Damara Gold Corp.

An Exploration Stage Company

Consolidated Financial Statements

July 31, 2016 and 2015

Expressed in Canadian Dollars

DAMARA GOLD CORP.
An Exploration Stage Company
July 31, 2016 and 2015
(Expressed in Canadian Dollars)

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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, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in shareholders' equity (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, 2016 and 2015, 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 28, 2016

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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		2016		2015
ASSETS					
Current					
Cash		$	**64,538**	$	22,758
Available-for-sale investments	5,6		**308,346**		-
Taxes recoverable			**1,520**		1,542
Total Current Assets			**374,404**		24,300
Non-Current					
Exploration and evaluation assets	6		**-**		433,905
Total Assets		$	**374,404**	$	458,205
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)					
Current					
Trade and other payables	7,12	$	**147,163**	$	381,446
Loans payable	8		**225,000**		535,000
Total Current Liabilities			**372,163**		916,446
Shareholders' Equity (Deficiency)					
Share capital	9		**31,023,672**		30,474,458
Contributed surplus	10		**1,419,262**		1,327,794
Accumulated other comprehensive income	5		**66,856**		-
Deficit			**(32,507,549)**		(32,260,493)
Total Shareholders' Equity (Deficiency)			**2,241**		(458,241)
Total Liabilities and Shareholders' Equity (Deficiency)		$	**374,404**	$	458,205

Approved on behalf of the Board of Directors by:

/s/ Lawrence Nagy
Lawrence Nagy, Director

/s/ William Yeoman
William Yeoman, Director

See notes to consolidated financial statements.

DAMARA GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended July 31
Expressed in Canadian Dollars

	Note		2016		2015
Expenses					
Administrative and general	11,12	$	**141,899**	$	231,698
Foreign exchange			**-**		1,491
Share-based payments	10		**91,468**		-
Interest on loans payable	8		**55,452**		58,921
Total expenses			**(288,819)**		(292,110)
Other income and expenses					
Gain on sale of available-for-sale investments	5		**1,500**		-
Gain on settlement of debt	8		**153,770**		-
Write-off of exploration and evaluation assets	6		**(123,497)**		-
Loss before income taxes			**(257,046)**		
Deferred income tax recovery			**9,990**		
Net loss for the year			**(247,056)**		(292,110)
Other comprehensive income to be recycled through profit or loss					
Unrealized gain on available-for-sale investment	5		**78,346**		-
Realized gain on sale of available-for-sale investments	5		**(1,500)**		-
Deferred income tax			**(9,990)**		
Total other comprehensive income			**66,856**		-
Total comprehensive loss for the year		$	**(180,200)**	$	(292,110)
Loss per share for the year - basic and diluted	14	$	**(0.02)**	$	(0.05)

See notes to consolidated financial statements.

DAMARA GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the years ended July 31
Expressed in Canadian Dollars

	Note	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	
Balance July 31, 2014		5,688,486	$ 30,444,458	$ 1,327,794	$ -	$ (31,968,383)	$ (1
Net loss for the year		-	-	-	-	(292,110)	(2
Shares issued for evaluation and exploration assets	6,9	250,000	30,000	-	-	-	
Balance July 31, 2015		5,938,486	30,474,458	1,327,794	-	(32,260,493)	(4
Net loss for the year		-	-	-	-	(247,056)	(2
Shares issued for debt settlement	9	9,611,770	480,589	-	-	-	
Shares issued for cash	9	1,475,000	73,750	-	-	-	
Share issuance costs		-	(5,125)	-	-	-	
Share-based payments	10	-	-	91,468	-	-	
Unrealized gain on available-for-sale investment	5	-	-	-	78,346	-	
Realized gain on available for sale investments	5	-	-	-	(1,500)	-	
Deferred income tax	13	-	-	-	(9,990)	-	
Balance July 31, 2016		**17,025,256**	**$ 31,023,672**	**$ 1,419,262**	**$ 66,856**	**$ (32,507,549)**	**$**

