,682	$ (2,837,045)	$ 201,737

	Notes	Shares	Share capital	Convertible debenture equity component	Reserves	Deficit	Total equity
Balance as at July 31, 2014		8,000,000	$ 943,610	$ -	$ 203,140	$ (332,482)	$ 814,268
Net loss for the year		-	-	-	-	(168,245)	(168,245)
Balance as at January 31, 2015		8,000,000	$ 943,610	$ -	$ 203,140	$ (500,727)	$ 646,023

Montan Mining Corp. (formerly Strait Minerals Inc.)

Consolidated Statement of Cash Flows

(Unaudited - amounts expressed in Canadian dollars, except where indicated)

		Three Months Ended January 31,		Six Months Ended January 31,	
	Note	**2016**	**2015**	**2016**	**2015**
Cash used from operating activities					
Net loss for the year		$ (351,216)	$ (150,111)	$ (1,348,618)	$ (168,245)
Items not affecting cash					
Amortization		1,028	-	1,028	-
Write off – Goldsmith advances	6(c)	-	-	698,818	-
Finance cost	9	4,324	-	7,207	-
		(345,864)	(150,111)	(641,565)	(168,245)
Change in non-cash operating working capital					
Increase in other receivables		15,800	31	40,425	(47)
Increase in prepaid expenses		51,621	3,911	(25,775)	3,911
Increase (decrease) in accounts payable and accrued liabilities		278,695	50,862	367,441	59,509
Net cash used in operating activities		252	(95,307)	(259,474)	(104,872)
Cash flows from financing activities					
Proceeds from deposits of convertible debenture	9	-	-	261,533	-
Proceeds from private placements	11	-	-	114,290	-
Proceeds from Director's Loan	10	-	-	50,000	-
Repayment of Director's Loan	10, 16	-	-	(10,000)	-
Net cash received in financing activities		-	-	415,823	-
Cash flows used in investing activities					
Proceeds from short term investment		-	95,000	-	105,000
Advances – Goldsmith	6	-	-	(214,134)	-
Net cash from (used) in investing activities		-	95,000	(214,134)	105,000
Increase (decrease) in cash and cash		252	(307)	(57,785)	128
Cash and cash equivalents - beginning of year		2,297	10,791	60,334	10,356
Cash and cash equivalents - end of year		$ 2,549	$ 10,484	$ 2,549	$ 10,484

Supplemental cash flow information		**January 31, 2016**	**January 31, 2015**	**January 31, 2016**	**January 31, 2015**
Equity portion – convertible debentures	9	$ 17,297	$ -	$ 17,297	$ -

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

1 Nature of operations and going concern

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

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

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

Going concern

At January 31, 2016, the Company had net working capital deficit of $564,795, had not yet achieved profitable operations, had accumulated losses of $2,837,045 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work program on its mineral properties, meet its on-going levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently had sufficient financial resources to undertake its currently planned work programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements. These adjustments could be material.

2 Amalgamation

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

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

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

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

(Unaudited – amount expressed in Canadian dollars, except where indicated)

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

The allocation of value is as follows:

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

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

Concurrent financing

In connection with the closing of the Amalgamation, Montan completed a concurrent financing and raised gross proceeds of $520,000 by the issuance of 5,200,000 Montan Shares at a price of $0.10 per Montan Share. Montan paid an aggregate finder's fee of $5,600 and also issued finder's warrants which entitle the holders to purchase up to 56,000 Montan Shares at a price of $0.10 per Montan Share for a period of 12 months. All Montan Shares issued in connection with the concurrent financing are subject to a statutory hold period expiring on July 6, 2015.

3 Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2015.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended July 31,

2015. In addition the accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended July 31, 2015.

The Company's interim results are not necessarily indicative of its results for a full year.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on March 30, 2016.

4 Financial instruments

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

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

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

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

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

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;

Level 3 Inputs that are not based on observable market data

Fair values of financial instruments

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

(Unaudited – amount expressed in Canadian dollars, except where indicated)

The fair values of financial instruments are summarized as follows:

	January 31, 2016		July 31, 2015	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Fair value to profit and loss ("FVTPL")				
Cash and cash equivalents	2,549	2,549	60,335	60,335
Restricted cash	252	252	252	252
Other receivables	17,230	17,230	57,655	57,655
Financial liabilities				
Other financial liabilities				
Accounts payable & accrued liabilities	412,947	412,947	45,508	45,508
Director's loan	40,000	40,000	-	-

5 Receivables and prepaid expenses

	January 31, 2016	July 31, 2015
GST receivable	$ 17,230	$ 14,864
Other receivables	-	42,791
Other receivables (current) - total	**17,230**	**57,655**
Prepaid expenses	**203,961**	**129,814**

6 Advances to Goldsmith

a) Goldsmith Resources SAC Advances

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

The Mollehuaca Plant was recently expanded and has both a carbon-in-pulp ("CIP") circuit as well as a flotation circuit with a total capacity of approximately 150 tons per day ("TPD"). The plant is located in the region of Arequipa, the most active region of Peru for small-scale gold mining.

