Savary Gold Corp.

Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended
December 31, 2016 and 2015

UHY McGovern Hurley LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Savary Gold Corp.

We have audited the accompanying consolidated financial statements of Savary Gold Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of 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.

Auditor's 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 auditor's 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 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 Savary Gold Corp. and its subsidiaries as at December 31, 2016 and 2015, and their financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 27, 2017

Savary Gold Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at:

		December 31, 2016		December 31, 2015
ASSETS				
Current				
Cash	**$**	**3,145,784**	$	1,448,454
Prepaid expenses		**12,246**		17,280
Amounts receivable		**111,329**		123,573
TOTAL CURRENT ASSETS		**3,269,359**		1,589,307
Exploration and evaluation properties (Note 4)		**7,727,136**		5,670,901
TOTAL ASSETS	**$**	**10,996,495**	$	7,260,208
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 4&5)	**$**	**2,056,270**	$	1,177,618
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		**9,504,836**		7,042,515
Reserves (Note 6)		**2,875,990**		2,172,840
Deficit		**(3,440,601)**		(3,132,765)
TOTAL SHAREHOLDERS' EQUITY		**8,940,225**		6,082,590
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**$**	**10,996,495**	$	7,260,208

Nature of Operations and Going Concern (Note 1)
Commitments and Contingences (Note 4 and 13)
Subsequent Events (Note 14)

Approved on April 27, 2017 on behalf of the Board:

"Daniel Nocente"
Daniel Nocente - Director

"Craig Pearman"
Craig Pearman – Director

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

Savary Gold Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
For the years ended

	December 31, 2016	2015
Expenses		
Investor relations	**$ 10,489**	$ 27,157
Insurance	**19,766**	20,424
Office and administration	**9,574**	37,163
Professional fees	**54,635**	32,500
Share-based compensation	**113,500**	113,750
Transfer agent and filing fees	**31,050**	16,042
Travel	**7,969**	1,912
Consulting fees	**135,564**	245,314
Foreign exchange loss	**2,889**	5,612
Net loss and comprehensive loss for the year	**$ (385,436)**	**$ (499,874)**
Basic and diluted loss per common share	**0.00**	0.00
Weighted average number of common shares outstanding	**151,630,240**	126,892,965

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

Savary Gold Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended

	December 31, 2016	December 31, 2015
Cash flows from Operating activities		
Net loss for the year	**$ (385,436)**	$ (499,874)
Item not affecting cash:		
Foreign exchange loss/(gain)	**2,889**	5,612
Share-based compensation	**113,500**	113,750
Changes in non-cash working capital items:		
Prepaid expenses and deposits	**5,034**	(8,655)
Amounts receivable	**12,244**	(103,311)
Accounts payable and accrued liabilities	**293,935**	662,826
Net cash flows (used in)/from operating activities	**42,166**	170,348
Cash flows from Investing activities		
Exploration and evaluation properties (Note 4)	**(1,474,407)**	(1,772,091)
Net cash flows (used in) investing activities	**(1,474,407)**	(1,772,091)
Cash flows from Financing activities		
Issuance of common shares	**2,994,480**	3,000,000
Warrants exercised	**322,600**	-
Share issue costs	**(187,509)**	(119,704)
Net cash flows provided by financing activities	**3,129,571**	2,880,296
Net change in cash during the year	**1,697,330**	1,278,553
Cash, beginning of the year	**1,448,454**	169,901
Cash, end of the year	**$ 3,145,784**	$ 1,448,454

Supplemental disclosure with respect to cash flows (Note 8)

