

Canamex Resources Corp.
Condensed Consolidated Interim Financial Statements
Six months ended June 30, 2017

Expressed in Canadian Dollars - unaudited

NOTICE TO READER

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

The accompanying condensed consolidated unaudited interim financial statements have been prepared by and are the responsibility of the management.

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

VANCOUVER, BC

August 28, 2017

Canamex Resources Corp.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars - unaudited)

	Note	June 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,034,803	\$ 1,449,508
Amounts receivable	4	8,977	92,465
Prepaid expenses		63,019	147,188
		2,106,799	1,689,161
Non-current assets			
Exploration and evaluation assets	5	9,987,666	8,302,131
Reclamation bond		5,132	5,789
		9,992,798	8,307,920
TOTAL ASSETS		\$ 12,099,597	\$ 9,997,081
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	6,9	\$ 436,405	\$ 355,575
Non-current liabilities			
Secured convertible debentures	7	3,884,133	3,476,501
TOTAL LIABILITIES		4,320,538	3,832,076
SHAREHOLDERS' EQUITY			
Share capital	8	19,120,608	16,811,353
Subscription receivable		-	(241,000)
Reserves	7,8	3,573,137	3,325,480
Deficit		(14,914,686)	(13,730,828)
TOTAL SHAREHOLDERS' EQUITY		7,779,059	6,165,005
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 12,099,597	\$ 9,997,081

Subsequent Event (Note 12)

Approved on behalf of the Board:

"Mark Billings"

"Michael Stark"

The accompanying notes form an integral part of the condensed consolidated interim financial statements

Canamex Resources Corp.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars- unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	2017	2016	2017	2016
Expenses					
Consulting		\$ 25,226	\$ 3,000	\$ 241,196	\$ 11,496
Interest and accretion expense	7	204,276	108,663	407,632	217,326
Management fees	8	45,744	51,745	125,485	103,489
Office and administrative		84,769	(3,318)	122,148	50,089
Professional fees		42,775	13,039	64,602	22,277
Share-based payments	7, 8	-	-	106,477	-
Shareholder communications		40,473	15,000	82,909	31,319
Transfer agent and filing fees		6,889	6,696	23,499	18,528
Travel		579	11,401	9,910	13,168
Net loss and comprehensive loss for the period		\$ (450,731)	\$ (206,226)	\$ (1,183,858)	\$ (467,692)
Loss per share – basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)
Weighted average number of shares outstanding		51,185,381	32,328,774	45,279,686	32,328,774

The accompanying notes form an integral part of the condensed consolidated interim financial statements

Canamex Resources Corp.
Condensed Consolidated Interim Statements of Change in Equity
(Expressed in Canadian dollars- unaudited)

	Share capital		Subscription receivable	Reserves	Deficit	Total Shareholders' Equity
	Number of shares	Amount				
Balance at January 1, 2016	33,299,933	\$ 16,113,601	\$ -	\$ 2,109,268	\$(12,732,890)	\$ 5,489,979
Net loss for the period	-	-	-	-	(467,692)	(467,692)
Balance at June 30, 2016	33,299,933	\$ 16,113,601	\$ -	\$ 2,109,268	\$(13,200,582)	\$ 5,022,287
Balance at January 1, 2017	39,308,371	\$ 16,811,353	\$ (241,000)	\$ 3,325,480	\$(13,730,828)	\$ 6,165,005
Subscription received	-	-	241,000	-	-	241,000
Shares issued for cash	20,741,350	2,488,962	-	-	-	2,488,962
Finders shares/warrant	1,315,955	157,915	-	141,180	-	299,095
Stock based payment-options	-	-	-	106,477	-	106,477
Share issuance cost	-	(337,622)	-	-	-	(337,622)
Net loss for the period	-	-	-	-	(1,183,858)	(1,183,858)
Balance at June 30, 2017	61,365,676	\$ 19,120,608	\$ -	\$ 3,573,137	\$(14,914,686)	\$ 7,779,059

The number of share reflect a share consolidation on a four old shares for one new share basis on October 20, 2016, and all share figures and references are retroactively adjusted and restated.

