Damara Gold Corp.

An Exploration Stage Company

Consolidated Financial Statements

July 31, 2015

Expressed in Canadian Dollars

DAMARA GOLD CORP.
An Exploration Stage Company
July 31, 2014
(Expressed in Canadian Dollars)

INDEX

- Independent Auditors' Report
- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Income (Loss)
- Consolidated Statements of Changes in Shareholders' Deficiency
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF DAMARA GOLD CORP.

We have audited the accompanying consolidated financial statements of Damara Gold Corp., which comprise the consolidated statements of financial position as at July 31, 2015 and 2014, and the consolidated statements of comprehensive income (loss), changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Damara Gold Corp. as at July 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
November 30, 2015

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DAMARA GOLD CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at July 31

(Expressed in Canadian Dollars)

	Note		**2015**		2014
ASSETS					
Current					
Cash and cash equivalents		$	**22,758**	$	108,175
Taxes recoverable			**1,542**		608
Prepaid expenses and advances			-		10,758
Total current assets			**24,300**		119,541
Non-Current					
Exploration and evaluation assets	5		**433,905**		135,359
Total Assets		$	**458,205**	$	254,900
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current					
Trade and other payables	6,7		**381,446**		191,031
Loans payable	7		**535,000**		-
Total current liabilities			**916,446**		191,031
Non-Current					
Loans payable	7		-		260,000
Total liabilities			**916,446**		451,031
Shareholders' Deficiency					
Share Capital	8		**30,474,458**		30,444,458
Contributed surplus			**1,327,794**		1,327,794
Deficit			**(32,260,493)**		(31,968,383)
Total Shareholders' Deficiency			**(458,242)**		(196,131)
Total Liabilities and Shareholders' Deficiency		$	**458,205**	$	254,900

Approved on behalf of the Board of Directors by:

/s/ Lawrence Nagy
Lawrence Nagy, Director

/s/ William Deluce
William Deluce, Director

See notes to consolidated financial statements.

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended July 31

(Expressed in Canadian Dollars)

	Note		2015		2014
Expenses					
Administrative and general	10, 11	$	**231,698**	$	215,908
Finance charges			-		4,000
Foreign exchange			**1,491**		(350)
Interest on loans payable			**58,921**		6,432
Total expenses			**(292,110)**		(225,990)
Other income and expenses					
Oil and gas royalties			-		3,914
Recovery on exploration and evaluation expenditures			-		56,249
Gain on disposal of equipment			-		7,500
Gain on settlement of debt	8,11		-		168,747
Net income (loss) and comprehensive(loss) income (loss) for the year	13	$	**(292,110)**	$	10,420
Income (loss) per share for the year Basic and Diluted		$	**(0.05)**	$	0.00

See notes to consolidated financial statements.

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

For the years ended July 31, 2015 and 2014

(Expressed in Canadian Dollars)

	Note	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance July 31, 2013		4,831,397	$30,281,800	$1,327,794	$(31,978,803)	$(369,209)
Net income for the year		-	-	-	10,420	10,420
Shares issued for evaluation and exploration assets	5,8	250,000	50,000	-	-	50,000
Issued for finders' fee for acquisition of exploration and evaluation assets	8	25,000	5,000	-	-	5,000
Shares issued for bonus fees on loans	8	20,000	4,000	-	-	4,000
Shares issued on debt settlement	8	562,102	104,258	-	-	104,258
Share issue costs		-	(600)	-	-	(600)
Balance July 31, 2014		5,688,499	$30,444,458	$1,327,794	$(31,968,383)	$(196,131)
Net loss for the year		-	-	-	(277,110)	(277,110)
Shares issued for evaluation and exploration assets	5,8	250,000	30,000	-	-	30,000
Balance July 31, 2015		**5,938,499**	**$30,474,458**	**$1,327,794**	**$(32,245,493)**	**$(443,242)**

See notes to consolidated financial statements.