The Eladium Gold Mine and Saulito Property are located in the Nazca-Ocona metallogenic belt in close proximity to the Mollehuaca Gold Plant. Mineralization at both projects is hosted by a system of quartz-sulphide veins which contain high grades of gold and accessory silver and copper. Eladium is currently built to produce 5-25 tpd of gold-bearing vein material appropriate for mill feed under the Peruvian toll-milling model. The mine has recently provided mill feed to Mollehuaca that has assayed 15-25 g/t Au at the Mollehuaca site fire assay facility. Montan planned to undertake a review of the Eladium operation as well as the Saulito Property.

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

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

Since incorporation, Goldsmith has spent in excess of US$4 million permitting, building, operating and developing the mill and properties.

Montan signed a final definitive agreement effective June 9, 2015 with the shareholders of Goldsmith for the acquisition. From the date the Definitive Agreement is executed by the Parties (the "DA Date") until the Closing, Montan will take over operations and management of the business of Goldsmith and provide all working capital ($403,959 as at July 31, 2015) as it deems necessary to continue the day to day operations of the business. All income and expenses from the DA Date to Closing will accrue to Montan. Post-Closing, Montan will continue as the operator and manager of the business. Subsequent to July 31, 2015, the Company advanced an additional $198,000 to Goldsmith.

b) Inca One transaction

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

Under the terms of the Binding LA, Inca One will:

- assume Montan's obligations under a Share Purchase Agreement with the shareholders of Goldsmith (the "Goldsmith Shareholders") for the acquisition all of the issued and outstanding shares of Goldsmith which owns the Mollehuaca Ore Processing Plant ("Mollehuaca") in Peru, the mining rights for the nearby Eladium Mine and the Saulito Exploration Property in Peru (the "Goldsmith Assets");

- acquire other select milling assets from Montan (the "Milling Assets"), and;

- will be assigned prepaid marketing services from Montan (the "Marketing Assets", together with the Goldsmith Assets and the Milling Assets, the "Acquired Assets"). In exchange for the Acquired Assets Inca One has agreed to issue 7,000,000 Inca One common shares (the "Share Consideration") and pay a "cash" consideration of US$354,000 due in various installments as set out in the Binding LA (the "Montan Transaction"). The Share Consideration is valued at approximately $835,100 based on the 20-day volume weighted average price of Inca One's shares on the TSX Venture Exchange ("TSX-V") as at October 28, 2015. Montan will use its best efforts to distribute the Share Consideration to its shareholders on a pro-rata basis within three months of closing of the Montan Transaction as a reduction in Montan's share capital; the Share Consideration will be subject to a six month "hold" period (from closing) to allow completion of distribution to the shareholders of the Seller. All dollar amounts are presented in Canadian dollars, unless otherwise stated.

  The Goldsmith Assets include all plant facilities and equipment, gold bearing material, supplies and inventory located at site. The Milling Assets include mineral feed, plant consumables and supplies located at the plant. The Marketing Assets include prepaid marketing services. As part of its previous agreement with Goldsmith, Montan assumed control over the "operations" of Mollehuaca and management of the business of Goldsmith, and has been providing the working capital it deemed necessary to continue the day to day operations. Since incorporation, Goldsmith has spent in excess of US$4 million on permitting, building, operating and developing the Mollehuaca mill facility and its properties, as referenced in the Montan press release announcing their binding agreement with Goldsmith, dated April 27, 2015.

(Unaudited – amount expressed in Canadian dollars, except where indicated)

The Binding LA contains the basic business terms for the Montan Transaction and requires the Parties to finalize in good faith a definitive agreement (the "Definitive Agreement") prior to closing. The Parties anticipate that the Montan Transaction will be completed prior to the end of the 2015 calendar year.

The Montan Transaction is subject to the satisfactory completion of due diligence by Inca One, execution of the Definitive Agreement, board approval by each of Montan and Inca One, TSX-V approval and other customary conditions. The Binding LA also includes standstill, lock up, and confidentiality provisions, representations and warranties, and a US$250,000 break fee in favor of Inca One.

Under the terms of the Montan Transaction, Inca One will pay a total of US$354,000 to Montan and issue the Consideration Shares. The cash consideration will consist of Inca One making an initial and non-refundable deposit of US$25,000; an additional payment of US$75,000 on or before the earlier of closing or November 29, 2015; a further payment of US$125,000 on the 3 month anniversary of closing; and a final payment of US$129,000 on July 31, 2016.