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	2016	2015
OPERATING ACTIVITIES			
Net loss for the year		$ (247,056)	$ (292,110)
Items not affecting cash			
Write-off of exploration and evaluation assets	6	123,497	-
Realized gain on sale of available-for-sale investments	5	(1,500)	-
Share-based payments	10	91,468	-
Gain on debt settlement	8	(153,770)	-
Deferred income tax recovery	13	(9,990)	
Changes in non-cash working capital			
Taxes recoverable		22	(934)
Prepaid expenses and advances		-	10,757
Trade and other payables		120,484	190,415
Cash used in operating activities		(76,845)	(91,871)
INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale investments	5	100,000	-
Investment in exploration and evaluation assets	6	-	(268,545)
Total cash provided by (used in) investing activities		100,000	(268,545)
FINANCING ACTIVITIES			
Proceeds from loans received	8	-	275,000
Repayment of loans	8	(50,000)	-
Proceeds from private placement	9	73,750	-
Share issue costs		(5,125)	-
Net cash provided by financing activities		18,625	275,000
Increase (decrease) in cash during the year		41,780	(85,416)
Cash, beginning of the year		22,758	108,175
Cash, end of the year		$ 64,538	$ 22,758

Supplemental Disclosure with Respect to Cash Flows (Note 16)

See notes to consolidated financial statements.

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 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.

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 28, 2016.

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. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

The consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the Company's and its subsidiaries 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 $247,056 for the year ended July 31, 2016 (2015 - $292,110) and has accumulated a deficit of $32,507,549 (2015 - $32,260,493) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 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.

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

Mineral Exploration and Evaluation Expenditures (cont'd)

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:*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.

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

Financial Instruments (cont'd)

Financial Assets (cont'd)

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

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 available-for-sale investment is 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.

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.

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.

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

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, 2016 and 2015, 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 loss, 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 year-end.

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.

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

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

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.

Future Accounting Pronouncements

The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company is currently assessing the impact of the standards on the consolidated financial statements.

IFRS 9 *Financial Instruments*

Issued by the IASB July, 2014

Effective for annual periods beginning on or after August 1, 2018

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

Future Accounting Pronouncements (cont'd)

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

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

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

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Issued by the IASB May, 2014

Effective for annual periods beginning on or after August 1, 2016

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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

Future Accounting Pronouncements (cont'd)

IFRS 16 *Leases*

Issued by the IASB January, 2016

Effective for annual periods beginning on or after August 1, 2019

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

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

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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.

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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.

Valuation of available-for-sale investment

The Company measures the fair value of available-for-sale investments at the end of each reporting period. Fair value is determined through reference to published share quotations in an active market or observable market transactions. Management assess whether there has been any other-than-temporary impairment on its investments, using objective evidence to determine if the marketable securities are impaired.

5. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments consist of an investment in 9,039,560 common shares of Osino Resources Corp. ("Osino") (See Note 6). During the year ended July 31, 2016 the Company had sold 3,846,154 Osino shares for proceeds of $100,000 ($0.026 per share). The fair value of the available-for-sale investments as at July 31, 2016 has been determined by seed financing, an observable market transaction valuation, with third parties of $0.034 per share, a Level 2 valuation. During the year ended July 31, 2016 the Company recorded an unrealized gain in other comprehensive income of $78,346 (2015 - $Nil), of which $1,500 (2015 - $Nil) was recorded as a realized gain and recycled through net loss.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

		Namibia
Balance, July 31, 2014	$	135,359
Acquisition costs - Shares		30,000
Personnel		88,485
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		298,545
Balance, July 31, 2015		433,905
Acquisition costs - Shares		-
Personnel		**13,500**
Site costs		**5,492**
Legal		**600**
Total expenditures		**19,592**
Recoveries		**(330,000)**
Write-off of exploration and evaluation costs		**(123,497)**
Balance, July 31, 2016	**$**	**-**

Namibia

Under the terms of an agreement dated March 21, 2014 between the Company and Helio Resource Corp. (“Helio) (the “Letter Agreement”), Damara was granted the option to acquire up to a 60% interest in Helio’s Damara Gold and Tin Project (the “Project” or “DGP”) in Namibia for consideration of an aggregate issuance of 1,500,000 common shares and aggregate exploration expenditures requirements of $1,500,000 over a three-year period. To date, Damara has contributed approximately $330,000 in cash advances to the Project and issued 500,000 common shares to Helio as part of the earn-in. The DGP Property is comprised of two Namibian exploration licenses, namely EPL 3738 (Wilhelmstal) and EPL 3739 (Otjimbojo) (together the “DGP Property”) located in Namibia.

On February 11, 2016 the Company entered into an agreement with Helio, whereby the Letter Agreement between Damara and Helio was terminated and Damara’s investment to date, along with Helio’s interests were transferred into Osino, a privately held British Columbia corporation, in return for common shares in Osino.

Under the terms of the arms-length agreement between Osino, Damara and Helio, Helio transferred the shares of its wholly owned subsidiary holding the DGP Property to Osino and Damara agreed to terminate its right under the earn-in agreement with Helio for an interest in Osino in exchange for its expenditures to date of approximately $330,000 for which Damara received 12,885,714 Osino shares (an estimated fair value of $0.026 per share). The remaining balance of $123,497 was written off as there were no further rights to the DGP Property and management assessed this as an indicator of impairment.