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended July 31

(Expressed in Canadian Dollars)

	Note		July 31 2015		July 31 2014
OPERATING ACTIVITIES					
Net income (loss) for the year		$	**(292,110)**	$	10,420
Items not affecting cash					
Finance charges			-		4,000
Gain on settlement of debt			-		(176,793)
Gain on disposal of mineral property interests			-		(56,249)
Changes in non-cash working capital					
Taxes recoverable			**(934)**		680
Prepaid expenses and advances			**10,758**		(10,758)
Trade and other payables			**190,415**		137,485
Total Cash used in operating activities			**(91,871)**		(91,215)
Cash Flows From Investing Activities					
Proceeds on disposal of mineral property interests					56,250
Investment in exploration and evaluation assets			**(268,545)**		(153,663)
Total Cash Used Investing Activities			(268,545)		**(97,413)**
Cash Flows From Financing Activities					
Proceeds from loans received			**275,000**		260,000
Share issue costs			-		(600)
Total Cash Provided by Financing Activities			**275,000**		259,400
Increase (Decrease) in cash during the year			**(85,416)**		70,772
Cash and Cash Equivalents Beginning of Year			**108,175**		37,403
Cash and Cash Equivalents end of Year		$	**22,758**	$	108,175

Supplemental Disclosure with Respect to Cash Flows (Note 16)

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on November 30, 2015.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair value are discussed in Note 3.

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

The preparation of consolidated financial statements in compliance with IFRS 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 consolidated financial statements are disclosed, in Note 4.

Going Concern

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 $292,110 for the year ended July 31, 2015 (2014 – Income $10,420) and has accumulated a deficit of $32,245,494 (2014 - $31,968,383) 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.

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

Going Concern (cont'd)

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

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities that are measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary assets and liabilities are measured at fair value and are reported at the exchange rate at the date that the fair value was determined. Revenues and expenses are translated at the rate of exchange on the transaction date. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Acquisition Costs

The fair value of all consideration paid to acquire an exploration and evaluation asset is capitalized, including amounts arising under option agreements. Consideration may include cash, loans or other financial liabilities, and equity instruments including common shares and share purchase warrants.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Mineral Exploration and Evaluation Expenditures (cont'd)

When a project is deemed to no longer have commercially viable prospects to the Company, acquisition costs and exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditures and acquisition costs, in excess of estimated recoveries, are written off to the consolidated statement of comprehensive income (loss).

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property will be considered to be a mine under development and will be classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Farm-Out Arrangements

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess accounted for as a gain on disposal.

Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets, are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Financial Assets (cont'd)

Fair Value through Profit or Loss ("FVTPL")

Financial assets are classified as FVTPL when the financial asset is held-for-trading or is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future, it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company has no assets included in this category.

Available-for-Sale Investments

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss. The Company has no assets included in this category.

Held-to-Maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity are classified as held-to-maturity. Financial assets classified as held-to-maturity are measured at amortized cost using the effective interest method. Term deposits are classified as held to maturity.

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables and loans payable are included in this category.

Provisions

Provisions are recognized as liabilities when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur. As at July 31, 2015 and 2014, the Company had recognized no rehabilitation provisions.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end-date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes (cont'd)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred to share capital.

Earnings/Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Share-based Payments

The fair value, at the grant date, of equity-settled share awards is charged to profit or loss over the period for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the equity-settled employee benefits reserve. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The fair value of awards is calculated using the Black-Scholes option pricing model, which considers the following factors:

- Exercise price
- Expected life
- Expected volatility
- Current market price of the underlying shares
- Risk-free interest rate
- Dividend yield

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based Payments (cont'd)

For equity settled share-based payments to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

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.

- 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

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these consolidated financial statements are discussed below:

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

Critical Judgments

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash-generating unit or group of cash-generating unit's level in the year the new information becomes available. Such impairment tests and recoverable value models have a degree of estimation and judgment which may differ in the future.

Income Taxes

The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

Critical Estimates

Valuation of Share-based Payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's profit or loss and equity reserves.

5. EXPLORATION AND EVALUATION ASSETS

	Namibia Note (a)	Other Note (b)	Total
Balance, July 31, 2013	$-	$1	$1
Acquisition costs - Shares	55,000	-	55,000
Personnel	19,239	-	19,239
Equipment	17,900	-	17,900
Site costs	6,200	-	6,200
Mining license	5,100	-	5,100
Legal	2,600	-	2,600
Maps and misc	4,800	-	4,800
Geochemical	700	-	700
Geological reports	16,006	-	16,006
Travel and accommodation	7,814	-	7,814
Disposals	-	(1)	(1)
Balance, July 31, 2014	$135,359	$ -	$135,359

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

	Namibia Note (a)
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

(a) 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.