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

Savary Gold Corp.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of Shares Issued #	Share Capital $	Reserves $	Deficit $	Total Shareholders' Equity $
Balance, December 31, 2014	**80,065,739**	**5,018,363**	**1,196,696**	**(2,632,891)**	**3,582,168**
Private placement, net of issue costs	60,000,000	2,752,013	-	-	2,752,013
Warrants issued	-	(727,861)	856,144	-	128,283
Share-based payments	-	-	120,000	-	120,000
Net loss for the year	-	-	-	(499,874)	(499,874)
Balance, December 31, 2015	**140,065,739**	**7,042,515**	**2,172,840**	**(3,132,765)**	**6,082,590**
Private placement, net of issue costs	27,222,545	2,806,971	-	-	2,806,971
Share-based payments	-	-	113,500	-	113,500
Options expired	-	-	(77,600)	77,600	-
Warrants exercised	4,330,000	445,318	(122,718)	-	322,600
Warrants issued	-	(789,968)	789,968	-	-
Net loss for the year	-	-	-	(385,436)	(385,436)
Balance, December 31, 2016	**171,618,284**	**9,504,836**	**2,875,990**	**(3,440,601)**	**8,940,225**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Savary Gold Corp. (the "Company") was incorporated under the Business Corporations Act (Alberta) on February 15, 2008. The Company is focused on the exploration and evaluation of its gold project in Burkina Faso, Africa (the “Property”). The Company’s common shares trade on the TSX Venture Exchange (“TSXV”) under the symbol “SCA”. On October 13, 2013, following the receipt of shareholder approval on October 10, 2013, the Company continued to Ontario pursuant to the *Business Corporations Act* (Ontario).

These consolidated financial statements were approved by the Board of Directors on April 27, 2017.

The Company is in the early stages of exploring and evaluating the Property and has not yet determined whether it contains reserves that are economically recoverable. The Company has a history of losses with no operating revenue. This represents uncertainty that casts doubts as to the Company’s ability to continue as a going concern. As at December 31, 2016, the Company had working capital of $1,213,089 (December 31, 2015 – working capital of $411,689).

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s ability to continue as a going concern and the recoverability of the amounts capitalized as exploration and evaluation assets are dependent upon the Company’s ability of to raise additional financing in order to continue exploration and development of the Property, the discovery of economically recoverable reserves, obtaining future profitable production or proceeds from disposition of the Company’s exploration and evaluation assets.

The Company may rely on equity financings, debt financings, joint venturing of projects and other means in order to continue as a going concern. However, as a mineral company in the early exploration stage, there can be no assurances that the Company will be able to obtain additional financial resources necessary and achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. As a result, there is uncertainty whether the Company will continue as a going concern, and realize its assets and settle its liabilities and commitments in the normal course of business.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, social licensing requirements, unregistered claims, aboriginal claims, and noncompliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainty.

These consolidated financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ('IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies set out below have been applied consistently to the years presented in these consolidated financial statements unless otherwise noted below.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. All intercompany transactions and balances have been eliminated on consolidation. Companies acquired or disposed of during the period are included in the consolidated financial statements from the date of acquisition or up to the date of disposal:

Name of Subsidiary	Percentage Ownership
Burkina Gold Corporation	100%
Savary Gold Burkina	100%
Hounde Exploration BF1	100%
Hounde Exploration BF	100%
Savary A1 Inc.	100%

Critical accounting estimates and judgments

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements, and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results could differ from those estimates and such differences could be significant.

3. BASIS OF PRESENTATION (continued)

Critical accounting estimates and judgments (continued)

Share-Based Payments
Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumption about them. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share based compensation transactions are disclosed in Note 6.

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Recoverability of Exploration and Evaluation properties
The Company is in the process of exploring and evaluating its properties and has not yet determined whether the exploration and evaluation properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation properties are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

Commitments and contingencies (See Note 13)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation properties

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage.

Once a right to explore a property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the Company has obtained the legal rights to explore a property are expensed as incurred.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the property. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that property are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment and will be amortized using the unit-of-production method. Recoverability of the carrying amount of any exploration and evaluation properties is dependent on successful development and commercial exploitation, or alternatively, sale of the respective properties.

Impairment of long-lived assets

At each reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of each of the Company and its subsidiaries has been determined to be the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in currencies other than the function currency are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value is measured at the grant date and recognized over the period during which the options vest.

The fair value of options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Unexercised expired and modified stock option values are transferred to deficit.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity ("HTM") and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at FVTPL

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss. As at December 31, 2016 and 2015, the Company had no financial assets at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Loan and receivables comprise cash and amounts receivable.

