



Damara Gold Corp.

An Exploration Stage Company

Condensed Consolidated Interim Financial Statements (un-audited)

October 31, 2015

Expressed in Canadian Dollars

DAMARA GOLD CORP.
An Exploration Stage Company
Three Months ended October 31, 2015
(Expressed in Canadian Dollars)

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**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

For further information please contact:

Lawrence Nagy, CEO or

Terese Gieselman, CFO

(250) 768-1168

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at October 31, 2015 and July 31, 2015

Expressed in Canadian Dollars

	Note	October 31 2015	July 31 2015
ASSETS			
Current			
Cash and cash equivalents		\$ 15,601	\$ 22,758
Taxes recoverable		282	1,542
Total current assets		15,883	24,300
Non-Current			
Exploration and evaluation assets	5	453,497	433,905
Total Assets		\$ 469,380	\$ 458,205
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Trade and other payables	6,7	436,176	381,446
Loans payable	7	535,000	535,000
Total current liabilities		971,176	916,446
Shareholders' Deficiency			
Share Capital	8	30,474,458	30,474,458
Contributed surplus		1,327,794	1,327,794
Deficit		(32,304,048)	(32,260,493)
Total Shareholders' Deficiency		(501,797)	(458,242)
Total Liabilities and Shareholders' Deficiency		\$ 469,380	\$ 458,205

Approved on behalf of the Board of Directors by:

/s/ Lawrence Nagy

Lawrence Nagy, Director

/s/ William Deluce

William Deluce, Director

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (un-audited)

For the three months ended October 31, 2015 and October 31, 2014

Expressed in Canadian Dollars

	Note	October 31 2015	October 31 2014
Expenses			
Administrative and general	10,11	\$ 23,327	\$ 73,167
Interest on loans payable	7	20,227	9,316
Total expenses		(43,555)	(82,483)
Net (loss) income and comprehensive(loss) income for the year		\$ (43,555)	\$ (82,484)
(Loss) income per share for the year- Basic and Diluted		\$ (0.01)	\$ (0.01)

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (un-audited)

For the three months ended October 31, 2015 and October 31, 2014

Expressed in Canadian Dollars

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance July 31, 2014	5,688,499	\$30,444,458	\$1,327,794	\$(31,968,383)	\$(196,131)
Net loss for the period	-	-	-	(82,484)	(82,484)
Balance October 31, 2014	5,688,499	\$30,444,458	\$1,327,794	\$(32,050,867)	\$(278,615)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance July 31, 2015	5,688,499	\$30,474,458	\$1,327,794	\$(32,260,493)	\$(458,242)
Net loss for the period	-	-	-	(43,555)	(43,555)
Balance October 31, 2015	5,688,499	\$30,474,458	\$1,327,794	\$(32,304,048)	\$(501,797)

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(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (un-audited)

For the three months ended October 31, 2015 and October 31, 2014

Expressed in Canadian Dollars

	Note	October 31 2015	October 31 2014
OPERATING ACTIVITIES			
Net (loss) income for the year		\$ (43,555)	\$ (82,484)
Items not affecting cash			
Changes in non-cash working capital			
Taxes recoverable		1,260	(381)
Prepaid expenses and advances		-	(21,272)
Trade and other payables		54,729	47,059
Cash used in operating activities		12,434	(57,079)
Cash Flows From Investing Activities			
Investment in exploration and evaluation assets	5	(19,591)	-
Total cash outflows from investing activities		(19,591)	-
(Decrease) in cash during the year		(7,157)	(57,079)
Cash and cash equivalents beginning of year		22,758	108,175
Cash and cash equivalents end of year		\$ 15,601	\$ 51,095

Supplemental Disclosure with Respect to Cash Flows (Note 16)

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)**For the Three Months Ended October 31, 2015 and 2014**

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Damara Gold Corp. ("Damara" or the "Company") was incorporated on August 1, 1989 under the *Business Corporations Act* of British Columbia. On September 30, 2014, the Company changed its name to Damara Gold Corp. Effective October 1, 2014 the Company commenced trading on the TSX Venture Exchange (the "Exchange") under the symbol "DMR" as a Tier 2 issuer.

