



# **INDICO**

## **RESOURCES LTD.**

**(An Exploration Stage Company)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**

**(Expressed in Canadian Dollars)**

**Six Months Ended November 30, 2016 and 2015**

**Corporate Head Office**

Suite 507 – 837 West Hastings Street  
Vancouver, British Columbia  
V6C 3N6  
Tel: 604-691-7462

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

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

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

The Company's independent auditor has not performed a review of these Condensed Interim Consolidated Financial Statements.

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**INDICO RESOURCES LTD.**

(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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**November 30, 2016 and 2015**

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**INDICO RESOURCES LTD.**

(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	November 30, 2016	May 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,344	\$ 2,385
Accounts receivable	1,854	2,511
Prepaid expenses	6,084	16,694
Assets held for sale (note 3)	4,747,830	4,757,043
	4,758,112	4,778,633
<b>Property and equipment</b>	571	672
	\$ 4,758,683	\$ 4,779,305
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 675,374	\$ 180,024
Due to related parties (note 7)	1,069,285	1,256,960
Loans payable (notes 5 and 7)	1,276,510	1,200,288
Liabilities associated with assets held for sale (note 3)	1,625,902	1,370,678
	4,647,071	4,007,950
<b>Shareholders' equity</b>		
Share capital (note 6)	30,664,353	30,664,353
Share-based payments reserve	3,003,949	3,003,949
Deficit	(33,556,690)	(32,896,947)
	111,612	771,355
	\$ 4,758,683	\$ 4,779,305

**Approved on behalf of the Directors:**"Robert Parsons"

Robert Parsons

Director

"Robert Baxter"

Robert Baxter

Director

**INDICO RESOURCES LTD.**

(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Three months ended November 30,		Six months ended November 30,	
	2016	2015	2016	2015
<b>Expenses</b>				
Consulting fees (notes 6 and 7)	\$ 98,675	\$ 110,000	\$ 271,559	\$ 682,023
Depreciation	51	72	101	144
Investor relations (note 6)	4	2,923	2,877	4,448
Listing and filing fees	1,783	2,748	7,934	11,299
Office	11,027	23,502	29,177	49,357
Professional fees (note 6)	10,965	5,793	55,390	26,018
Travel	-	1,890	18,302	9,731
	(122,505)	(146,928)	(385,340)	(783,020)
Foreign exchange loss	(8,787)	(2,794)	(9,966)	(22,096)
<b>Net loss and comprehensive loss from continuing operations</b>	(131,292)	(149,722)	(395,306)	(805,116)
<b>Net loss and comprehensive loss from discontinued operations (note 3)</b>	(96,325)	(194,109)	(264,437)	(465,765)
<b>Net loss for the period</b>	\$ (227,617)	\$ (343,831)	\$ (659,743)	\$ (1,270,881)
<b>Basic and diluted loss per common share (note 11)</b>	(0.00)	(0.00)	(0.00)	(0.01)
<b>Weighted average number of common shares outstanding</b>	147,003,489	147,003,489	147,003,489	135,637,369

**INDICO RESOURCES LTD.**

(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

SIX MONTHS ENDED NOVEMBER 30

	2016	2015
<b>Operating activities</b>		
Net loss for the period from continuing operations	\$ (395,306)	\$ (805,116)
Items not affecting cash:		
Share-based payments	-	493,450
Depreciation	101	144
Unrealized loss on foreign exchange	9,128	21,755
Changes in non-cash working capital items:		
Accounts receivable	657	4,564
Prepaid expenses	10,610	5,485
Accounts payable and accrued liabilities	495,350	53,031
Due to related parties	(187,675)	211,545
Operating cash flows from continuing operations	(67,135)	(15,142)
Operating cash flows from discontinued operations (note 3)	(175)	(22,815)
<b>Cash used in operating activities</b>	<b>(67,310)</b>	<b>(37,957)</b>
<b>Investing activities</b>		
Acquisition of exploration and evaluation assets	-	-
Cash used for investing activities for continuing operations	-	-
Cash used for investing activities for discontinued operations	-	-
<b>Cash used in investing activities</b>	<b>-</b>	<b>-</b>
<b>Financing activities</b>		
Cash received from loans payable	67,094	12,592
Share issuance costs	-	(40,147)
<b>Cash provided by financing activities</b>	<b>67,094</b>	<b>(27,555)</b>
<b>Effect of foreign exchange on cash</b>	<b>-</b>	<b>-</b>
<b>Decrease in cash during the period</b>	<b>(216)</b>	<b>(65,512)</b>
<b>Cash associated with assets held for sale</b>	<b>(615)</b>	<b>(820)</b>
<b>Cash, beginning of the period</b>	<b>3,175</b>	<b>73,913</b>
<b>Cash, end of the period</b>	<b>\$ 2,344</b>	<b>\$ 7,581</b>