The accompanying notes form an integral part of the condensed consolidated interim financial statements

Canamex Resources Corp.
Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars- unaudited)

	Six months ended June 30,	
	2017	2016
Operating activities		
Net Loss	\$ (1,183,858)	\$ (467,692)
Adjustments for non-cash items:		
Interest expense (Note 7)	407,632	217,326
Share-based payments (Note 8)	106,477	-
Changes in non-cash working capital items:		
Amounts receivable	83,488	(3,120)
Prepaid expenses	84,169	(6,161)
Trade payable and accrued liabilities	80,830	330,346
Net cash flows provided by (used in) operating activities	(421,262)	70,699
Investing activities		
Expenditures on exploration and evaluation assets	(1,685,535)	(160,659)
Reclamation bond	657	1,270
Net cash flows used in investing activities	(1,684,878)	(159,389)
Financing activities		
Shares issued net of cost	2,691,435	-
Net cash flows from financing activities	2,691,435	-
Decrease in cash and cash equivalents	585,295	(88,690)
Cash and cash equivalents, beginning	1,449,508	109,900
Cash and cash equivalents, ending	\$ 2,034,803	\$ 21,210

The accompanying notes form an integral part of the condensed consolidated interim financial statements

1. Nature of operations

Canamex Resources Corp.'s (the "Company") head office and primary place of business is located at 750 West Pender Street, Suite 804, Vancouver, British Columbia, Canada, V6C 2T7. The Company is a Tier 2 mining issuer on the TSX Venture Exchange.

The Company was incorporated under the laws of Alberta on May 26, 1987. On August 18, 2009, the Shareholders approved both the continuation of the Company from the Business Corporations Act (Alberta) to the Business Corporations Act (British Columbia) and the new articles of the Company.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company is in the process of exploring mineral resource properties and has not yet determined whether the properties contain reserves that are economically recoverable. As at June 30, 2017 the Company had not advanced any property to commercial production and is not able to finance day to day activities through operations. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs, and these factors form a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company has been successful in the past in raising funds for exploration, but there is no assurance that it will be able to continue to do so.

2. Significant accounting policies and basis of preparation

The Company's condensed consolidated interim financial statements were authorized for issuance on August 28, 2017 by the Board of Directors.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not contain all of the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2016.

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted. Certain comparative figures may have been reclassified to conform to the current year's presentation.

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Canamex Resources US Inc. ("Canamex US") and Canamex Guyana Inc. ("Canamex Guyana"). Canamex US was incorporated in the State of Nevada, USA and Canamex Guyana was incorporated in Guyana. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of 90 days or less when acquired to be cash equivalents.

2. Significant accounting policies and basis of preparation (cont'd)

Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of geological equipment at 20% per annum.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Impairment

The carrying value of non-financial assets is reviewed each reporting period upon the occurrence of events or changes in circumstances indicating that the carrying value of assets may not be recoverable and when criteria of assets held for sale are met to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the consolidated statement of operations and comprehensive loss. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("CGUs") for purposes of testing goodwill, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

c) Site Closure and Reclamation Provisions

The Company assesses its mineral properties' rehabilitation provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

d) Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

e) Share-Based Payments and finder's warrants

Management uses valuation techniques in measuring the fair value of share options and finder's warrants granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life, expected volatility, expected risk-free rate, and expected forfeiture rate (Note 9). Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

f) Deferred Income Taxes

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognised in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from un-utilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognise deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

g) Discount rate convertible debt

The carrying value of the convertible debt is subject to management's estimates in determining an appropriate discount rate based on similar instruments with no conversion features.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. The Company charges share issue costs to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Foreign currency translation

These consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of Canamex US and Canamex Guyana is also the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

2. Significant accounting policies and basis of preparation (cont'd)

Exploration and evaluation expenditures

Amounts reported in exploration and evaluation expenditures include the costs of acquiring licenses, and costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized and are classified as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related 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 area of interest are first tested for impairment and then reclassified to the mineral resource property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-based payments

The Company has adopted a 10% rolling stock option plan whereby it can grant options to directors, officers, employees, and consultants of the Company up to maximum of 10% of the issued and outstanding common shares at the time of grant. 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 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 corresponding amount is recorded to reserves. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not currently have any derivative financial assets and liabilities.