The Company is in the business of exploring and developing mineral property interests with a focus in Namibia. The Company's principal asset is its optioned DGP Property located in Namibia. The Company has not earned significant revenues from its mineral property interests and is considered to be in the exploration stage. The Company's corporate head office is at Suite 110-2300 Carrington Road, West Kelowna, British Columbia V4T 2N6.

Pursuant to receipt of shareholder approval at the Company's Special Meeting held on September 22, 2014, the Company received Exchange approval on September 30, 2014 to consolidate its share capital on the basis of one new common share of the Company for every ten existing common shares (the "Consolidation"). As a result, the common shares of Damara have been consolidated on a 10:1 basis, such that the previously existing 56,884,992 common shares have been consolidated and there are now 5,938,499 post-Consolidation common shares issued and outstanding.

2. BASIS OF PREPARATION AND GOING CONCERN

These condensed interim consolidated financial statements for the three month period ended October 31, 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2014 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's 2015 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from August 1, 2015 and income tax expense which is expected for the full financial year.

The preparation of condensed interim consolidated financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the Company's 2015 annual financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 23rd 2015.

The consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency.

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Notes to Condensed Consolidated Interim Financial Statements (un-audited)**For the Three Months Ended October 31, 2015 and 2014**

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION AND GOING CONCERN (cont'd)

The Company has not yet achieved profitable operations. These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company had a net loss of \$43,555 for the period ended October 31, 2015 (October 31, 2014 – \$82,484) and has accumulated a deficit of \$32,304,048 (2015 - \$32,245,494) since inception. These conditions indicate the existence of material uncertainty, which casts significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

No adjustments to the carrying values of the assets and liabilities have been made in these consolidated financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis.

Basis of Consolidation

These consolidated financial statements include the accounts of:

	% of ownership	Jurisdiction	Principal Activity
Avasca Inc.	100	British Columbia	Dormant
Valhalla Minerals U.S. Inc.	100	Delaware	Dormant

All significant intercompany balances and transactions have been eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Standards, Amendments and Interpretations Not Yet Effective**

Certain pronouncements have been issued by the IASB that are mandatory for accounting years beginning on or after August 1, 2015. The Company has not assessed the impact from adopting these standards.

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing International Accounting Standards ("IAS") 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

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Notes to Condensed Consolidated Interim Financial Statements (un-audited)**For the Three Months Ended October 31, 2015 and 2014**

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Standards, Amendments and Interpretations Not Yet Effective**

- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company's annual period beginning August 1, 2018.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

There have been no material revisions to the nature of judgements and amount of changes in estimates of amount reported in the Company's 2015 annual financial statements.

5. EXPLORATION AND EVALUATION ASSETS

	Namibia
Balance, July 31, 2014	\$135,359
Acquisition costs - Shares	30,000
Personnel	88,484
Equipment	16,125
Site costs	90,700
Field work	3,111
Legal	2,244
Maps and misc	427
Geochemical	60,310
Freight transport	1,200
Travel and accommodation	5,944
Total expenditures	298,546
Balance, July 31, 2015	\$433,905
Acquisition costs - Shares	-
Personnel	13,500
Site costs	5,492
Legal	600
Total expenditures	19,592
Balance, October 31, 2015	\$453,497

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Notes to Condensed Consolidated Interim Financial Statements (un-audited)**For the Three Months Ended October 31, 2015 and 2014**

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)**Namibia**

On March 21, 2014, subject to Exchange approval, the Company and Helio Resource Corp. ("Helio") entered into a Letter Agreement, whereby Damara can earn up to a 60% interest in Helio's Damara Gold and Tin Project (DGP) in Namibia. The Company received Exchange approval on July 17, 2014.

The DGP Property is comprised of two exploration licenses located in Namibia, South Africa.

The principal terms of the two-stage agreement are as follows:

Stage 1:

Damara can acquire an initial 51% interest (Stage 1) by issuing an aggregate 1,500,000 common shares and completing \$1,500,000 in exploration expenditures over a three year period as follows:

Share issuances:

- 250,000 upon Exchange approval (the "Effective Date") (issued);
- an additional 250,000 on or before the first anniversary of July 17, 2015 (issued);
- an additional 500,000 on or before the second anniversary of July 17, 2016; and
- an additional 500,000 on or before the third anniversary of July 17, 2017.