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

(a) Namibia (cont'd)

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.

(b) Other Properties

(i) Quirk Creek, Alberta

The Company held a petroleum and gas interest in the Quirk Creek region of Alberta. On November 19, 2013 the Company sold its interest for proceeds of $56,250 and recorded a gain on disposal of oil and gas assets in the amount of $56,249 during the year ended July 31, 2014.

6. TRADE AND OTHER PAYABLES

		July 31 2015		July 31 2014
Trade payables	$	**158,989**	$	81,243
Due to related parties		**222,457**		109,788
Total	$	**381,446**	$	191,031

7. LOANS PAYABLE

As of July 31, 2015 the Company has loans owing of $535,000 of which $220,000 (July 31, 2014 - $170,000) is to unrelated parties and $315,000 (July 31, 2014 - $90,000) to related parties. Included in trade payables is interest payable of $57,925 (July 31, 2014 - $6,432).

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.

7. LOANS PAYABLE (cont'd)

Unrelated parties: (cont'd)

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.

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 July 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.

8. SHARE CAPITAL (cont'd)

(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.

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.

During the year ended July 31, 2014:

(ii) 562,102 common shares, with a fair value of $104,258, were issued to settle liabilities in the amount of $281,051 leading to the Company recording a gain of $176,793. Included in the settlement was the issue of 279,176 new common shares issued to directors and a former director, officers, a relative of a former director and a law firm of which a director is a partner (Note 11). The Company incurred cash legal fees in the amount of $8,046 in the course of this settlement, for a net gain of $168,747.

(iii) On July 18, 2014 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 $50,000, as determined by the market price when issued being $0.20 per common share. Finders' fees of 25,000 common shares were issued and valued at $5,000, as determined by the market price when issued being $0.20 per common share in connection with the March 21, 2014 agreement described in Note 5(a).

(iv) On July 18, 2014 the Company issued 20,000 common shares pursuant to certain loans advanced to the Company, as described under Note 11. The common shares were valued at $4,000, as determined by the market price when issued being $0.20 per common share.

(c) Share Purchase Warrants

Share purchase warrants activity was as follows:

	Number of Warrants Outstanding	Exercise Price	Weighted Average Exercise Price
Balance, July 31, 2013	1,699,760	$ 1.00	$ 1.00
Expired	(184,400)	$ 1.00	$ 1.00
Balance, July 31, 2014	1,515,360	-	$ 1.00
Expired	(1,515,360)	$1.00	$1.00
Balance, July 31, 2015	—	—	—

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, 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	

				August 1, 2013 to July 31, 2014					
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	Forfeited	Closing Balance	Vested and Exercisable	Unvested
02-Oct-08	01-Oct-13	$25.00	5,500	—	(5,500)	—	—	—	—
30-Nov-09	01-Dec-14	$2.65	52,000	—	—	(42,000)	10,000	10,000	—
17-Dec-10	17-Dec-15	$1.65	76,000	—	—	(70,000)	6,000	6,000	—
01-Jul-11	01-Jul-16	$1.65	20,000	—	—	(20,000)	—	—	—
17-Dec-11	16-Dec-16	$1.00	70,500	—	—	(70,500)	—	—	—
04-May-12	03-May-17	$1.00	20,000	—	—	(20,000)	—	—	—
14-Dec-12	13-Dec-17	$1.00	110,000	—	—	(80,000)	30,000	30,000	—
			354,000	—	(5,500)	(302,500)	46,000	46,000	—
Weighted Average Exercise Price			$1.80	—	$25.00	$1.42	$1.44	$1.44	—
Weighted Average Life Remaining (years)		—	3.12	—	—	—	2.45	2.45	

(b) Fair Value of Options Issued During the Year

There were no options granted during the years ended July 31, 2015 and July 31, 2014.