The transaction was completed on May 12, 2016. Thereinafter Damara held a 11% interest in the shares of Osino post completion of the transaction and a post seed financing completed by Osino with additional third party private investors. Subsequent to the sale of 3,846,154 Osino common shares, the Company as at July 31, 2016 held a 6.8% interest in the shares of Osino (See Note 5).

(Expressed in Canadian Dollars)

7. TRADE AND OTHER PAYABLES

	July 31 2016	July 31 2015
Trade payables	$ **116,321**	$ 158,989
Due to related parties (Note 12)	**30,842**	222,457
Total	$ **147,163**	$ 381,446

During the year, $319,729 of trade payables and amounts due to related parties was settled by issuing 3,438,748 units at an estimated fair value of $0.05 per unit (the “DS Units”). This is discussed further in Note 8.

8. LOANS PAYABLE

As of July 31, 2016 the Company has loans owing of $225,000 of which $Nil (2015 - $220,000) is to unrelated parties and $225,000 (2015 - $315,000) to related parties. Included in trade payables is interest payable of $50,322 (2015 - $57,925) related to these loans.

A DS Unit consists of one common share and one common share purchase warrant (“DS Warrant”), with each DS Warrant entitling the holder thereof to acquire an additional common share at an exercise price of $0.15 until March 2, 2021. The DS Warrant terms will contain an acceleration provision such that if, commencing on July 3, 2016, the closing price of the common shares on the Exchange is higher than $0.25 per share for 20 consecutive trading days then on the twentieth consecutive trading day (the “Acceleration Trigger Date”) the expiry date of the DS 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.

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% per annum with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt and interest of $30,969 by the issuance of 619,383 DS Units.

On June 11, 2014, the Company obtained an unsecured loan of $25,000 from a private investor. The loan bears interest of 15% per annum with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt and interest of $30,599 by the issuance of 611,986 DS Units.

On June 18, 2014, the Company obtained an unsecured loan of $25,000 from a private investor. The loan bears interest of 15% per annum due with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt and interest of $30,589 by the issuance of 611,780 DS Units.

On June 19, 2014, the Company obtained an unsecured loan of $20,000 from a private investor. The loan bears interest of 15% per annum with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt and interest of $24,471 by the issuance of 489,424 DS Units.

On June 26, 2014, the Company obtained an unsecured loan of $25,000 from a private investor. The loan bears interest of 15% per annum with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt and interest of $30,404 by the issuance of 608,082 DS Units.

On February 24, 2015, the Company obtained an unsecured loan of $50,000 from a private investor. The loan bears interest of 15% per annum with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt of $50,000 by the issuance of 1,000,000 DS Units and the lender forgave interest of $5,979.

8. LOANS PAYABLE (cont'd)

On May 16, 2014, the Company obtained an unsecured loan of $25,000 from a private investor. The loan bears interest of 15% per annum with a maturity date of 24 months from the date of the loan agreement. On July 18, 2014, the Company issued 10,000 bonus shares with a value of $2,000 in consideration of the loan in accordance with the policies of the Exchange. During the year ended July 31, 2016 the Company repaid the principal and accrued interest owing.

On May 16, 2014, the Company obtained an unsecured loan of $25,000 from a private investor. The loan bears interest of 15% per annum with a maturity date of 24 months from the date of the loan agreement. On July 18, 2014, the Company issued 10,000 bonus shares with a value of $2,000 in consideration of the loan in accordance with the policies of the Exchange. During the year ended July 31, 2016 the Company repaid the principal and accrued interest owing.

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% per annum with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt and interest of $31,545 by the issuance of 630,890 common shares at a recorded value of $0.05 per share (the "DS Shares").

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% per annum with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt and interest of $31,144 by the issuance of 622,876 DS Shares.

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% per annum with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt and interest of $30,527 by the issuance of 610,547 DS Shares.

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% per annum with a maturity date of 24 months from the date of the loan agreement. On March 2, 2016 the Company settled the outstanding debt and interest of $18,403 by the issuance of 368,054 DS Shares.

As at July 31, 2016, $225,000 (2015 - $Nil) was advanced from Colorado Resources Ltd. ("Colorado"), which has two common directors, Larry Nagy and William Lindqvist, in connection with the Company's Namibia project. The loan is interest-bearing (15% per annum) and $50,322 (2015 - $57,925) of interest expense is currently due and included in trade payables. The parties are working to settle the outstanding debt and interest amount.