Exploration expenditures:

- a minimum \$300,000 on or before the first anniversary of July 17, 2015 (completed);
- a minimum \$500,000 on or before the second anniversary of July 17, 2016; and
- a minimum \$700,000 on or before the third anniversary of July 17, 2017.

Stage 2:

Damara can acquire an additional 9% interest by issuing an additional 500,000 common shares and completing a further \$1,500,000 in exploration expenditures on or before the fourth anniversary of July 17, 2018.

Additionally, under the terms of the arrangement, finder's fees of 25,000 shares were issued.

6. TRADE AND OTHER PAYABLES

	October 31	July 31
	2015	2015
Trade payables	\$ 195,338	\$ 158,989
Due to related parties	240,838	222,457
Total	\$ 436,176	\$ 381,446

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Notes to Condensed Consolidated Interim Financial Statements (un-audited)**For the Three Months Ended October 31, 2015 and 2014**

(Expressed in Canadian dollars)

7. LOANS PAYABLE

As of October 31, 2015 the Company has loans owing of \$535,000 of which \$220,000 (July 31, 2015 - \$220,000) is to unrelated parties and \$315,000 (July 31, 2015 - \$315,000) to related parties. Included in trade payables is interest payable of \$76,303 (July 31, 2015 - \$57,925).

Unrelated parties:

On May 7, 2014, the Company obtained an unsecured loan of \$25,000 from a private investor. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

On May 16, 2014, the Company obtained an unsecured loan of \$25,000 from a private investor. The loan bears interest of 15% compounded monthly and due quarterly with a maturity date of 24 months from the date of the loan agreement.

On May 16, 2014, the Company obtained an unsecured loan of \$25,000 from a private investor. The loan bears interest of 15% compounded monthly and due quarterly with a maturity date of 24 months from the date of the loan agreement.

On June 11, 2014, the Company obtained an unsecured loan of \$25,000 from a private investor. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

On June 18, 2014, the Company obtained an unsecured loan of \$25,000 from a private investor. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

On June 19, 2014, the Company obtained an unsecured loan of \$20,000 from a private investor. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

On June 26, 2014, the Company obtained an unsecured loan of \$25,000 from a private investor. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

On July 18, 2014, the Company issued 20,000 bonus shares with a value of \$4,000 to two lenders in consideration of an aggregate \$50,000 in loans in accordance with the policies of the Exchange.

On February 24, 2015, the Company obtained an unsecured loan of \$50,000 from a private investor. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

Related parties:

On March 17, 2014, the Company obtained an unsecured loan of \$25,000 from a company owned by a director of the Company. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

On April 17, 2014, the Company obtained an unsecured loan of \$25,000 from a company owned by a director of the Company. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

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Notes to Condensed Consolidated Interim Financial Statements (un-audited)**For the Three Months Ended October 31, 2015 and 2014**

(Expressed in Canadian dollars)

7. LOANS PAYABLE (cont'd)**Related parties (cont'd)**

On May 5, 2014, the Company obtained an unsecured loan of \$25,000 from a company owned by a director of the Company. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

On June 6, 2014, the Company obtained an unsecured loan of \$15,000 from a director of the Company. The loan bears interest of 15% compounded monthly and due annually with a maturity date of 24 months from the date of the loan agreement.

As at October 31, 2015, \$225,000 (July 31, 2014 - \$Nil) was advanced from Colorado Resources Ltd. ("Colorado") which has two common directors, Larry Nagy and William Lindqvist of the Company, in connection with the Company's Namibia project. The loan is interest-bearing (15% per annum) and due within 12 months from advancement at the election of Colorado should the companies not proceed on a transaction.

8. SHARE CAPITAL**(a) Authorized Share Capital**

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

(b) Common Shares

On October 1 2014, Damara completed a share consolidation on the basis of one post-consolidated common share for every ten pre-consolidated common shares. The Share Consolidation reduced Damara's 56,884,992 issued and outstanding common shares to 5,688,486 post-consolidation common shares. The exercise price of outstanding stock options, and the number of such options, were also proportionately adjusted based upon the Share Consolidation. All historical information presented in the consolidated financial statements has been adjusted to reflect the Share Consolidation.

There were no share issuances during the three months ended October 31, 2015.