**INDICO RESOURCES LTD.**

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscriptions Received in Advance	Share-based Payments Reserve	Deficit	Total
<b>Balance, May 31, 2015</b>	107,003,489	\$ 27,704,500	\$ 3,000,000	\$ 2,510,499	\$ (30,933,848)	\$ 2,281,151
Shares issued for private placement	40,000,000	3,000,000	-	-	-	3,000,000
Share issuance costs	-	(40,147)	-	-	-	(40,147)
Share subscriptions received in advance	-	-	(3,000,000)	-	-	(3,000,000)
Share-based payments	-	-	-	493,450	-	493,450
Net loss for the period	-	-	-	-	(1,270,881)	(1,270,881)
<b>Balance, November 30, 2015</b>	147,003,489	\$ 30,664,353	\$ -	\$ 3,003,949	\$ (32,204,729)	\$ 1,463,573
Net loss for the period	-	-	-	-	(692,218)	(692,218)
<b>Balance, May 31, 2016</b>	147,003,489	30,664,353	-	3,003,949	(32,896,947)	771,355
Net loss for the period	-	-	-	-	(659,743)	(659,743)
<b>Balance, November 30, 2016</b>	147,003,489	\$ 30,664,353	\$ -	\$ 3,003,949	\$ (33,556,690)	\$ 111,612

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**INDICO RESOURCES LTD.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

SIX MONTHS ENDED NOVEMBER 30, 2016 AND 2015

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

The principal business activity of Indico Resources Ltd. (the “Company” or “Indico”) is the acquisition, exploration and development of natural resource properties in Peru. Previously registered in Bermuda, the Company was extra-provincially registered in the province of British Columbia under the *Business Corporations Act* on June 22, 2006. The Company changed domicile from Bermuda to British Columbia by way of a continuance under the *Business Corporations Act* (British Columbia) effective October 15, 2009. The Company is an exploration stage company.

The head office of the Company is located at Suite 507 – 837 West Hastings Street, Vancouver, British Columbia V6C 3N6, Canada. The registered address and records office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7, Canada.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from November 30, 2016. Management is aware in making its assessment of material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, as explained below.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company has incurred a net loss of \$659,743 for the period ended November 30, 2016 (2015 - \$1,270,881) is currently unable to self-finance operations, has a deficit of \$33,556,690 at November 30, 2016 (May 31, 2016 - \$32,896,947), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its exploration and evaluation assets.

The Company does not generate cash flow from operations, and has therefore relied principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these condensed interim consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company’s business, results of operations and financial condition.

The business of resource exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and to acquire, explore and maintain its exploration and evaluation assets. The recoverability of the carrying value of exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these assets, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company’s exploration and evaluation assets do not reflect current or future values.



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**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of presentation**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as investment held-for-trading, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting. These condensed interim consolidated financial statements are prepared in Canadian dollars, which is also the Company’s functional currency.

**Approval of consolidated financial statements**

The condensed interim consolidated financial statements for the six months ended November 30, 2016 were reviewed, approved and authorized for issue by the Audit Committee on January 26, 2017.

**Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Indico Peru S.A.C. (“Indico Peru”), which was incorporated under the laws of Peru on August 24, 2010. All significant intercompany balances and transactions have been eliminated upon consolidation.

**3. ASSETS HELD FOR SALE**

On May 20, 2016, the Company entered into a Letter of Intent (“LOI”) to sell 100% of the issued and outstanding shares of Indico Peru to Aruntani S.A.C. (“Aruntani”) for total cash consideration of US\$6,000,000 (the “Transaction”). Aruntani will acquire all rights held by Indico Peru to Inversiones Minerales S.A.C. (“Inversiones”). In addition to the cash consideration, Aruntani will grant a 1% net smelter return royalty (“NSR”) to the Company. Aruntani is a non-arm’s length party by virtue of being a holder of 27.2% of the common shares in the capital of the Company.

The Transaction is subject to customary conditions, including receipt of applicable regulatory and third party approvals and consents as may be required to effect and complete the transaction.