Impairment of assets

The carrying amounts of the Company's assets (which include exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes

a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred income tax

Deferred income taxes are recorded using the asset and liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recorded 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 can be made. 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. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

Convertible debentures

Convertible debentures, where applicable, are separated into their liability and equity components and accounted for using the effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value and the fair value of the liability component.

3. New accounting standards

Accounting standards and amendments issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2017 quarter. These standards have been assessed to not have a significant impact on the Company's financial statements.

New accounting standards effective for annual periods on or after January 1, 2018:

IFRS 9 Financial Instruments- IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2018 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

New accounting standards effective for annual periods on or after January 1, 2019:

IFRS 16 – Leases - The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

4. Amounts receivable

	June 30, 2017	December 31, 2016
Government sales tax recoverable	\$ 8,977	\$ 18,465
Other receivables (Note 7(b))	-	74,000
	\$ 8,977	\$ 92,465

5. Exploration and evaluation assets

Nye County, Nevada USA ("Bruner Property")

On May 28, 2010, the Company entered into a property option agreement ("Option Agreement") with Provex Resources Inc. ("Provex"), a company with a director in common with the Company at the time, granting an exclusive right and option to acquire up to a 75% interest in certain mineral claims in Bruner Property.

During the year ended December 31, 2015, the Company earned 70% interest in the property by completing a total of US\$6,000,000 in expenditures in stages over a seven year period, US\$200,000 of which was completed within the first year. The Company passed on its option to acquire a further 5% undivided interest in the property by producing a bankable feasibility study.

The agreement is subject to a 3.5% net smelter return royalty on the production of certain claims.

A core group of 26 patented mining claims were controlled under an option to purchase agreement dated April 2009 between Patriot Gold Corporation and American International Ventures, Inc. ("AIVN"). In November 2015, the Company purchased the underlying 26 patented claims from AIVN.

The Company completed the purchase of the remaining 30% interest in the Bruner Property for US \$1,000,000 during April 2017, and now owns 100% of the Bruner Property.

Aranka North, Guyana ("Aranka North Property")

During 2014 the Company acquired a 100% interest in the Aranka North Property by fulfilling the terms of an Option Agreement (the "Agreement") that was entered into with GMV Minerals Inc. ("GMV") in 2011. The Aranka North Property encompasses a large area containing nominally 98,000 acres in a region in Guyana, South America. The Agreement was accepted for filing by the TSX Venture Exchange on August 2, 2011. The Agreement is subject to an underlying 2% net smelter return royalty.

As at December 31, 2015, the Company decided not to continue exploring the Aranka North Property as they plan to focus their efforts on the Bruner Property. As a result, the Company wrote down the exploration and evaluation assets relating to the property to \$1 and recorded an impairment loss of \$3,229,209.

5. Exploration and evaluation assets (cont'd)

For the six months ended June 30, 2017 and year ended December 31, 2016, the Company incurred the following expenditures on the properties:

Bruner Property, Nevada	June 30, 2017	December 31, 2016
Property acquisition costs		
Balance, beginning of the year	\$ 1,040,698	\$ 1,040,698
Additions during the year	-	-
	1,040,698	1,040,698
Exploration and evaluation costs		
Balance, beginning of the year	7,261,432	6,673,114
Costs incurred during the year:		
Drilling and related costs	188,333	208,470
Field work	20,576	74,037
Geological	142,396	302,077
Mineral rights options payment	1,330,514	-
Travel and accommodation	3,716	3,734
	8,946,967	7,261,432
Total - Bruner Property	\$ 9,987,665	\$ 8,302,130
Aranka North Property, Guyana		
Property acquisition costs		
Balance, beginning of the year	\$ 1	\$ 1
	1	1
Total - Aranka North Property	\$ 1	\$ 1
Total exploration and evaluation assets	\$ 9,987,666	\$ 8,302,131

6. Trade payables and accrued liabilities

	June 30, 2017	December 31, 2016
Trade payables	\$ 264,222	\$ 200,991
Amount due to related parties (Note 9)	61,530	56,166
Accrued liabilities	110,653	98,418
	\$ 436,405	\$ 355,575

7. Secured convertible debentures

During 2016 the Company completed a non-brokered private placement of secured convertible debentures (“2016 Convertible Debentures”) that were issued in two tranches. These 2016 Convertible Debentures have a first ranking security over the Company’s interest in its 70/30 arrangement with Provex in respect of the Bruner Gold Property (see Note 5) and by the general assets of the Company.

