# PARA RESOURCES INC.

Condensed Interim Consolidated Financial Statements
(Unaudited - expressed in Canadian Dollars)

For the Three Months Ended December 31, 2016 and November 30, 2015

## NOTICE OF NO AUDITOR REVIEW OF

## CONDENSED INTERIM FINANCIAL STATEMENTS

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 unaudited condensed interim consolidated 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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Para Resources Inc.**
**Condensed Interim Consolidated Statements of Financial Position**
**(Unaudited - expressed in Canadian Dollars)**

| | Notes | December 31, 2016 $ | September 30, 2016 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 894,915 | 955,107 |
| Receivables | | 6,967 | 46,039 |
| Inventory | | 272,018 | 209,288 |
| Prepaids | 5 | 423,063 | 418,878 |
| Total current assets | | 1,596,963 | 1,629,312 |
| **Non-current assets** | | | |
| Mineral property | 6 | 16,262,925 | 15,189,475 |
| Exploration and evaluation assets | 7 | 2,579,557 | 2,483,305 |
| Plant and equipment | 8 | 5,576,580 | 5,399,584 |
| Total non-current assets | | 24,419,062 | 23,072,364 |
| TOTAL ASSETS | | 26,016,025 | 24,701,676 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 15 | 1,259,994 | 1,150,389 |
| Due to related parties | 15 | 117,360 | 105,623 |
| Loan Helm bank | 11 | 5,941,462 | 5,739,451 |
| Loan Redrock resources | 12 | 27,972 | 27,291 |
| Total current liabilities | | 7,346,788 | 7,022,754 |
| Deferred income tax liability | | 3,515,813 | 3,616,852 |
| Gold secured loan | 9 | 1,342,700 | - |
| Loans payable | 10 | 3,339,614 | 2,866,689 |
| Loan Rayforte | 13 | 1,044,945 | 963,386 |
| Loan Redrock Resources | 12 | 1,037,344 | 960,277 |
| Total non-current liabilities | | 10,280,416 | 8,407,204 |
| TOTAL LIABILITIES | | 17,627,204 | 15,429,958 |
| **EQUITY (DEFICIT)** | | | |
| Share capital | 14 | 14,698,982 | 14,361,482 |
| Shares to be issued | 14 | 50,000 | 50,000 |
| Share option and warrant reserve | 14 | 1,353,316 | 1,353,316 |
| Deficit | | (9,012,356) | (8,758,585) |
| Accumulated other comprehensive loss | | (4,636) | (84,564) |
| Equity attributable to shareholders | | 7,085,306 | 6,921,649 |
| Non-controlling interest | 2 | 1,303,515 | 2,350,069 |
| | | 8,388,821 | 9,271,718 |
| TOTAL LIABILITIES AND EQUITY (DEFICIT) | | 26,016,025 | 24,701,676 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 19)

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

**Para Resources Inc.**
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**
**For the Three Months Ended December 31, 2016 and November 30, 2015**
**(Unaudited - expressed in Canadian Dollars)**

| | Notes | December 31, 2016 $ | November 30, 2015 $ |
|---|---|---|---|
| **Expenses** | | | |
| Business investigation | | - | 66,353 |
| Consulting | 15 | 204,906 | 206,750 |
| Depreciation | 8 | 18,942 | - |
| Investor relations | | 34,625 | - |
| Office and miscellaneous | 15 | 205,426 | 66,287 |
| Professional fees | 15 | 87,201 | 31,960 |
| Regulatory and other filing fees | | 4,132 | 1,875 |
| Salaries | | 169,839 | - |
| Loss before other items | | (725,071) | (373,225) |
| Interest expense | 10,11, 12, 13 | (368,198) | (117,545) |
| Gain on fair value of loan | 2 | 59,444 | - |
| Loss on property settlement | 2 | (337,500) | - |
| Loss for the period | | (1,371,325) | (490,770) |
| Other Comprehensive Income (Loss) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Loss on translating foreign operations | | 150,928 | 279 |
| **Loss and Comprehensive Loss for the period** | | **(1,220,397)** | **(491,049)** |
| **Loss for the period attributable to:** | | | |
| Owners of the parent | | (1,275,627) | (491,049) |
| Non-controlling interest | | (95,698) | - |
| | | (1,371,325) | (491,049) |
| **Comprehensive loss for the period attributable to:** | | | |
| Owners of the parent | | (1,195,699) | (491,049) |
| Non-controlling interest | | (24,698) | - |
| | | (1,220,397) | (491,049) |
| Basic and Diluted Loss per Common Share | | (0.01) | (0.02) |
| Weighted Average Number of Common Shares Outstanding | | 104,365,248 | 25,935,441 |