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities associated with the Irmin Copper Gold project and the Company’s wholly owned subsidiary, Indico Peru were reclassified from their respective financial position classifications to “assets held for sale” and “liabilities associated with assets held for sale” during the period ended November 30, 2016.

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**INDICO RESOURCES LTD.**

(An Exploration Stage Company)

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**3. ASSETS HELD FOR SALE (cont'd)**

Assets reclassified to assets held for sale as of November 30, 2016 and May 31, 2016:

	<b>November 30, 2016</b>	<b>May 31, 2016</b>
Cash	\$ 615	\$ 790
Property and equipment	109,868	118,906
Exploration and evaluation assets	4,637,347	4,637,347
	<b>\$ 4,747,830</b>	<b>\$ 4,757,043</b>

Liabilities reclassified to liabilities associated with assets held for sale as of November 30, 2016 and May 31, 2016:

	<b>November 30, 2016</b>	<b>May 31, 2016</b>
Accounts payable and accrued liabilities	\$ 1,625,902	\$ 1,370,678

Cash held by Indico Peru will no longer be included in the condensed interim consolidated assets of the Company following the sale of the shares of Indico Peru, and accordingly, has been classified as assets held for sale. Property and equipment with a net book value of \$109,868 (May 31, 2016 - \$118,906) and exploration and evaluation assets of \$4,637,347 (May 31, 2016 - \$4,637,347) were reclassified to assets held for sale. Accounts payable in Indico Peru of \$1,625,902 (May 31, 2016 - \$1,370,678) were reclassified to liabilities associated with assets held for sale.

As the cash flows related to the operations of Indico, as well as Indico Peru are clearly distinguished, both operationally, geographically and for financial reporting purposes from the rest of the entity, the financial performance within these entities for the comparative period have been reclassified and presented separately as discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss and cash flows.

The reported net loss from discontinued operations is comprised of the following:

<b>For the six months ended November 30,</b>	<b>2016</b>	<b>2015</b>
Consulting	\$ 58,689	\$ 176,683
Exploration and evaluation expenditures (note 7)	87,852	196,115
Office	2,951	1,423
Professional fees	71,781	51,287
	221,273	425,508
Foreign exchange loss	43,164	40,257
Net loss for the period from discontinued operations, net of tax	<b>\$ 264,437</b>	<b>\$ 465,765</b>

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SIX MONTHS ENDED NOVEMBER 30, 2016 AND 2015

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**3. ASSETS HELD FOR SALE (cont'd)**

The reported cash flows from discontinued operations are as follows:

<b>For the six months ended November 30,</b>	<b>2016</b>	<b>2015</b>
Net loss for the period from discontinued operations, net of tax	\$ (264,437)	\$ (465,765)
Depreciation	9,038	9,038
Accounts payable	255,224	433,912
<b>Operating cash flows from discontinued operations</b>	<b>\$ (175)</b>	<b>\$ (22,815)</b>

**4. EXPLORATION AND EVALUATION ASSETS****Property acquisitions**

## a) Irmin Copper Gold Porphyry Project (formerly Ocaña)

On September 14, 2010, the Company entered into an agreement wherein the Company, through Indico Peru, had been granted the exclusive option to acquire a 100% interest in the Ocaña Copper Gold Porphyry Project (subsequently named Irmin on September 8, 2015) (“Ocaña”) in south-central Peru, by way of an option to acquire 100% of the issued and outstanding shares of Inversiones, which holds an indirect 100% interest in the Ocaña property, by making, at its option, payments of cash and shares over a five-year period ending April 20, 2015. The consideration due pursuant to the agreement is as follows.

## (i) Payment of US\$17,750,000 over a five-year period as follows:

- US\$387,273 on or before November 29, 2010 (Paid);
- US\$322,727 on or before April 20, 2011 (Paid);
- US\$451,818 on or before April 20, 2012 (Paid);
- US\$516,364 on or before April 20, 2013 (extended to May 23, 2013) (Paid);
- US\$580,909 on or before April 20, 2014 (Paid); and
- US\$15,490,909 on or before April 20, 2015 (Amended and extended for five years).

## (ii) Issuance of 8,500,000 common shares of the Company over a five-year period as follows:

- 200,000 on or before April 20, 2011 (Issued);
- 300,000 on or before April 20, 2012 (Issued);
- 500,000 on or before April 20, 2013 (Issued);
- 1,000,000 on or before April 20, 2014 (Issued); and
- 6,500,000 on or before April 20, 2015 (Issued).