- a) In October 2016, the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$4,239,000; under which the Company issued an aggregate principal amount of \$4,239,000 of secured convertible debentures (the “Debentures”), maturing in three years on October 25, 2019. The Debentures are convertible into common shares at the option of the holder at a conversion price of \$0.16 per Share (the “Conversion Price”) until October 25, 2019.

In addition, the holders of the Debentures received a total of 26,493,750 warrants (“Debenture Warrant”). Each Debenture Warrant is exercisable into a common share on or before October 25, 2019 at an exercise price of \$0.20 per share. Interest on the Debentures shall be paid annually in arrears, at an annual rate of interest of 7% per annum or alternatively, if paid in shares the rate would be 10%.

A finder was issued 307,125 compensation warrants and each warrant is exercisable at \$0.20 per common share until expiry on October 25, 2019.

- b) In December 2016, the Company closed the second tranche of a non-brokered private placement for gross proceeds of \$559,000; under which the Company issued an aggregate principal amount of \$559,000 of secured convertible debentures (the “Debentures”), maturing in three years on December 23, 2019. The Debentures are convertible into common shares at the option of the holder at a conversion price of \$0.16 per share until December 23, 2019. As at December 31, 2016, \$74,000 of the proceeds from the second tranche were recorded in amounts receivable and were received after year-end.

In addition, the holders of Debentures received a total of 3,493,750 warrants (“Debenture Warrant”). Each Debenture Warrant will be exercisable into a common share on or before December 23, 2019 at an exercise price of \$0.20 per share. Interest on the Debentures shall be paid annually in arrears, at an annual rate of interest of 7% per annum or alternatively, if paid in shares the rate would be 10%.

A finder was issued 209,625 compensation warrants and each warrant is exercisable at \$0.20 per common share until expiry on December 23, 2019.

7. Secured convertible debentures (cont'd)

During 2015, the Company completed a non-brokered private placement of secured convertible debentures in two tranches (the "2015 Convertible Debentures"). These 2015 Convertible Debentures had a one year maturity and after maturity in 2016, the total \$1,915,000 principal and accrued 10% interest plus a 4% penalty were settled by the issuance of the new 2016 Convertible Debentures. The 2015 Convertible Debentures had a first ranking security over the Company's interest in its 70/30 arrangement with Provox in respect of the Bruner Gold Property and by the general assets of the Company. The following summarizes the historical details of the 2015 Convertible Debentures:

- a) On October 23, 2015, the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$1,500,000 (the "Offering"); under which the Company issued an aggregate principal amount of \$1,500,000 of secured convertible debentures (the "Debentures"), maturing in one year after closing of the Offering (the "Maturity Date"). From and after the date of issue until the Maturity Date, the Debentures will be convertible into units ("Units") at the option of the holder at a conversion price of \$0.20 per Unit (the "Conversion Price").

Each Unit was comprised of one common share of the Company ("Common Share") and one-half of one warrant ("Warrant"). Each whole Warrant was exercisable into one Common Share on or before April 20, 2017 at an exercise price of \$0.20 per share. Interest on the Debentures was due quarterly in arrears, at an annual rate of interest of 10% per annum.

525,000 compensation warrants ("Compensation Warrants") were issued to a finder. Each Compensation Warrant will be exercisable at \$0.20 per Common Share for two (2) years from closing of the Offering (Note 8).

- b) On November 6, 2015, the Company closed the second tranche of a non-brokered private placement for gross proceeds of \$415,000 (the "Offering"); under which the Company issued an aggregate principal amount of \$415,000 of secured convertible debentures (the "Debentures"), maturing in one year after closing of the Offering (the "Maturity Date"). From and after the date of issue until the Maturity Date, the Debentures will be convertible into units ("Units") at the option of the holder at a conversion price of \$0.20 per Unit (the "Conversion Price").

