



**Savary Gold Corp.**

**Condensed Interim Consolidated Financial Statements**

(Unaudited, Expressed in Canadian dollars)

**For the three and nine months ended  
September 30, 2016 and 2015**

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

The Management of Savary Gold Corp. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim consolidated financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company's auditor has not performed a review of these condensed interim consolidated financial statements.

**Savary Gold Corp.**

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited, Expressed in Canadian dollars)

As at:

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 3,152,664	\$ 1,448,454
Prepaid expenses	25,113	17,280
Amounts receivable	106,725	123,573
<b>TOTAL CURRENT ASSETS</b>	<b>3,284,502</b>	1,589,307
Exploration and evaluation properties (Note 3)	6,775,751	5,670,901
<b>TOTAL ASSETS</b>	<b>\$ 10,060,253</b>	<b>\$ 7,260,208</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 3)	\$ 1,197,066	\$ 1,177,618
<b>Shareholders' Equity</b>		
Share capital (Note 4)	8,726,995	7,042,515
Reserves (Note 4)	3,525,831	2,172,840
Deficit	(3,389,639)	(3,132,765)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>8,863,187</b>	6,082,590
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 10,060,253</b>	<b>\$ 7,260,208</b>

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 9)

Subsequent event (Note 10)

Approved on November 24, 2016 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.**

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Unaudited, Expressed in Canadian dollars)

For the:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<b>Expenses</b>				
Investor relations	\$ -	\$ 11,066	\$ 6,362	\$ 20,720
Insurance	4,199	180	13,708	5,750
Office and administration	2,931	6,958	8,769	54,608
Professional fees	11,900	5,000	27,900	51,000
Share-based compensation	22,500	-	104,500	113,750
Transfer agent and filing fees	6,588	1,335	27,891	14,690
Travel	-	-	1,709	1,912
Consulting fees	37,750	32,200	100,939	218,964
Foreign exchange (gain)/loss	(2,053)	(10,199)	42,696	990
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (83,815)</b>	<b>\$ (46,540)</b>	<b>\$ (334,474)</b>	<b>\$ (482,384)</b>
<b>Basic and diluted loss per common share</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Weighted average number of common shares outstanding</b>	<b>154,702,107</b>	<b>140,065,739</b>	<b>145,026,211</b>	<b>114,021,783</b>

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

**Savary Gold Corp.**

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, Expressed in Canadian Dollars)

For the nine months ended:

	September 30, 2016	September 30, 2015
<b>Cash flows from Operating activities</b>		
Net loss for the period	\$ (334,474)	\$ (482,384)
Item not affecting cash:		
Foreign exchange loss/(gain)	42,696	990
Share-based compensation	104,500	113,750
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(7,833)	(87,330)
Amounts receivable	16,848	944
Accounts payable and accrued liabilities	(395,184)	879,087
<b>Net cash flows (used in)/from operating activities</b>	<b>(573,447)</b>	<b>425,057</b>
<b>Cash flows from Investing activities</b>		
Exploration and evaluation properties (Note 3)	(732,914)	(1,639,524)
<b>Net cash flows (used in) investing activities</b>	<b>(732,914)</b>	<b>(1,639,524)</b>
<b>Cash flows from Financing activities</b>		
Issuance of common shares	2,994,480	3,000,000
Warrants exercised	203,600	-
Share issue costs	(187,509)	(119,704)
<b>Net cash flows provided by financing activities</b>	<b>3,010,571</b>	<b>2,880,296</b>
<b>Net change in cash during the period</b>	<b>1,704,210</b>	<b>1,665,829</b>
<b>Cash, beginning of the period</b>	<b>1,448,454</b>	<b>169,901</b>
<b>Cash, end of the period</b>	<b>\$ 3,152,664</b>	<b>\$ 1,835,730</b>

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

**Savary Gold Corp.**Condensed Interim Consolidated Statements of Changes in Equity  
(Unaudited, Expressed in Canadian dollars)