During the year ended July 31, 2015:

- (i) On July 3, 2015 the Company issued 250,000 common shares pursuant to the agreement dated March 21, 2014, as described under Note 5(a). The common shares were valued at \$30,000, as determined by the market price when issued being \$0.12 per common share.

(b) Share Purchase Warrants

Share purchase warrants activity was as follows:

	Number of Warrants Outstanding	Exercise Price	Weighted Average Exercise Price
Balance, July 31, 2014	1,515,360	-	\$ 1.00
Expired	(1,515,360)	\$1.00	\$1.00
Balance, July 31, 2015 and October 31, 2015	—	—	—

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Notes to Condensed Consolidated Interim Financial Statements (un-audited)**For the Three Months Ended October 31, 2015 and 2014**

(Expressed in Canadian dollars)

9. SHARE-BASED PAYMENTS**(a) Option Plan Details**

The Company has an incentive stock option plan (the “Plan”) that allows it to grant share purchase options to its employees, directors, consultants and management company employees. Under the terms of the Plan, the exercise price of each option will not be lower than the lowest exercise price permitted by the Exchange (currently \$0.50). The Plan allows for a maximum of 10% of outstanding shares to be issued under the Plan. The Plan is subject to annual shareholder approval.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or management company employee, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of the death of an optionee, the options terminate at the earlier of 12 months after the date of death and the expiration of the option period.

Vesting of options is determined by the Board of Directors at the time the options are granted. Options issued to consultants providing investor relations activities must vest in stages over twelve months with no more than one-quarter of the options vesting in any three-month period.

Stock option activity (post-Consolidation) was as follows:

August 1, 2015 to October 31, 2015									
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	Forfeited	Closing Balance	Vested and Exercisable	Unvested
17-Dec-10	17-Dec-15 ¹	\$1.65	6,000	—	—	—	6,000	6,000	—
14-Dec-12	13-Dec-17	\$1.00	30,000	—	—	—	30,000	30,000	—
			36,000	—	—	—	36,000	36,000	—
Weighted Average Exercise Price			\$1.11	—	—	—	\$1.11	\$1.11	—
Weighted Average Life Remaining (years)			—	2.0	—	—	1.8	1.8	

¹ See Events After the Reporting Date

August 1, 2014 to July 31, 2015									
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	Forfeited	Closing Balance	Vested and Exercisable	Unvested
30-Nov-09	01-Dec-14	\$2.65	10,000	—	(10,000)	—	—	—	—
17-Dec-10	17-Dec-15	\$1.65	6,000	—	—	—	6,000	6,000	—
14-Dec-12	13-Dec-17	\$1.00	30,000	—	—	—	30,000	30,000	—
			46,000	—	(10,000)	—	36,000	36,000	—
Weighted Average Exercise Price			\$1.44	—	\$2.65	—	\$1.11	\$1.11	—
Weighted Average Life Remaining (years)			—	2.45	—	—	—	2	2

(b) Fair Value of Options Issued During the Period

There were no options granted during the three months ended October 31, 2015 and 2014.

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Notes to Condensed Consolidated Interim Financial Statements (un-audited)**For the Three Months Ended October 31, 2015 and 2014**

(Expressed in Canadian dollars)

10. ADMINISTRATIVE AND GENERAL EXPENSES

	October 31 2015	October 31 2014
Administrative and General Expenses include:		
Accounting and legal	\$ —	\$ 840
Consulting (Note 11)	16,838	47,750
Website, shareholder communication	500	5,037
Office and administration fees	1,023	1,188
Regulatory fees	0	2,500
Rent	2,886	2,855
Transfer agent fees	564	8,012
Travel	1,517	4,985
	\$ 23,327	\$ 73,167

11. RELATED PARTY TRANSACTIONS**(a) Key Management Compensation**

	October 31 2015	October 31 2014
Key management personnel compensation comprised :		
Consulting fees:	\$ 16,838	\$ 47,750

- (i) Consulting fees of \$15,000 (2014 - \$15,000) were paid and/or accrued to 43983 Yukon Inc. a company, controlled by Lawrence Nagy, the Company's Chief Executive Officer;
- (ii) Consulting fees of \$Nil (2014 - \$20,000) were paid and/or accrued to Minefill Services Inc. ("Minefill"), a company controlled by David Stone the Company's President and Chief Operating officer.
- (iii) Consulting fees of \$1,683 (2014 - \$12,750) were paid and/or accrued to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, Chief Financial Officer and Secretary of the Company.