Each Unit was comprised of one common share of the Company ("Common Share") and one-half of one warrant ("Warrant"). Each whole Warrant was exercisable into one Common Share on or before May 6, 2017 at an exercise price of \$0.20 per share. Interest on the Debentures was due quarterly in arrears, at an annual rate of interest of 10% per annum.

110,250 compensation warrants ("Compensation Warrants") were issued to a finder. Each Compensation Warrant will be exercisable at \$0.20 per Common Share for two (2) years from closing of the Offering (Note 8).

7. Secured convertible debentures (cont'd)

The following table summarizes accounting for the convertible debentures and the amounts recognized in the liability and equity components during the period ended June 30, 2017:

Principal	
Issued during year ended December 31, 2016	\$ 4,798,000
Liability	
Gross proceeds received	\$ 4,798,000
Issuance costs	(104,743)
Equity component less issue costs allocated	(1,334,959)
Liability component initially recognized	3,358,298
Accretion and interest expense recognized during 2016	118,203
Accretion and interest expense recognized during 2017	407,632
Balance at June 30, 2017	\$ 3,884,133
Equity	
Equity component initially recognized in reserves	\$ 1,334,959
Issuance costs	(40,377)
Deferred income tax recovery	(358,287)
Balance at June 30, 2017	\$ 936,295

For accounting purposes, the Debentures are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue is determined based on an estimated rate of 20% (2015: 17%) for Debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value of the Debentures and the fair value of the liability component. After initial recognition the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debenture at an effective interest rate of approximately 21% (2015: 21%). The Company also recorded a recovery of a deferred income tax liability of \$358,287 (2015: \$13,828) that was recognized in equity relating to the difference between the Company's accounting and tax basis.

8. Share capital and reserves

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. On October 20, 2016, the Company consolidated its issued and outstanding shares totaling 133,199,721 on a 4:1 basis. Upon completion of the consolidation the Company had 33,299,930 post-consolidation common shares issued and outstanding. The share consolidation has been retroactively presented in the consolidated financial statements and accompanying notes and all share amounts including per share amounts reflect the consolidation.

Shares issued during 2017

On May 12, 2017, the Company closed a non-brokered private placement for a gross proceeds of \$2,488,962 at a price of \$0.12 per unit. Each unit is comprised of one common share and one warrant exercisable into a common share for \$0.20 per share for a period of five years. Finders' fees totaling an aggregate of 1,315,955 units were paid in connection with the financing.

Shares issued during 2016

On October 25, 2016, the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$716,350 at a price of \$0.16 per unit. Each unit is comprised of one common share and one warrant exercisable into a common share at \$0.20 per share for a period of five years.

On December 30, 2016, the Company closed the second tranche of a non-brokered private placement for gross proceeds of \$245,000 at a price of \$0.16 per unit. Each unit is comprised of one common share and one warrant exercisable into a common share at \$0.20 per share for a period of five years. At December 31, 2016, \$241,000 of the gross proceeds have been recorded as subscriptions receivable. These funds were received in January, 2017.

Shares and units issued to settlement accounts payable

On September 22, 2015, the Company issued 571,919 common shares to non arms'-length creditors at a fair value of \$91,507 to settle \$114,384 outstanding accounts payable resulting in a gain of \$22,876 recorded to reserves on the consolidated statement of changes in equity.

On September 22, 2015, the Company issued 399,238 Units to an arms'-length creditor at a fair value of \$119,959 (\$63,878 fair value of shares and \$56,081 fair value of warrants) to settle \$79,847 in accounts payable resulting in a loss of \$40,111 recorded to the consolidated statement of comprehensive loss. Each unit is comprised of one common share and one warrant, each warrant being exercisable at \$0.07 per share on or before September 21, 2020.

All of these shares, together with any shares that may be issued on exercise of the warrants, were subject to a hold period under applicable Canadian securities laws expiring on January 23, 2016, and were subject to such further restrictions on resale as may apply under applicable foreign securities laws.

Stock options

The Company has adopted a 10% rolling stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant options to directors, officers, employees, and consultants of the Company, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Options granted vest at the discretion of the Board of Directors.