Held-to-maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. HTM investments are initially recognized on their trade-date at fair value, and subsequently are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss. As at December 31, 2016 and 2015, the Company had no assets classified as HTM investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale
AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset category. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss. As at December 31, 2016 and 2015, the Company had no assets classified as AFS financial assets.

Financial liabilities

The Company classifies its financial liabilities in the following categories: FVTPL, other financial liabilities and derivative financial liabilities.

Financial liabilities at FVTPL
Financial liabilities at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss as at December 31, 2016 and 2015, the Company had no financial liabilities at FVTPL.

Other financial liabilities
Other financial liabilities are recognized initially at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities. Other financial liabilities are recognized when the obligations are discharged, cancelled or expired.

Fair value hierarchy

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Loss per share is computed giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. This method assumes that proceeds received from the exercise of stock options and warrants are used to purchase common shares at the prevailing market price during the period. However, diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. As at December 31, 2016 and 2015, the outstanding options and warrants were excluded from diluted loss per share as they were anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning obligations

The Company recognizes an estimate of the liability associated with decommissioning obligations when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the obligation can be made. The estimated fair value of the decommissioning obligations is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is amortized over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The decommissioning obligations can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the decommissioning obligations are charged against the decommissioning obligations to the extent of the liability recorded. The Company has no material decommissioning obligations as at December 31, 2016 and December 31, 2015.

Income taxes

Income tax on profit or loss for the period comprises current and deferred tax. Income tax is recognized in profit or loss except to extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax paid or payable on the taxable income for the period, using tax rates enacted or substantively enacted by the statement of financial position reporting date, and any adjustments to tax paid or payable in respect of previous periods.

Deferred taxes are recorded temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately, except where there is a legal right of set-off within jurisdictions.

Share capital and warrants

Share capital, stock options, warrants and broker units are classified as equity. Incremental costs directly attributable to the issuance of shares, warrants and broker units are recognized as a deduction from share capital.

Warrants are recognized at fair value on the date of grant and are measured using the Black-Scholes option pricing model. Unexercised expired warrants are transferred to deficit, net of the taxable capital gain incurred on expiry.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at December 31, 2016 and December 31, 2015

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2017. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

Accounting changes

During 2016, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS7and IAS1. These new standards and changes did not have any material impact on the Company's financial statements.

4. EXPLORATION AND EVALUATION PROPERTIES

The South Block of the Houndé Property comprises two exploration licenses (Diosso and Mandiasso) covering a total of 375 km^2, and an additional 125 km^2 of concessions (Kelesso and Fakoto), which results in a total area under license of 500 km^2 (the "Property"). Licenses are subject to periodic renewals. While the Company expects to be able to continue to renew and update its licenses as they come due, there is no assurance that the licenses required will be granted.

During 2014, the Company completed the earn-in portion of the option for the Houndé South gold project located in south-west Burkina Faso. The Option Agreement called for the Company to incur US$3 million in exploration expenditures and issue to Endeavour common shares of the Company representing the lesser of 27,000,000 million or 19.99% of the outstanding shares of the Company. These expenditure obligations have been met.

On November 3, 2014, the Company issued 13,338,729 common shares, which represented at the time of issuance 19.99% of issued and outstanding common shares of the Company. The shares were valued at $266,775 based on the quoted market price on the date of issuance and were being held in escrow pending certain conditions including the formal transfer of the underlying mineral permits in Burkina Faso and a title opinion to be received by Endeavour. On April 11, 2016, the formal property transfer was completed and the shares were released from escrow on April 21, 2016.

In March 2014, the Company and Sarama Resources Ltd. (“Sarama”) signed a Heads of Agreement in respect of a proposed joint venture arrangement (“JV”) between Sarama and the Company to unify the operatorship of the Company’s Houndé South property and Sarama’s Serakoro 1 property. The proposed JV company will be approximately 65% owned by the Company and 35% owned by Sarama. As of December 31, 2016, the closing of the arrangement had not taken place.