	Number of Shares Issued #	Share Capital \$	Reserves \$	Deficit \$	Total Shareholders' Equity \$
<b>Balance, December 31, 2014</b>	<b>80,065,739</b>	<b>5,018,363</b>	<b>1,196,696</b>	<b>(2,632,891)</b>	<b>3,582,168</b>
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)
Other comprehensive loss	-	-	-	-	-
<b>Balance, December 31, 2015</b>	<b>140,065,739</b>	<b>7,042,515</b>	<b>2,172,840</b>	<b>(3,132,765)</b>	<b>6,082,590</b>
Private placement, net of issue costs	27,222,545	2,806,971	-	-	2,806,971
Share-based payments	-	-	104,500	-	104,500
Options expired	-	-	(77,600)	77,600	-
Warrants exercised	2,630,000	260,972	(57,372)	-	203,600
Warrants issued	-	(1,383,463)	1,383,463	-	-
Net loss for the period	-	-	-	(334,474)	(334,474)
<b>Balance, September 30, 2016</b>	<b>169,918,284</b>	<b>8,726,995</b>	<b>3,525,831</b>	<b>(3,389,639)</b>	<b>8,863,187</b>
<b>Balance, December 31, 2014</b>	<b>80,065,739</b>	<b>5,018,363</b>	<b>1,196,696</b>	<b>(2,632,891)</b>	<b>3,582,168</b>
Private placement, net of issue costs	60,000,000	2,880,296	-	-	2,880,296
Warrants issued	-	(632,238)	632,238	-	-
Share-based payments	-	-	120,000	-	120,000
Net loss for the period	-	-	-	(482,384)	(482,384)
<b>Balance, September 30, 2015</b>	<b>140,065,739</b>	<b>7,266,421</b>	<b>1,948,934</b>	<b>(3,115,275)</b>	<b>6,100,080</b>

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

## Savary Gold Corp.

### Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2016 and 2015

(Unaudited, Expressed in Canadian dollars)

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#### 1. NATURE OF OPERATIONS AND GOING CONCERN

Savary Gold Corp. (the "Company") was incorporated under the *Business Corporations Act (BC)* on February 15, 2008. The Company is focused on the exploration and evaluation of its gold project in Burkina Faso, Africa. 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 condensed interim consolidated financial statements were approved by the Board of Directors on November 24, 2016.

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 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 to raise additional financing in order to continue exploration and development of the exploration and evaluation properties, the discovery of economically recoverable reserves, obtaining future profitable production or proceeds from disposition of the Company's exploration and evaluation assets.

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, social licensing requirements, unregistered prior agreements, 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, expropriation of properties and political uncertainty.

These condensed interim consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The Company has incurred operating losses since inception, has no source of operating cash flow. There can be no assurances that sufficient funding, including adequate financing, will be available to acquire and explore its property and to cover general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds via private placement or debt financing. Continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required. Realization values may be substantially different from carrying values as shown in these consolidated financial statements. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## Savary Gold Corp.

### Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2016 and 2015

(Unaudited, Expressed in Canadian dollars)

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## 2. BASIS OF PRESENTATION

### Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, (IAS 34) Interim Financial Reporting using policies consistent 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). Unless otherwise stated, these condensed interim consolidated financial statements have been prepared using the same accounting policies and method of computation as presented in Note 3 of the annual consolidated financial statements of the company as at and for the year ended December 31, 2015.

### Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

### Basis of consolidation

These condensed interim 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:

<b>Name of Subsidiary</b>	<b>Percentage Ownership</b>
Burkina Gold Corporation	100%
Savary Gold Burkina SARL	100%
Joint Venture BF1 Inc.	100%
Houndé Exploration BF1 Inc.	100%
Houndé Exploration BF SARL	100%
Savary A1 Inc.	100%

## **Savary Gold Corp.**

### Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2016 and 2015

(Unaudited, Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION (Continued)**

### **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.

#### 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 4.

#### 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.

## **Savary Gold Corp.**

### Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2016 and 2015

(Unaudited, Expressed in Canadian dollars)

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#### **3. EXPLORATION AND EVALUATION PROPERTIES**

The South Block of the Houndé Property comprises two exploration licenses (Diosso and Mandiasso) covering a total of 375 km<sup>2</sup>, and an additional 125 km<sup>2</sup> of concessions (Kelesso and Fakoto), which results in a total area under license of 500 km<sup>2</sup> (the "Property").

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 September 30, 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 USD \$350,000. As at September 30, 2016, the Company had received USD \$694,885 (CAD \$900,316) from Sarama. This amount has been recorded within accounts payable and current liabilities in the consolidated statement of financial position as of September 30, 2016, pending closing of the JV.

**Savary Gold Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2016 and 2015

(Unaudited, Expressed in Canadian dollars)

**3. EXPLORATION AND EVALUATION PROPERTIES (Continued)**

	Houndé South Property
	\$
<b>Balance, December 31, 2014</b>	<b>3,837,636</b>
<b>Deferred exploration costs:</b>	
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
<b>Balance, December 31, 2015</b>	<b>5,670,901</b>
<b>Deferred exploration costs:</b>	
Drilling	503,135
Assaying	85,551
Geophysics & surveying	56,173
Geology	236,845
Overheads and field supports	193,623
Option payment	-
Technical reports	29,523
Total deferred exploration costs for the period	1,104,850
<b>Balance, September 30, 2016</b>	<b>6,775,751</b>

## Savary Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 4. 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 nine months ended September 30, 2016, 2,630,000 shares were issued for gross proceeds of \$203,600 as a result of the exercise of warrants and 27,222,545 shares were issued pursuant to a private placement financing for gross proceeds of \$2,994,480.