In addition, the consortium that holds the underlying mineral rights at Ocaña will receive a 1% NSR on commercial production at the Ocaña Project.

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**INDICO RESOURCES LTD.**

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(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

SIX MONTHS ENDED NOVEMBER 30, 2016 AND 2015

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**4. EXPLORATION AND EVALUATION ASSETS (cont'd)****Property acquisitions (cont'd)**

## a) Irmin Copper Gold Porphyry Project (formerly Ocaña) (cont'd)

In October 2014, the parties agreed to amend the final payment of US\$15,500,000 due in April 2015. Under the terms of the amended payment schedule, the Company will pay:

- US\$1,500,000 on April 20, 2015 (Paid);
- US\$2,000,000 on April 20, 2016 (Paid);
- US\$2,000,000 on April 20, 2017;
- US\$2,000,000 on April 20, 2018; and
- US\$7,990,909 on April 20, 2019.

The 2016 option payment was paid by Aruntani.

As part of the amending agreement, Inversiones is to commence construction of the project on or before June 30, 2016 and commence production on or before June 30, 2018. Should Inversiones not start construction of the project by June 30, 2016 it is required to pay a \$50,000 penalty, and if it fails to commence production on or before June 30, 2018 it will be required to make advance royalty payments on a yearly basis of \$300,000 payable from June 30, 2018 onwards. The advance royalty payments can be discounted from future royalty payments at a rate of 20% per year.

On September 8, 2015, Inversiones entered into an agreement (the “Joint Venture Agreement”) with Aruntani whereby the companies agreed to develop a mining project on the Ocaña properties through the incorporation of Compañía Minera Irmin SAC (“Irmin”) a Peruvian corporation. Interest of this entity would be held 70% by Aruntani and 30% by Inversiones. Aruntani would fund Irmin US\$18,700,000 representing its 70% investment while Inversiones would transfer its option to acquire the Ocaña properties. To date, Inversiones has spent approximately US\$8,000,000, which represents its 30% investment.

The US\$18,700,000 funded by Aruntani would be used to pay the remaining option payments Inversiones is required to make to the Property’s optionors, which amount to approximately US\$7,000,000 on scheduled payments over the next four years, acquire the land surface of the property, perform mineral reserves evaluation, perform and modify environmental studies, prepare a pre-feasibility study, perform drilling and commence the project construction program.

Once both entities have contributed their respective investments, any further funding must be contributed according to the entities’ interest percentage. Under the agreement, Aruntani will have four out of five of Irmin’s directors and will be responsible for managing the project. However, in order to enter into an agreement to sell the properties, enter into debt or modify Irmin’s capital structure, 100% shareholder approval will be required. The companies also agreed on a name change for the project from Ocaña to Acana in June 2015 and then to Irmin in September 2015.

On May 20, 2016, the Company entered into a LOI with Aruntani pursuant to which the Company will sell to Aruntani all of the shares of Indico Peru, which has an irrevocable option to acquire all of the shares in the capital of Inversiones, an entity holding a series of concessions of the Irmin Copper Gold Porphyry Project (the “Transaction”).

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**4. EXPLORATION AND EVALUATION ASSETS (cont'd)****Property acquisitions (cont'd)**

## a) Irmin Copper Gold Porphyry Project (formerly Ocaña) (cont'd)

As part of the Transaction, Aruntani will acquire the Company's legal and beneficial right, title and interest in the Irmin Property, including any interest held pursuant to the Joint Venture Agreement. As consideration of the acquisition of all shares of Indico Peru, Aruntani will pay the Company US\$6,000,000 in cash and will grant the Company a 1% NSR over the Irmin Property. Closing of the Transaction is subject to, among other things, the approval of the TSX Venture Exchange ("TSX-V"), minority shareholder approval (received) and valuation, and any other applicable governmental or regulatory authorities.

**Realization of assets**

The investment in exploration and evaluation assets comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

**Title to exploration and evaluation assets**

The acquisition of title to exploration and evaluation assets is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards for the current stage of exploration activities, to verify title to assets in which it has an interest. Although the Company has taken every reasonable precaution to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

**Environmental expenditures**

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries. The Company has determined, as of November 30, 2016, the disturbances to earth are minimal, and therefore did not record provisions for environmental rehabilitation expenditures.