Gain on Debt Settlement

On March 2, 2016, the Company settled short-term loans and advances and services with arm's length parties for an aggregate amount of $224,118 by the issuance of an aggregate of 4,482,351 DS Units, resulting in a gain on debt settlement of $6,041.

Additionally, an aggregate of $256,471 ("Debt Settlement") of additional debt owed to directors and officers of the Company for loan advances and services was settled by the issuance of 5,129,419 DS Shares, resulting in a gain on debt settlement of $147,729.

(Expressed in Canadian Dollars)

9. 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

During the year ended July 31, 2016:

On January 18, 2016 the Company, pursuant to non-brokered private placement issued 1,475,000 units in the capital of the Company ("Units") at an issue price of $0.05 per unit, for gross proceeds of $73,750 (the "Offering"). Each Unit consists 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 until January 18, 2021. The Warrant terms will contain an acceleration provision such that if, commencing on May 19, 2016 the closing price of the Common Shares on the Exchange is higher than $0.25 for 20 consecutive trading days then on the twentieth 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 May 19, 2016.

During the year ended July 31, 2015:

On July 3, 2015 the Company issued 250,000 common shares pursuant to the Letter Agreement, as described in Note 6. The common shares were valued at $30,000, as determined by the market price when issued being $0.12 per common share.

The following is a summary of changes in warrants from August 1, 2014 to July 31, 2016:

	Number of Warrants Outstanding	Exercise Price	Weighted Average Exercise Price
Balance, July 31, 2014	1,515,360	$1.00	$1.00
Expired	(1,515,360)	$1.00	$1.00
Balance, July 31, 2015	-	-	-
Granted	**5,957,351**	**$0.15**	**$0.15**
Balance, July 31, 2016	**5,957,351**	**$0.15**	**$0.15**

As at July 31, 2016, 5,957,351 (2015 - Nil) share purchase warrants were outstanding and exercisable with a weighted average remaining contractual life of 4.56 (2015 - Nil) years. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Expiry Date	Exercise Price	Number of Warrants
January 18, 2021	$0.15	1,475,000
March 2, 2021	$0.15	4,482,351
Total		**5,957,351**

(Expressed in Canadian Dollars)

10. 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 $0.05). 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 twelve 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 was as follows:

August 1, 2015 to July 31, 2016								
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	Closing Balance	Vested and Exercisable	Unvested
17-Dec-10	17-Dec-15	$1.65	6,000	-	(6,000)	-	-	-
13-Dec-12	13-Dec-17	$1.00	30,000	-	-	30,000	30,000	-
27-Jul-16	27-Jul-21	$0.05	-	1,600,000	-	1,600,000	1,600,000	-
			36,000	1,600,000	(6,000)	1,630,000	1,630,000	-
Weighted Average Exercise Price			$1.11	$0.05	$1.65	$0.07	$0.07	-
Weighted Average Life Remaining (years)			2	5	-	4.9	4.9	-

August 1, 2014 to July 31, 2015								
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	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	-
13-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	

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (cont'd)

(b) Fair Value of Options Issued During the Year

The fair value at grant date of options granted during the year ended July 31, 2016 was $0.05 per option (2015 - $Nil).

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
27-July-16	27-Jul-21	$0.06	$0.05	0.65%	5	173.34%	-

The expected price volatility is based on the historic volatility (based on the expected life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Total expenses arising from share-based payment transactions recognized during the year ended July 31, 2016 were $91,468 (2015 - $Nil).

11. ADMINISTRATIVE AND GENERAL EXPENSES

		Years Ended July 31	
		2016	2015
Administrative and General Expenses include:	Note		
Accounting and legal		$21,602	$16,347
Consulting	12	62,602	117,797
Corporate development		-	15,370
Website, shareholder communication		4,214	9,218
Office and administration fees		22,078	16,762
Regulatory fees		10,189	10,600
Rent	12	11,543	10,626
Transfer agent fees		6,301	11,946
Travel		3,370	23,032
		$141,899	$231,698

12. RELATED PARTY TRANSACTIONS

(a) Key Management Compensation

	July 31 2016	July 31 2015
Key management personnel compensation comprised :		
Consulting fees	$62,587	$113,808
Share-based payments	71,459	-
	$134,046	$113,808

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

(a) Key Management Compensation (cont'd)

(i) Consulting fees of $45,000 (2015 - $60,000) were paid and/or accrued to 43983 Yukon Inc. ("43983") a company, controlled by Lawrence Nagy, the Company's Chief Executive Officer.
(ii) Consulting fees of $Nil (2015 - $30,000) 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 $17,587 (2015 - $23,808) were paid and/or accrued to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, the Chief Financial Officer of the Company.