8. Share capital and reserves (cont'd)

Stock options (cont'd)

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

Stock option transactions during 2017

On February 24, 2017, the Company granted 700,000 stock options to directors/officers and 575,000 to consultants. The options vested immediately. The options have an exercise price of \$0.16 per share and expire on February 23, 2022. The estimated grant date fair value of these options was \$106,477.

The grant date fair values of the options granted above were estimates based on the following assumptions: share price at grant date of \$0.11; exercise price of \$0.16; expected life of 5 years; expected volatility of 113%; risk free interest rate of 1.11%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

Stock option transactions during 2016

During the year ended December 31, 2016, 143,750 fully vested options expired.

Stock option summary

The changes in options during the six months ended June 30, 2017 and year ended December 31, 2016 are summarized as follow:

	June 30, 2017		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	2,809,419	\$ 0.52	2,953,169	\$ 0.52
Options granted	1,275,000	0.16	-	-
Options expired	(597,500)	0.42	(143,750)	0.75
Options outstanding, end	3,486,919	\$ 0.37	2,809,419	\$ 0.52
Options exercisable	3,486,919	\$ 0.37	2,809,419	\$ 0.52

Details of options outstanding and exercisable at June 30, 2017 are as follows:

Date of expiry	Exercise price	Number of options	June 30, 2017		December 31, 2016	
			Weighted Average Remaining Contractual life, years	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
September 24, 2017	1.08	352,500	0.23	1.08	443,750	1.08
March 13, 2019	0.52	725,000	1.70	0.52	850,000	0.52
January 26, 2020	0.64	250,000	2.57	0.64	412,500	0.64
October 21, 2020	0.20	884,419	3.31	0.20	884,419	0.20
February 23, 2022	0.16	1,275,000	4.65	0.16	1,275,000	0.16
		3,486,919	3.10	\$ 0.37	2,809,419	\$ 0.52

8. Share capital and reserves (cont'd)

Warrants

	June 30, 2017		December 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	37,125,038	\$ 0.20	1,941,768	\$ 0.68
Warrants expired ^(1,2)	-	-	(1,432,280)	0.68
Warrants issued ⁽³⁾	-	-	6,111,300	0.20
Warrants issued ⁽⁴⁾	-	-	30,504,250	0.20
Warrants issued ⁽⁵⁾	22,057,305	0.20	-	-
Warrants outstanding, end	59,182,343	\$ 0.20	37,125,038	\$ 0.20

The weighted average fair value for warrants granted during year ended December 31, 2016 was \$0.20 (2015: \$0.08).

- (1) 399,238 warrants were issued in conjunction with a debt settlement completed on September 22, 2015. Each warrant grants the holder the right to purchase one common share of the Company for \$0.28 per share until September 21, 2020.
- (2) 525,000 and 110,250 warrants were issued in conjunction with a convertible debenture issuance completed on October 23, 2015 and November 6, 2015, respectively (Note 7). Each warrant grants the holder the right to purchase one common share of the Company for \$0.20 per share until October 20, 2017 and November 6, 2017, respectively. The Company recognized \$60,374 on the grant of these options which has been allocated proportionately between the debt and equity component on the convertible debt, 525,000 warrants expired when the convertible debt was paid.
- (3) 4,492,500 and 1,618,800 warrants were issued in conjunction with a private placement financing completed on October 23, 2016 and December 29, 2016, respectively (Note 7). Each warrant grants the holder the right to purchase one common share of the Company for \$0.20 per share until October 24, 2021 and December 29, 2021, respectively.
- (4) 26,800,875 and 3,703,375 warrants were issued in conjunction with a convertible debenture issuance completed on October 25, 2016 and December 23, 2016, respectively (Note 7). Each warrant grants the holder the right to purchase one common share of the Company for \$0.20 per share until October 25, 2019 and December 23, 2019, respectively.
- (5) 20,741,350 and 1,315,955 warrants were issued in conjunction with a private placement financing completed on May 12, 2017, respectively (Note 7). Each warrant grants the holder the right to purchase one common share of the Company for \$0.20 per share until May 12, 2022.