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**5. LOANS PAYABLE**

	<b>Total</b>
<b>Balance, May 31, 2016</b>	\$ 1,200,288
Funds received	67,094
Foreign exchange adjustment	9,128
	76,222
<b>Balance, November 30, 2016</b>	\$ 1,276,510

During the period ended November 30, 2016, the Company received \$12,325 from arm's length individuals and \$54,769 from the CEO in the form of non-interest-bearing short-term loan due on or before May 2017. At November 30, 2016, the total amount of loans payable amounted to \$1,276,510 (May 31, 2016 - \$1,200,288).

**6. SHARE CAPITAL****Authorized**

Unlimited number of voting common shares without par value.

**Issued**

There were no shares issued during the period ended November 30, 2016.

**Stock options**

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the Plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years with vesting terms determined by the Board of Directors.

There were no stock options granted during the period ended November 30, 2016.

Stock option transactions are summarized as follows:

	<b>November 30, 2016</b>		<b>May 31, 2016</b>	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	5,990,000	\$ 0.10	1,720,000	\$ 0.10
Granted	-	-	6,440,000	\$ 0.10
Expired	(2,050,000)	\$ 0.10	(2,170,000)	\$ (0.10)
<b>Balance, end of the period</b>	<b>3,940,000</b>	<b>\$ 0.10</b>	<b>5,990,000</b>	<b>\$ 0.10</b>

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(Unaudited – Prepared by Management)

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**6. SHARE CAPITAL (cont'd)**

The weighted average remaining contractual life of options outstanding at November 30, 2016 was 3.67 (May 31, 2016 - 4.17) years.

Stock options outstanding and exercisable are as follows:

Expiry date	November 30, 2016			May 31, 2016		
	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
August 6, 2020	\$ 0.10	3,940,000	3,940,000	\$ 0.10	5,990,000	5,990,000

**Share-based payments**

During the period ended November 30, 2016, the Company granted nil (2015 - 6,440,000) stock options with a fair value of \$nil (2015 - 493,450), or \$nil (2015 - 0.08) per option, calculated using the Black-Scholes option pricing model. Share-based payments have been allocated as follows:

For the six months ended November 30,	2016	2015
Consulting fees	\$ -	\$ 471,230
Exploration and evaluation expenditures	-	19,156
Professional fees	-	3,064
	\$ -	\$ 493,450

The following weighted average assumptions were used for the Black-Scholes option pricing model calculations:

For the six months ended November 30,	2016	2015
Risk-free interest rate	N/A	0.78%
Expected life of options	N/A	5 years
Expected annualized volatility	N/A	131%
Expected dividend yield	N/A	0.0%
Forfeiture rate	N/A	0.0%

**Warrants**

	November 30, 2016		May 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the period	47,289,240	\$ 0.13	41,106,980	\$ 0.15
Issued	-	-	20,000,000	\$ 0.10
Expired	-	-	(13,817,740)	\$ 0.16
Balance, end of the period	47,289,240	\$ 0.13	47,289,240	\$ 0.13

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(An Exploration Stage Company)

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**6. SHARE CAPITAL (cont'd)**

The weighted average remaining contractual life of warrants outstanding at November 30, 2016 was 0.32 (May 31, 2016 - 0.82) years.

Warrants outstanding:

Expiry date	November 30, 2016		May 31, 2016	
	Exercise price	Number of warrants	Exercise price	Number of warrants
December 31, 2016	\$ 0.15	26,762,000	\$ 0.15	26,762,000
December 31, 2016 (agent compensation warrants)	\$ 0.15	527,240	\$ 0.15	527,240
July 23, 2017	\$ 0.10	20,000,000	\$ 0.10	20,000,000
		47,289,240		47,289,240

**7. RELATED PARTY TRANSACTIONS**

During the periods ended November 30, 2016 and 2015, the Company entered into the following transactions with related parties:

**Management compensation**

Key management personnel compensation is comprised of the following:

For the six months ended November 30,	2016	2015
Consulting fees to CEO	\$ 120,000	\$ 120,000
Consulting fees to CFO	30,000	30,000
Directors' fees (included in consulting fees)	96,434*	42,794
Geological consulting fees to COO	-	581
Share-based payments to CEO, CFO, COO and directors	-	371,620
	\$ 246,434	\$ 564,995

\*Included in Director's fees was a one-time fee of \$67,130 (US\$50,000) payable to two directors for acting members of the Special Committee.