10. ADMINISTRATIVE AND GENERAL EXPENSES

		July 31 2015		July 31 2014
Administrative and General Expenses include:				
Accounting and legal	$	**16,347**	$	46,214
Consulting		**117,797**		120,842
Corporate development		**15,370**		-
Website, shareholder communication		**9,218**		5,158
Office and administration fees		**16,762**		12,934
Regulatory fees		**10,600**		11,304
Rent		**10,626**		3,655
Transfer agent fees		**11,946**		8,439
Travel		**23,032**		7,362
	$	**231,698**	$	215,908

11. RELATED PARTY TRANSACTIONS

(a) Key Management Compensation

	July 31 2015	July 31 2014
Key management personnel compensation comprised :		
Consulting fees:	**$113,808**	$120,343

(i) Consulting fees of $60,000 (2014 - $30,000) 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 $30,000 (2014 - $60,000) 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 $23,808 (2014 - $14,320) 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; and
(iv) Consulting fees of $Nil (2014 - $16,023) were paid and/or accrued to Paul Maarschalk ("Maarschalk"), the Company's former Chief Financial Officer.

(b) Related Party Liabilities

Amounts due to:	Service for:		July 31 2015		July 31 2014
Minco	Consulting Fees	**$**	**38,091**	$	14,670
Minefill	Consulting Fees		**90,000**		60,000
43983	Consulting Fees		**90,000**		30,000
43983	Expenses		**-**		752
Maarschalk	Consulting Fees		**4,366**		4,366
Total related party payables		**$**	**222,457**	$	109,788

11. RELATED PARTY TRANSACTIONS (cont'd)

(c) Debt Settlements

During the year ended July 31, 2014, the Company settled debt amounts to the following related parties as follows;

i) For an amount of $48,732 due to Maarschalk, issued 96,745 (post-Consolidation) shares at a fair value of $14,512 for a gain on settlement of $34,220;
ii) For an amount of $10,000 due to Stone, issued 20,000 (post-Consolidation) shares at a fair value of $3,000 for a gain on settlement of $7,000;
iii) For an amount of $15,322 due to RRogers, issued 20,000 (Cost-consolidation) shares at a fair value of $3,000 for a gain on settlement of $7,000; and
iv) For an amount of $1,503 due to SRogers, issued 30,063 (post-Consolidation) shares at a fair value of $451 for a gain on settlement of $1,052.

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
	$	5,253,000

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.

12. INCOME TAXES (cont'd)

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of July 31 are as follows:

		2015		2014
Non-capital losses carried forward				
Canada	$	4,720,315	$	4,510,908
United States		—		3,773,635
Excess of tax value over carrying value of mineral properties		3,302,570		3,332,568
Investment tax credits		615,712		615,712
Share issue costs and other		25,123		67,838
Unrecognized deductible temporary differences	$	8,663,720	$	12,300,661

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2014 - 26%) to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

		2015		2014
Income (loss) before income tax	$	(292,110)	$	10,420
Statutory income tax rate		26.00%		26.00%
Income tax recovery computed at statutory tax rate		75,949		2,709
Items not deductible for income tax purposes		411		187
Change in temporary differences		39,998		20,860
Effect of change in tax rate		—		20,895
Impact of foreign exchange on tax assets		—		(52,238)
Unrecognized benefit of deferred income tax assets		35,540		7,587
Income tax recovery	$	—	$	—

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.

		July 31 2015		July 31 2014
Income (loss) attributable to ordinary shareholders		(277,110)		10,420
Weighted average number of common shares		5,751,500		5,299,826
Basic and diluted loss per share	$	(0.05)	$	0.00

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 terminated its lease on an office during the year ended July 31, 2013 resulting in a penalty of $48,000 for early termination. During the year ended July 31, 2014, a part of this penalty was settled in cash and the balance was settled through the issuance of shares (Note 8(ii)).

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2015		2014
Shares issued for debt	$	**—**	$	104,258
Shares issued for exploration and evaluation assets	$	**30,000**	$	50,000
Mineral property interest expenditures included in trade and other payables	$	—	$	17,859
Shares issued for finders' fees	$	—	$	5,000
Finance charges	$	—	$	4,000

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

General Objectives, Policies and Processes (cont'd)

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 prices are comprised of interest rate, commodity price risk and foreign currency risk. The Company is not exposed to significant market risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. The financial instrument that is potentially subject to credit risk for the Company consists primarily of cash. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, when required, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditures.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable and option payment commitments. The Company does not maintain any trade payables beyond a 30-day period to maturity.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, trade and other payables and loans payable approximate fair value due to their short-term nature.

18. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' deficiency.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. The Company's capital is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year ended July 31, 2015.