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

**Para Resources Inc.**
**Condensed Interim Consolidated Statements of Changes in Equity**
**For the Three Months Ended December 31, 2016**
**(Unaudited - expressed in Canadian Dollars)**

| | Share Capital | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Number of Shares** | **Amount** | **Share option and warrant reserve** | **Contributed Surplus** | **Shares to be issued** | **Deficit** | **AOCI** | **NCI** | **Total** |
| | | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Balance as at August 31, 2015** | 25,923,825 | 2,771,654 | 301,482 | 3,146,108 | - | (6,788,526) | (23,810) | - | (593,092) |
| Shares issued pursuant to warrant exercise | 14,285 | 1,429 | - | - | - | - | - | - | 1,429 |
| Net loss for the period | - | - | - | - | - | (490,770) | - | - | (490,770) |
| Other comprehensive loss for the period | - | - | - | - | - | - | (279) | - | (279) |
| **Balance as at November 30, 2015** | 25,938,110 | 2,773,083 | 301,482 | 3,146,108 | - | (7,279,296) | (24,089) | - | (1,082,712) |
| Shares issued pursuant to private placement | 34,261,665 | 3,084,667 | 1,026,733 | - | - | - | - | - | 4,111,400 |
| Issue costs | - | (115,162) | 46,777 | - | - | - | - | - | (68,385) |
| Shares issued for debt settlement | 1,666,666 | 183,333 | 16,667 | - | - | - | - | - | 200,000 |
| Bonus shares issued for credit facility | 2,200,000 | 704,000 | - | - | - | - | - | - | 704,000 |
| Shares issued for deferred acquisition | 1,270,000 | 317,500 | - | - | - | - | - | - | 317,500 |
| Shares to be issued | - | - | - | - | 50,000 | - | - | - | 50,000 |
| Shares issued pursuant to warrant exercise | 23,956,150 | 3,554,675 | - | - | - | - | - | - | 3,554,675 |
| Shares issued pursuant to option exercise | 1,832,143 | 157,214 | - | - | - | - | - | - | 157,214 |
| Transfer value on option exercise | - | 66,638 | (66,638) | - | - | - | - | - | - |
| Transfer value on warrant exercise | - | 464,332 | (464,332) | - | - | - | - | - | - |
| Share-based payments on options granted | - | - | 72,608 | - | - | - | - | - | 72,608 |
| Acquisition of Colombia Milling | 13,213,340 | 3,171,202 | 420,019 | (3,146,108) | - | (64,512) | - | 2,588,701 | 2,969,302 |
| Loss for the period | - | - | - | - | - | (1,414,777) | - | (222,509) | (1,637,286) |
| Other comprehensive income for the period | - | - | - | - | - | - | (60,475) | (16,123) | (76,598) |
| **Balance as at September 30, 2016** | 104,338,074 | 14,361,482 | 1,353,316 | - | 50,000 | (8,758,585) | (84,564) | 2,350,069 | 9,271,718 |
| Shares issued pursuant to property settlement | 1,250,000 | 337,500 | - | - | - | - | - | - | 337,500 |
| Acquisition of Non-controlling interest | - | - | - | - | - | 1,021,856 | - | (1,021,856) | - |
| Loss for the period | - | - | - | - | - | (1,275,627) | - | (95,698) | (1,371,325) |
| Other comprehensive income for the period | - | - | - | - | - | - | 79,928 | 71,000 | 150,928 |
| **Balance, December 31, 2016** | 105,588,074 | 14,698,982 | 1,353,316 | - | 50,000 | (9,012,356) | (4,636) | 1,303,515 | 8,388,821 |

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

**Para Resources Inc.**
**Condensed Interim Consolidated Statements of Cash Flows**
**For the Three Months Ended December 31, 2016 and November 30, 2015**
**(Unaudited - expressed in Canadian Dollars)**