(b) Related Party Liabilities

Amounts due to:	July 31 2016	July 31 2015
Minco[1]	**$7,769**	$38,091
Minefill[2]	**-**	90,000
43983 Yukon[3]	**15,936**	90,000
Paul Maarschalk – former CFO	**-**	4,366
Colorado – common officers	**7,137**	-
Total related party payables (Note 7)	**$30,842**	$222,457

1 An amount of $44,853 for consulting fees was settled by the issuance of 897,052 Debt Shares (See Note 9);
2 An amount of $45,000 for consulting fees was settled by the issuance of 900,000 Debt Shares (See Note 9), and a further $45,000 in consulting fees due was forgiven and recorded as an gain in settlement of debt (See Note 16); and
3 An amount of $55,000 for consulting fees was settled by the issuance of 1,100,000 Debt Shares (See Note 9), and a further $65,000 in consulting fees was forgiven and recorded as a gain in settlement of debt.

13. 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
2026	$	405,000
2027		380,000
2029		828,000
2030		492,000
2031		641,000
2032		481,000
2033		616,000
2034		130,000
2035		333,000
2036		213,000
	$	4,519,000

(Expressed in Canadian Dollars)

13. INCOME TAXES (cont'd)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at July 31, 2016 and 2015 are presented below:

	2016	2015
Deferred income tax assets:		
Non-capital losses	$9,990	$ -
Deferred income tax liability:		
Available-for-sale investment	(9,990)	-
Net deferred income tax liabilities	$ -	$ -

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

		2016		2015
Non-capital losses carried forward	$	4,480,632	$	4,628,976
Excess of tax value over carrying value of mineral properties		3,437,095		3,302,570
Investment tax credits		615,712		615,712
Cumulative eligible capital		115,905		115,905
Share issue costs and other		3,684		25,123
Unrecognized deductible temporary differences	$	8,653,028	$	8,688,286

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% (2015 - 26%) to income before income taxes.

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

		2016		2015
Loss before income tax	$	(257,046)	$	(292,110)
Statutory income tax rate		26.00%		26.00%
Income tax recovery computed at statutory tax rate		(66,832)		(75,949)
Items not deductible for income tax purposes		23,856		411
Expired Losses		67,437		39,998
Unused tax losses and tax offsets not recognized		(34,451)		-
Unrecognized benefit of deferred income tax assets		-		35,540
Income tax recovery	$	(9,990)	$	-

(Expressed in Canadian Dollars)

14. 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 2016	July 31 2015
Loss attributable to ordinary shareholders	**($247,056)**	($292,110)
Weighted average number of common shares	**10,702,876**	5,751,500
Basic and diluted loss per share	**($0.02)**	($0.05)

15. COMMITMENTS

The Company has no commitments as at July 31, 2016 and 2015.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the years ended July 31, 2016 and 2015 the following transactions were excluded from the consolidated statements of cash flows:

During the year ended July 31, 2016, the Company:

- settled non-related party loans and interest in the amount of $197,033 (2015 - $Nil) by the issuance of 3,940,655 DS Units (2015 - Nil) (See Notes 8 and 9);
- settled related party loans and interest in the amount of $111,618 (2015 - $Nil) by the issuance of 2,232,367 Debt Shares (2015 - Nil) (See Notes 8 and 9);
- settled trade payables in the amount of $27,085 (2015 - $Nil) by the issuance of 541,696 DS Units (2015 - Nil) (See Note 9);
- settled related party payables in the amount of $144,853 (2015 - $Nil) by the issuance of 2,897,052 Debt Shares (2015 - Nil) (See Notes 9 and 12); and
- received 12,855,714 available-for-sale shares of Osino at a fair value of $330,000 in exchange for expenditures to date on the DGP Property (See Note 6).

During the year ended July 31, 2015 the Company issued 250,000 common shares pursuant to the Letter Agreement as described in Note 6. The common shares were valued at $30,000, as determined by the market price when issued being $0.12 per share.

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

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

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.

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 carrying amount of financial assets represents the maximum credit exposure. The financial instrument that is potentially subject to credit risk for the Company consists primarily of cash.

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 generally maintain any trade payables beyond a 30-day period to maturity.

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

General Objectives, Policies and Processes (cont'd)

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. The Company's available-for-sale investments have been measured using Level 2 inputs.

18. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' equity and loans.

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 years ended July 31, 2016 and 2015.