11. RELATED PARTY TRANSACTIONS (cont'd)**(b) Related Party Liabilities**

Amounts due to:	Service for:	October 31		July 31 2015
		2015	2015	
Minco	Consulting Fees	\$ 39,928	\$ 38,091	
Minefil	Consulting Fees	\$ 90,000	\$ 90,000	
43983	Consulting Fees	\$ 105,000	\$ 90,000	
43983	Expenses	\$ 1,543	\$ -	
Paul Maarshalk ¹	Consulting Fees	\$ 4,366	\$ 4,366	
Total related party payables		\$ 240,838	\$ 222,457	

¹ Paul Maarshalk was the former CFO (resigned January 29, 2014).

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Notes to Condensed Consolidated Interim Financial Statements (un-audited)**For the Three Months Ended October 31, 2015 and 2014**

(Expressed in Canadian dollars)

12. INCOME TAXES

The Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

Available to	Amount
2015	\$ 124,000
2026	559,000
2027	380,000
2029	832,000
2030	492,000
2031	641,000
2032	480,000
2033	616,000
2034	296,000
2035	833,000
	<hr/>
	\$ 5,253,000
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The tax losses above do not include approximately \$3,565,000 in non-capital losses that may be applied against future taxable income in the United States that expired in 2015.

The Company's tax position is calculated annually and readers are referred to the audited consolidated financial statements for the year ended July 31, 2015 for further details

13. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year.

	October 31 2015	October 31 2014
Loss attributable to ordinary shareholders	\$(43,555)	\$(82,484)
Weighted average number of common shares	5,938,486	5,688,499
Basic and diluted loss per share	\$(0.01)	\$(0.01)

14. SEGMENTED INFORMATION

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities in Namibia.

15. COMMITMENTS

The Company has no commitments as at October 30, 2015 and July 31, 2015.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the period ended October 31, 2015 and October 31, 2014 there were no non-cash transactions recorded.

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Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2015 and 2014

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17. EVENTS AFTER THE REPORTING DATE

Stock Options

On December 17, 2015, 6,000 stock options at an exercise price of \$1.65 expired without exercise.

Shares for Debt

On December 2, 2015 the Company agreed to settle short term loans and advances (the "Debt Settlement") with arm's length parties of up to an aggregate of \$220,694 by the issuance of up to an aggregate of 4,413,880 Units of the Company at a deemed issue price of \$0.05 per Unit ("DS Unit"). Each DS Unit will consist of one common share and one common share purchase warrant ("DS Warrant"). Each DS Warrant will have the same terms as the Warrants described hereinabove.

Additionally, an aggregate of approximately \$213,564 of additional debt owed to directors of the Company will be settled by the issuance of approximately 4,271,274 common shares at a deemed issue price of \$0.05 per share. The debt involved in the Debt Settlement was incurred to provide the Company with working capital over the last 12 months.

The securities issued pursuant to the Debt Settlement will be subject to a four-month hold period from the date of issuance. Completion of the Debt Settlement is subject to acceptance by the Exchange.

Non-Brokered Private Placement

On December 2, 2015 the Company, subject to TSX Venture Exchange ("Exchange") approval, commenced a non-brokered private placement of up to 10,000,000 units in the capital of the Company ("Units") at an issue price of \$0.05 per unit, for gross proceeds of up to \$500,000 (the "Offering"). Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (each a "Warrant"), with each Warrant entitling the holder thereof to acquire an additional Common Share at an exercise price of \$0.15 for 60 months after the date of issuance (the "Closing Date"). The Warrant terms will contain an acceleration provision such that if, commencing on the date that is four months after the Closing Date, the closing price of the Common Shares on the Exchange is higher than \$0.25 for 20 consecutive trading days then on the 20th consecutive trading day (the "Acceleration Trigger Date") the expiry date of the Warrants may be accelerated to the date that is 30 days after the Acceleration Trigger Date (the "Accelerated Expiry Date") by the issuance of a news release announcing such Accelerated Expiry Date. All of the Units issued in connection with the Offering and Common Shares issued on exercise of the Warrants will be subject to a restricted resale period that expires four months after the Closing Date.