The fair value of the finders warrants and warrants issued as part of units to settle accounts payable were calculated using the Black-Scholes option pricing model with following weighted average assumptions:

	2017	2016
Weighted average assumptions:		
Risk-free interest rate	1.11%	0.68%
Expected dividend yield	0.00	0.00
Expected option life (years)	5.00	3.18
Expected stock price volatility	113%	145%

8. Share capital and reserves (cont'd)

Warrants (cont'd)

Details of warrants outstanding and exercisable at June 30, 2017 are as follows:

Date of expiry	Outstanding			Exercisable		
	Exercise price	Number of warrants	Weighted Average Remaining Contractual life, years	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
November 6, 2017	\$ 0.20	110,250	0.35	\$ 0.20	110,250	\$ 0.20
October 25, 2019	0.20	26,800,875	2.32	0.20	26,800,875	0.20
December 23, 2019	0.20	3,703,375	2.48	0.20	3,703,375	0.20
September 21, 2020	0.28	399,238	3.23	0.28	399,238	0.28
October 24, 2021	0.20	4,492,500	4.32	0.20	4,492,500	0.20
December 29, 2021	0.20	1,618,800	4.50	0.20	1,618,800	0.20
May 12, 2022	0.20	22,057,305	4.86	0.20	22,057,305	0.20
		59,182,343	3.48	\$ 0.20	59,182,343	\$ 0.20

9. Related party transactions and balances

Related party balances

Amounts due to related parties consist of charges accrued for office administration and management fees. These amounts are due to directors, officers, or companies controlled by directors or officers.

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The following amounts due to related parties are included in trade payables and accrued liabilities:

	June 30, 2017	December 31, 2016
Directors and corporations controlled by directors of the Company	\$ 30,530	\$ 7,166
Survivor benefit ⁽¹⁾	31,000	49,000
	\$ 61,530	\$ 56,166

The Company incurred the following transactions with directors/officers of the Company and corporations that are controlled by directors/officers of the Company. The Company has identified these directors/officers as its key management personnel.

Key Management Compensation	Six months ended June 30	
	2017	2016
Fees for outside/independent directors	\$ 57,000	\$ 42,000
Management and administrative fees	152,261	120,815
Share-based payment	58,458	-
	\$ 267,719	\$ 162,815

(1) Pursuant to a management services agreement, the Company has accrued a payable to the estate of the late CEO of the Company.

10. Financial risk and capital management

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions, as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. The Company has a working capital deficit and requires additional financing to meeting its short-term financial obligations. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company's trade payables are generally due in terms ranging from 30 to 90 days.

Foreign exchange risk

Foreign exchange risk is the risk that the future fair value of cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's financial results are reported in Canadian dollars while it conducts a significant portion of its business activities in US dollars. The assets, liabilities and expenses that are denominated in US Dollars will be affected by changes in the exchange rate between the Canadian dollar and the US Dollar. If the Canadian dollar changes by one percent against the US dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a reduction or increase of after tax net loss of less than \$1,000 for the period ended June 30, 2017.

The Company also conducts business in Guyanese Dollars. The assets, liabilities and expenses that are denominated in Guyanese Dollars will be affected by changes in the exchange rate between the Canadian dollar and the Guyanese Dollar. If the Canadian dollar changes by one percent against the Guyanese dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a reduction or increase of after tax net loss of less than \$1,000 for the period ended June 30, 2017.

Interest rate risk

The Company is not currently exposed to significant interest rate risk.

Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements.

10. Financial risk and capital management (cont'd)

Classification of financial instruments

Financial instruments classified as fair value through profit or loss:

	June 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 2,034,803	\$ 1,449,508

Financial instruments classified as other financial liabilities:

	June 30, 2017	December 31, 2016
Trade payables	\$ 264,222	\$ 200,991
Secured convertible debentures	3,884,133	3,476,501

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial assets measured at fair value on a recurring basis consist of cash and cash equivalents which are classified as level 1. There are no financial liabilities measured at fair value on a recurring basis.

11. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition and exploration of mining properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	As at June 30, 2017		
	Guyana	US	Total
Exploration and evaluation assets	\$ 1	\$ 9,987,665	\$ 9,987,666
	As at December 31, 2016		
	Guyana	US	Total
Exploration and evaluation assets	\$ 1	\$ 8,302,130	\$ 8,302,131