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

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

(c) As at January 31, 2016, the Company has fully written off ($698,818) the Goldsmith advances as management will not pursue the Goldsmith asset acquisition transaction (see note 6(a)) as the Inca One transaction terminated (see note 6(b)).

7 Office equipment

	Cost			Accumulated amortization			Net book value
	As at July 31, 2015	Additions	As at January 31, 2016	As at July 31, 2015	Amortization	As at January 31, 2016	As at January 31, 2016
Office and furniture	$ 1,941	$ -	$ 1,941	$ (452)	$ (1,029)	$ (1,481)	$ 460

8 Mineral properties

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

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

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

(Unaudited – amount expressed in Canadian dollars, except where indicated)

The Company secured the remaining 45% interest in the Alicia Property, by (a) issuing a further 400,000 common shares, valued at $28,000, to Panoro on February 15, 2013 and (b) carrying out work expenditures at the Alicia Property, aggregating US$1.25 million On December 8, 2011, the Company entered into an Option/Joint Venture Agreement with Teck Peru S.A. ("Teck Peru"), a wholly owned subsidiary of Teck Resources Limited ("Teck"), giving Teck Peru an option to earn up to a 75% interest in the Alicia Property. As a condition of entering into the agreement, Teck made a $600,000 equity investment in the Company through the purchase of 3,000,000 Units of the Company. On August 27, 2013, the Company announced that the exercise price of 3,000,000 warrants held by Teck had been reduced to $0.12 from $0.35 per share. On August 29, 2013, the 3,000,000 warrants were exercised by Teck for gross proceeds of $360,000. On February 13, 2014, the Company announced that Teck Peru had notified the Company that it did not intend to exercise its option to earn an interest in the Company's Alicia Property.

9 Convertible debenture

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

   Based on the discount factor of 20% over the loan life of one year, the equity portion was valued at $10,843. Accreted interest for the debenture for three and six months ended January 31, 2016 was $2,711 and $4,518 (January 31, 2015 - $Nil) related to this loans. Annual interest expense of this debenture of $30,360 was prepaid upon issuance of the convertible debenture. During the three and six months ended January 31, 2016, $7,590 and $12,650 (January 31, 2015 - $Nil) was amortized from prepaid expense.

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

   Based on the discount factor of 20% over the loan life of one year, the equity portion was valued at $6,453. Accreted interest for the debenture for three and six months ended January 31, 2016 was $1,613 and $2,689 (January 31, 2015 - $Nil) related to this loans. Annual interest expense of this debenture of $18,070 was prepaid upon issuance of the convertible debenture. During the three and six months ended January 31, 2016, $4,517 and $7,529 (January 31, 2015 - $Nil) was amortized from prepaid expense.

	$216,860 convertible debenture	**$129,070 convertible debenture**	**Total**
Convertible debenture principal issued	$ 216,860	$ 129,070	$ 345,930
Equity portion	(10,843)	(6,453)	(17,297)
Accreted interest	4,518	2,689	7,207
Convertible debenture carrying value as at January 31, 2016	**$ 210,535**	**$ 125,305**	**$ 335,840**

10 Director's loan

During the six months ended January 31, 2016, a director of the Company advanced a non-interest bearing loan of $50,000 (July 31, 2015 - $nil) to the Company. As at January 31, 2016, the balance outstanding was $40,000 (July 31, 2015 - $nil). $10,000 was repaid as at January 31, 2016. (see note 16)

(Unaudited – amount expressed in Canadian dollars, except where indicated)

11 Share Capital

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

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

(a) Share issuance

On October 19 and October 21, 2015, the Company closed two tranches of private placement financing that issued 1,366,125 units and 62,500 units respectively. The units offered at a price of $0.08 for aggregate gross proceeds of $114,290. Each unit consists of one common share and one common share purchase warrant. One warrant will be exercisable into one common share at a price of $0.12 for a period of two years following the closing of the offering (see note 16)

(b) **Share purchase warrants**

During October 2015, the Company closed two tranches of private placement financing that issued 1,428,625 units. (Note 11 (a)). The fair values of these share purchase warrants were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: 0.43% risk free interest rate, 2 year of expected life of share purchase warrants, 292% annualized volatility and 0% dividend rate.
The following is a summary of the share purchase warrants outstanding as at January 31, 2016 and July 31, 2015:

	January 31, 2016		July 31, 2015	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Outstanding - beginning of year	1,621,589	$ 0.24	300,000	$ 0.20
Issued (see note 11(a))	1,428,625	0.12	1,621,589	0.24
Expired	-	-	(300,000)	0.20
Exercised	-	-	-	-
Outstanding - end of year	3,050,214	$ 0.21	1,621,589	$ 0.24

Number of warrants	Exercise price per warrant	Expiry date
56,000	$0.10	March 5, 2016
1,473,889	$0.25	July 6, 2017
91,700	$0.18	July 6, 2017
1,366,125	$0.175	October 19, 2017
62,500	$0.175	October 21, 2017
3,050,214		

As at January 31, 2016, the weighted average exercise price of the warrants outstanding was $0.21 (July 31, 2015 - $0.24) with a weighted average remaining contractual life of 1.54 years (July 31, 2015 – 1.55 years).