**Transactions with other related parties**

For the six months ended November 30,	2016	2015
Consulting fees to Corporate Secretary	\$ 18,000	\$ 18,000
Share-based payments to Corporate Secretary	-	15,325
	\$ 18,000	\$ 33,325



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**7. RELATED PARTY TRANSACTIONS (cont'd)**

At November 30, 2016, included in due to related parties was \$1,069,285 (May 31, 2016 - \$1,256,960) in expenses owing to companies with common directors.

At November 30, 2016, included in loans payable was \$807,177 (May 31, 2016 - \$888,300) in loans payable to directors, officers and a company with common directors.

These amounts were unsecured and non-interest-bearing.

Key management personnel were not paid any short-term benefits, post-employment benefits, termination benefits or other long-term benefits during the periods ended November 30, 2016 and 2015.

**8. EXPLORATION AND EVALUATION EXPENDITURES (RECOVERY), NET**

The exploration and evaluation expenditures were as follows for the periods ended November 30:

	2016	2015
<b>Irmin Copper Gold Porphyry Project (formerly Ocaña)</b>		
Community relations	\$ 30,780	\$ 78,526
Depreciation	9,038	9,038
Geological (note 7)	-	19,737
Personnel	24,549	22,335
Peruvian value added tax	23,485	66,479
	\$ 87,852	\$ 196,115

**9. SEGMENTED INFORMATION**

The business of the Company is the acquisition, exploration and development of mineral properties, which is considered one business segment.

Geographic information is as follows:

	November 30, 2016			May 31, 2016		
	Canada	Peru	Total	Canada	Peru	Total
Cash	\$ 2,344	\$ 615	\$ 2,959	\$ 2,385	\$ 790	\$ 3,175
Exploration and evaluation assets	-	4,637,347	4,637,347	-	4,637,347	4,637,347
Other assets	8,509	109,868	118,377	19,877	118,906	138,783
Total assets	10,853	4,747,830	4,758,683	22,262	4,757,043	4,779,305
Discontinued segments	-	(4,747,830)	(4,747,830)	-	(4,757,043)	(4,757,043)
	\$ 10,853	\$ -	\$ 10,853	\$ 22,262	\$ -	\$ 22,262

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**10. 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 future business opportunities. The Company defines its capital as shareholders' equity. 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.

The Company currently has no source of revenues, and accordingly, is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing capital deficiency and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended November 30, 2016. The Company is not subject to externally imposed capital requirements.

**11. LOSS PER SHARE****Basic and diluted loss per share from continuing operations**

<b>For the six months ended November 30,</b>	<b>2016</b>	<b>2015</b>
Net loss from continuing operations	\$ (395,306)	\$ (805,116)
Weighted average number of common – basic and diluted	147,003,489	135,637,369
Basic and diluted loss per share from continuing operations	\$ (0.00)	\$ (0.00)

**Basic and diluted loss per share from discontinued operations**

<b>For the six months ended November 30,</b>	<b>2016</b>	<b>2015</b>
Net loss from discontinued operations	\$ (264,437)	\$ (465,765)
Weighted average number of common – basic and diluted	147,003,489	135,637,369
Basic and diluted loss per share from discontinued operations	\$ (0.00)	\$ (0.00)

**12. OTHER ITEM**

On July 29, 2016, the shareholders of the Company approved the termination of the Project Alliance Agreement for the Development, Construction and Operation of Minerals Extraction & Processing Projects between the Company and Stonehouse Constructions Pte Ltd. ("Stonehouse") in accordance with the terms a Settlement and Release Agreement agreed to by the Company and Stonehouse, the terms are as follows:

- Pay to Stonehouse all trade payable in the amount of \$72,213, the entirety of the loan payable in the amount of \$134,300 and a payment of US\$350,000 (the "Up Front Payment");
- Pay the outstanding directors' fees of \$76,250 to Stonehouse, as a reimbursement for Stonehouse having paid such outstanding directors' fees directly to the applicable nominee directors.
- and give Stonehouse 10% of the 1% net smelter return royalty (the "Royalty") expected to be granted by Aruntani to the Company on closing of the Aruntani Transaction, until such time as payments made pursuant to the royalty in addition to the Up Front Payment to Stonehouse reach an aggregate of \$1,000,000, at which time all payments pursuant to the Royalty will cease, and Stonehouse will have no further rights to the Royalty or any other payments pursuant to this Agreement.

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**13. SUBSEQUENT EVENTS**

Subsequent to November 30, 2016:

- a) On December 31, 2016, 27,289,240 warrants exercisable at a price of \$0.15 per warrant expired unexercised.