#### c. Shares held in escrow

##### Endeavour Escrow shares

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

#### d. Stock options

As at September 30, 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	2.79 years
13-Mar-14	1,150,000	1,150,000	\$0.10	14-Mar-19	2.45 years
28-Nov-13	640,000	640,000	\$0.05	28-Nov-18	2.16 years
27-Jun-13	625,000	625,000	\$0.10	27-Jun-18	1.74 years
11-Oct-12	650,000	650,000	\$0.29	11-Oct-17	1.03 years
31-Mar-15	2,000,000	2,000,000	\$0.06	31-Mar-20	3.50 years
17-Feb-16	1,400,000	1,400,000	\$0.05	17-Feb-21	4.39 years
12-May-16	150,000	150,000	\$0.09	12-May-21	4.62 years
24-Aug-16	250,000	250,000	\$0.13	24-Aug-21	4.92 years
	7,065,000	7,065,000			

#### e. 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 three month period ended September 30, 2016, the Company recognized share-based compensation of \$22,500 (2015 - \$nil). Of the estimated fair value of the options granted during the nine months ended September 30, 2016, \$104,500 (2015 - \$120,000), \$nil (2015 - 6,250) was allocated to exploration and evaluation properties on the consolidated statement of financial position and \$104,500 (2015 - \$113,750) was allocated to share-based compensation on the consolidated statement of loss.

**Savary Gold Corp.**

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2016 and 2015

(Unaudited, Expressed in Canadian dollars)

**4. SHARE CAPITAL AND OTHER EQUITY RESERVES (Continued)****e. Share – based compensation (Continued)**

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended September 30, 2016:

Dividend rate	0%
Risk-free interest rate	0.77%
Expected life of options	5 years
Annualized volatility	140%
Fair value of options granted	\$0.06

**f. Warrants**

As at September 30, 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	Expected Volatility	Expected Life(yrs)	Expected dividend yield	Risk-free interest rate
#			\$	\$	\$				
12,820,000	24-Feb-14	24-Feb-17	0.07	386,052	0.08	141%	3.00	0%	1.00%
28,350,000	20-Mar-15	20-Mar-18	0.08	668,299	0.07	136%	3.00	0%	0.50%
2,608,500	20-Mar-15	20-Mar-18	0.08	132,931	0.07	136%	3.00	0%	0.50%
13,611,272	19-Aug-16	19-Feb-19	0.15	1,225,014	0.13	136%	3.00	0%	0.50%
1,584,488	19-Aug-16	19-Feb-19	0.11	316,898	0.13	136%	3.00	0%	0.50%
58,974,260				2,729,194					

## Savary Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements  
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(Unaudited, Expressed in Canadian dollars)

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### 5. 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 and Chief Financial Officer.

The remuneration to key management personnel during the nine months ended September 30, 2016 and 2015 is as follows:

	2016	2015
	\$	\$
Short-term benefits*	202,250	225,750
Share based compensation	70,000	77,500
	272,250	303,250

\* includes consulting fees, management fees and other employment benefits, pursuant to consultancy arrangements

### 6. SEGMENTED INFORMATION

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

### 7. 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 policies 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 September 30, 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.

## Savary Gold Corp.

### Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2016 and 2015

(Unaudited, Expressed in Canadian dollars)

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#### 7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

##### 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 8 to the condensed interim consolidated financial statements. Accounts payable and accrued liabilities are due within 30 days.

As at September 30, 2016, the Company had a cash balance of \$3,152,664 (December 31, 2015 - \$1,448,454) to settle current liabilities of \$1,197,066 (December 31, 2015 - \$1,177,618).

##### 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 September 30, 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 marginally 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.

(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, and the CFA Franc. 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 and marginally the CFA Franc exchange rate with the U.S. and Canadian dollar.

#### 8. 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.

## **Savary Gold Corp.**

### Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited, Expressed in Canadian dollars)

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#### **8. CAPITAL MANAGEMENT (Continued)**

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 nine months ended September 30, 2016 and year ended December 31, 2015.

#### **9. COMMITMENTS AND CONTINGENCIES**

The Company is party to certain management and consulting contracts. Minimum commitments remaining under the agreements are approximately \$126,000, which is payable within one year. These contracts also require that additional payments of up to \$432,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, 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.

#### **10. SUBSEQUENT EVENT**

Subsequent to the nine month period ending September 30, 2016, 1,550,000 share purchase warrants were exercised for gross proceeds of \$108,500.