As part of completion of the JV, Sarama is deemed to have participated in the previous exploration program of approximately US$1 million and will fund its pro-rata share of 35% of the previous project expenditures to a maximum US $350,000. As at December 31, 2016, the Company had received US $914,616 (CAD $1,228,055) from Sarama. This amount has been recorded within accounts payable and accrued liabilities in the consolidated statement of financial position as of December 31, 2016, pending closing of the JV.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION PROPERTIES (continued)

	Houndé South Property
	$
Balance, December 31, 2014	**3,837,636**
Deferred exploration costs:	
Drilling	1,007,863
Assaying	202,962
Geophysics & surveying	193,736
Geology	165,564
Overheads and field supports	120,735
Option payment	88,873
Technical reports	53,531
Total deferred exploration costs for the year	1,833,265
Balance, December 31, 2015	**5,670,901**
Deferred exploration costs:	
Drilling	936,725
Assaying	168,392
Geophysics & surveying	197,917
Geology	344,225
Overheads and field supports	291,012
Option payment	88,442
Technical reports	29,523
Total deferred exploration costs for the year	2,056,235
Balance, December 31, 2016	**7,727,136**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
	$	$
2227929 Ontario Inc.	-	10,000
Forbes & Manhattan Inc.	180,800	180,800
Sarama Resources Ltd.	1,228,055	946,876
Exploration payables (Drilling & Assaying)	609,673	-
Others	37,742	39,942
	2,056,270	1,177,618

6. SHARE CAPITAL AND OTHER EQUITY RESERVES

a. Authorized capital

Unlimited number of common voting shares, without par value
Unlimited number of preferred shares, without par value

b. Share issuances

During the years ended December 31, 2016 and 2015, shares were issued as follows:

During the year ended December 31, 2016, 4,330,000 shares were issued for gross proceeds of $ 322,600 as a result of the exercise of warrants. On August 19, 2016, the Company closed a non-brokered private placement financing for total gross proceeds of $2,994,480 pursuant to which the Company issued 27,222,545 units at a price of $0.11. Each unit is comprised one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of $0.15 per common share until February 19, 2019. The Company paid a cash commission to the finders of $172,591. The Company also issued 1,584,488 broker warrants. The broker warrants entitles the holder to acquire one common share of the Company at an exercise price of $0.11 per common share until February 19, 2019.

On March 20, 2015**,** the Company closed a non-brokered private placement financing for total gross proceeds of $3,000,000 pursuant to which the Company issued 60,000,000 units at a price of $0.05 per unit. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of $0.08 per common share until March 20, 2018. The Company paid a cash commission to the finders of $111,904 and 3,800,000 units were subscribed by certain directors and officers of the Company.

On November 3, 2014, the Company issued 13,338,729 common shares pursuant to the Option Agreement with Endeavour (see Note 4). The shares were released on April 21, 2016 upon the formal transfer of the mineral permits and the receipt of a title opinion from Endeavour.

(Expressed in Canadian dollars)

c. Stock options

The Company has a stock option plan whereby options may be granted to directors, employees, consultants, and certain other service providers. The maximum number of options that can be issued should not exceed 10% of the number of common shares outstanding immediately prior to the grant. Options can be granted for a maximum term of five years. The vesting terms are at the Board of Directors' discretion.

The following is a summary of stock options outstanding as at December 31, 2016 and 2015;

	Number of Options Outstanding	Weighted Average Price
	#	$
Outstanding, December 31, 2014	4,155,000	0.12
Granted	2,400,000	0.06
Outstanding, December 31, 2015	6,555,000	0.10
Cancelled	1,290,000	0.09
Granted	1,900,000	0.07
Outstanding, December 31, 2016	7,165,000	0.10

At December 31, 2016, a summary of stock options outstanding and exercisable was as follows:

Grant Date	Number of Outstanding	Number of exercisable	Price	Expiry date	Remaining contractual life
14-Jul-14	200,000	200,000	$0.07	14-Jul-19	2.53 years
13-Mar-14	1,150,000	1,150,000	$0.10	14-Mar-19	2.20 years
28-Nov-13	640,000	640,000	$0.05	28-Nov-18	1.91 years
27-Jun-13	625,000	625,000	$0.10	27-Jun-18	1.49 years
11-Oct-12	650,000	650,000	$0.29	11-Oct-17	.78 years
31-Mar-15	2,000,000	2,000,000	$0.06	31-Mar-20	3.25 years
17-Feb-16	1,400,000	1,400,000	$0.05	17-Feb-21	4.13 years
12-May-16	150,000	150,000	$0.09	12-May-21	4.36 years
24-Aug-16	250,000	250,000	$0.125	24-Aug-21	4.65 years
04-Nov-16	100,000	100,000	$0.10	04-Nov-21	4.85 years
	7,165,000	7,165,000			

d. Share-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock options is estimated by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, expected dividend yields, expected volatility factors of the expected market price of the Company's common shares and expected life of the options. During the year ended December 31, 2016, the Company recognized share-based compensation of $113,500 (2015 - $120,000). The weighted average fair value for options granted during 2016 is $0.06 (2015 - $0.05) per option. Of the estimated fair value of the options granted during 2016 $nil (2015 - $6,250), was allocated to exploration and

(Expressed in Canadian dollars)

SHARE CAPITAL AND OTHER EQUITY RESERVES (continued)

evaluation properties on the consolidated statement of financial position and $113,500 (2015 - $113,750) was allocated to share-based compensation on the consolidated statement of loss.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during 2016 and 2015:

	2016	2015
Expected dividend yield	0%	0%
Risk-free interest rate	0.50%	0.77%
Expected life of the options	5 years	5 years
Expected volatility	136%	140%
Estimated fair value of options granted	$0.06	$0.05

e. Warrants

At December 31, 2016, a summary of warrants outstanding and exercisable was as follows:

No. exercisable	Grant date	Expiry date	Exercise price	Fair Value at grant date	Grant date share price
#			$	$	$
11,120,000	24-Feb-14	24-Feb-17	0.07	320,016	0.08
28,350,000	20-Mar-15	20-Mar-18	0.08	668,989	0.07
2,608,500	20-Mar-15	20-Mar-18	0.08	132,931	0.07
13,611,272	19-Aug-16	19-Feb-19	0.15	631,520	0.13
1,584,488	19-Aug-16	19-Feb-19	0.11	158,449	0.13
57,274,260				1,911,905	

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted during 2016 and 2015:

	2016	2015
Expected dividend yield	0%	0%
Risk-free interest rate	0.50%	0.50%
Expected life of the warrants	2.5 years	3 years
Expected volatility	136%	136%
Estimated fair value of warrants granted	$0.05	$0.02

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below.

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

The remuneration to key management personnel during the years ended December 31, 2016 and 2015 is as follows:

	2016 $	2015 $
Short-term benefits*	272,000	216,000
Share based compensation	70,000	77,500
	342,000	293,500

* includes base salaries, consulting fees, management fees and other employment benefits, pursuant to contractual employment or consultancy arrangements

Other related parties

Transactions entered into with related parties other than key management personnel included the following:

2227929 Ontario Inc.
The Company shared office space and other technical services with other companies who may have similar officers and/or directors up until June 30, 2015. The costs associated with this space and services were administered by 2227929 Ontario Inc.

	Purchases of goods and services	
	2016 $	2015 $
2227929 Ontario Inc.	-	55,000

Accounts payable and accrued liabilities include the following amounts due to related parties as at December 31, 2016 and 2015. The amount are unsecured, non interest-bearing, and generally due by 30 days.

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS (continued)

	Amounts owed to related parties	
	December 31, 2016	December 31, 2015
	$	$
2227929 Ontario Inc.	-	10,000

8. SUPPLEMENTARY DISLOSURE WITH RESPECT TO CASH FLOW

The following were significant non-cash investing and financing transactions during the year ended December 31, 2016:

- $113,500 representing 1,900,000 options issued to the Company's directors, officers, consultants, and certain other service providers.
- The Company issued 1,584,488 broker warrants valued at $158,449

The following were significant non-cash investing and financing transactions during the year ended December 31, 2015:

- $120,000 representing 2,400,000 options issued to the Company's directors, officers, consultants, and certain other service providers.