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

(Unaudited – amount expressed in Canadian dollars, except where indicated)

12 Share based compensation

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

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

	January 31, 2016		July 31, 2015	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding - beginning of year	1,875,000	$ 0.17	800,000	$ 0.20
Granted	-	-	1,075,000	0.15
Cancelled or expired	(10,000)	0.15	-	-
Outstanding - end of year	1,865,000	$ 0.17	1,875,000	$ 0.17

Number of stock option outstanding and vested	Exercise price per stock option	Expiry date
800,000	$0.20	December 5, 2022
200,000	$0.15	December 5, 2022
825,000	$0.15	March 7, 2020
20,000	$0.15	January 11, 2018
20,000	$0.15	January 4, 2017
1,865,000		

As at January 31, 2016, the weighted average exercise price of the stock options outstanding was $0.17 (July 31, 2015 - $0.17) with the weighted average remaining contractual life of 4.14 years (July 31, 2015 – 4.49 years).

During the period ended October 31, 2015, the Company was committed to grant 300,000 stock options to a marketing firm. Due to the Inca One Gold Corp (see note 6(b)) transaction, the Company has yet finalize the timing of the grant as at the date of reporting. The terms of the 300,000 stock option are still under negotiation.

13 Related party transactions

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

The remuneration of the Company's directors and other key management personnel during the three and six months ended January 31, 2016 and January 31, 2015 are as follows:

	Three Months Ended		Six Months Ended	
	January 31, 2016	January 31, 2015	January 31, 2016	January 31, 2015
Consulting fees	$ 82,900	-	$ 143,779	-

These expenses were measured at the exchange amounts agreed upon by the parties. As at January 31, 2016 the Company had amounts payable of $92,114 (July 31, 2015 - $5,250) to these parties. These amounts are unsecured and non-interest bearing.

(Unaudited – amount expressed in Canadian dollars, except where indicated)

14 Segment disclosures

The Company operates in one operating segment (exploration) in two countries. Details of the investments in mineral properties are disclosed in Note 8. The Company's assets by country are:

Period ended January 31, 2016	Canada	Peru	Total
Cash and cash equivalent	$ 1,405	$ 1,144	$ 2,549
Restricted cash	-	252	252
Other receivables	17,230	-	17,230
Prepaid expenses	203,961	-	203,961
	222,596	1,396	223,992
Office equipment	-	460	460
Mineral property	-	766,072	766,072
Total assets – January 31, 2016	$ 222,596	$ 767,928	$ 990,524
Segment loss period ended – three months ended	$ 335,277	$ 15,939	$ 351,216
Segment loss period ended – six months ended	$ 1,264,939	$ 83,679	$ 1,348,618

Period ended January 31, 2015	Canada	Peru	Total
Cash and cash equivalent	$ 10,484	$ -	$ 10,484
Other receivables	7,059	-	7,059
Short term investment	693,000	-	693,000
Due from related party	16,635	-	16,635
Total assets - January 31, 2015	$ 727,178	$ -	$ 727,178
Segment loss period ended – three months ended	$ 158,611	$ -	$ 158,611
Segment loss period ended – six months ended	$ 168,245	$ -	$ 168,245

15 Capital management

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

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

	January 31, 2016	July 31, 2015
Total equity	$ 201,737	$ 1,418,768
Less: cash and cash equivalents	(2,549)	(60,335)
	$ 199,188	$ 1,358,433

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

16 Subsequent event

On March 15, 2016, the Company entered into agreements to issue 6,775,580 shares at deemed price of $0.05 per share to settle certain debts owed to various vendors; and certain convertible notes are being converted to 2,047,383 common shares at deemed price of $0.125 per share. The total number of shares anticipated to be issued is 8,802,963. $2,542,234 shares to be issued include the settlement of a $40,000 director loan to a director (refer Note 10, previous), and $15,263 in exchange and transfer agent fees and expenses covered by another director. In addition, two holders of convertible debentures have applied to convert their notes for common shares at deemed value of $0.125 for the issuance of 2,047,383 shares.