(Expressed in Canadian dollars)

9. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2015 – 26.5%) were as follows:

	2016 $	2015 $
Loss before income taxes	(385,436)	(499,874)
Expected income tax recovery based on statutory rate	(102,000)	(132,000)
Adjustment to expected income tax benefit:		
Stock Based Compensation	30,000	30,000
Non-deductible expenses and other	1,000	7,000
Change in benefit of tax assets not recognized	71,000	95,000
Deferred income tax provision (recovery)	-	-

b) Deferred Income Tax

Deferred tax assets have not been recognized in respect to these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

	2016 $	2015 $
Share issue costs	234,000	147,000
Non-capital loss carry-forwards	2,909,000	2,539,000
Other temporary differences	145,000	145,000

c) Losses Carried Forward

As at December 31, 2016, the Company had estimated non-capital losses for Canadian income tax purposes of approximately $2,909,000 (2015 - $2,539,000) available to use against future taxable income. The non-capital losses expire between 2028 and 2036. Other temporary differences may be carried forward indefinitely.

(Expressed in Canadian dollars)

9. INCOME TAXES (continued)

Year of Expiry	
2028	$ 52,000
2029	107,000
2030	86,000
2031	179,000
2032	387,000
2033	714,000
2034	564,000
2035	450,000
2036	370,000
	$ 2,909,000

10. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of properties.

Geographical information is as follows:

	December 31, 2016	December 31, 2015
Exploration and evaluation properties		
Burkina Faso	$ 7,727,136	$ 5,670,901
	$ 7,727,136	$ 5,670,901

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The fair value of the Company's cash, amounts receivable and accounts payable and accrued liabilities approximate carrying value which is the amount recorded on the consolidated statement of financial position due to their short term maturity.

Risk management is carried out by the Company's management team under polices approved by the Board of Directors. The Board of Directors also provides reward guidance for overall risk management. There have been no significant change in the risks, objects, policies and procedures during 2016 and 2015. As at December 31, 2016, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash balance and amounts receivable.

The Company's cash is held at large Canadian financial institutions. The Company's amounts receivable consist mainly of input tax credit receivable due from the Government of Canada, and as a result the Company does not believe it is subject to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 12 to the consolidated financial statements. Accounts payable and accrued liabilities are due within 30 days. As at December 31, 2016, the Company has a cash balance of $3,145,784 (2015-$1,448,454) to settle current liabilities of $2,056,270 (2015-$1,177,617). Management believes that it has sufficient funds to meet its current liabilities as they become due.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices and foreign currency fluctuations.

(a) Interest Rate Risk

As at December 31, 2016, the Company did not have investments or interest bearing debt thus it is not subject to interest rate risk.

(b) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued)

(c) Currency risk

Currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are conducted in U.S. and Canadian dollars; the Company's recent financing and any future equity raised is expected to be predominantly in Canadian dollars. Consequently, the Company is impacted by changes in the exchange rate between the Canadian and United States dollars. As of December 31, 2016, the Company's net financial assets and financial liabilities in foreign currencies were US$465,441. Thus, a 10% change in the Canadian dollar versus the foreign currencies exchange rate would affect net loss by $46,544.

12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the management of capital, the Company considers components of shareholders' equity, with cash and cash equivalents being its primary components.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2016 and 2015.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at December 31, 2016, the Company believes it is compliant with the TSXV policies.

13. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management and consulting contracts. Minimum commitments remaining under the agreements are approximately $137,100, which is payable within one year. These contracts also require that additional payments of up to $372,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, 10,036,000 warrants were exercised for gross proceeds of $702,520 to the Company.

In January 2017, the Company granted 2,000,000 stock options, exercisable at $0.09 per share, for a period of five years. All options granted vested immediately.