| | December 31, 2016 $ | November 30, 2015 $ |
|---|---|---|
| OPERATING ACTIVITES | | |
| Loss for the period | (1,371,325) | (490,770) |
| Non-cash items: | | |
| Gain on fair value of loan | (59,444) | - |
| Loss on property settlement | 337,500 | - |
| Depreciation | 18,942 | - |
| Interest on loan | 368,198 | 117,469 |
| Unrealized foreign exchange | (128,513) | - |
| Changes in non-cash working capital items: | | |
| Receivables | 39,072 | (1,965) |
| Prepaid expenses | (4,185) | (39,985) |
| Accounts payable and accrued liabilities | 109,605 | 21,430 |
| Due from related parties | 8,495 | (16,598) |
| Inventory | (62,730) | - |
| | (744,385) | (410,419) |
| FINANCING ACTIVITIES | | |
| Loans payable | 335,650 | 1,103,060 |
| Gold secured loan | 1,342,700 | - |
| | 1,678,350 | 1,104,489 |
| INVESTING ACTIVITIES | | |
| Expenditures on exploration and evaluation assets | (100,998) | (88,103) |
| Mineral property costs | (671,871) | - |
| Purchase of equipment | (221,810) | - |
| | (994,679) | (712,368) |
| Foreign exchange effect on cash | 522 | (279) |
| DECREASE IN CASH DURING THE PERIOD | (60,192) | (18,577) |
| CASH, BEGINNING OF THE PERIOD | 955,107 | 22,882 |
| CASH, END OF THE PERIOD | 894,915 | 4,305 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Para Resources Inc. (the “Company” or “Para”) is the parent company of its consolidated group and was incorporated on April 13, 2010 under the Business Corporations Act (British Columbia). The Company was a capital pool company pursuant to the policies of the TSX Venture Exchange (“Exchange”). On April 30, 2012 the Company completed its Qualifying Transaction by acquiring all of the issued and outstanding shares of Angra Metals Mineração Ltda. (“ANGRA”) from Goldsource Mines Inc. (formerly Eagle Mountain Gold Corp.) (“Goldsource”) after obtaining approval from the Exchange. Effective May 2, 2012, the Company was classified as a Mineral Exploration and Development company and is currently listed on the Exchange under the trading symbol “PBR”.

The Company’s principal business activity is the acquisition, exploration and development of mineral properties.

The registered office of the Company is 1000-840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1 and its head office is 450-1090 Georgia Street, Vancouver, British Columbia, V6C 3V7.

The consolidated financial statements were prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development and to place these properties into production, renewal of underlying titles to the mining properties and/or future proceeds from the disposition thereof.

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 the end of the reporting year. 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 in the following paragraph.

The Company has not yet generated income or cash flows from operations. As at December 31, 2016, the Company had an accumulated deficit of $9,012,356 (September 30, 2016 – $8,758,585). For the period ended December 31, 2016, the Company incurred a loss of $1,371,325 (November 30, 2015 - $490,770), had negative cash flow from operations amounting to $744,385 (November 30, 2015 – $410,419) and had a working capital deficit of $5,749,825 (September 30, 2016 - deficit of $5,393,442). The Company will require additional financing, through various means including but not limited to equity financing and cash flow generated from operations, to continue the exploration program and to meet its future option payment obligations and all of its general and administrative costs. Management intends to raise additional necessary financing through the issuance of common shares and cash flow generated from operations. There is no assurance that the Company will be successful in raising the additional required funds.

Although these consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, the above noted conditions raise significant doubt regarding the Company’s ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

**(Unaudited - expressed in Canadian Dollars)**

## 2. ACQUISITION OF COLOMBIA MILLING

On July 20, 2015, the Company announced it had entered into a shareholders' agreement ("Shareholders' Agreement"), subscribing for common shares of Colombia Milling Limited, a Belize incorporated Company. Pursuant to the Shareholders' Agreement, the Company would receive common shares of CML on the basis of 1 common share for every USD $1,000 of contributions. The contributions are considered to be receivable and due on demand. CML's only assets were its 62% ownership of Four Points Mining SAS ("Four Points") a Colombian company and holder of certain mineral licenses in northern Colombia, which contain the El Limon mine. The El Limon mine is a gold mine that is currently in pre-production.

On March 31, 2016, through contributions to CML, the Company increased its ownership to 63% and was given control of the board, effectively giving the Company control over CML and Four Points. The transaction was accounted for as a business combination achieved in stages, rather than an asset acquisition, as the operations of CML met the definition of a business. As the transaction was accounted for a business combination, transaction costs of $74,352 were expensed.

As the transaction was accounted for as a business combination achieved in steps, on acquiring control of CML the Company revalued its previous interest at fair value on the date of control and recognized a gain on step acquisition. The determination of the gain was as follows:

| | **$** |
|---|---|
| Fair value of 100% at March 31, 2016 | 5,146,393 |
| | |
| Fair value of 46% carrying interest at March 31, 2016 | 2,367,341 |
| Less carrying value of 46% prior to control | (1,487,586) |
| Gain on step acquisition | 879,754 |

The consideration paid to acquire control was determined to be the fair value of the carrying interest in CML at March 31, 2016 of $2,367,341 and the additional cash consideration of $1,787,944. The consideration was allocated to the fair value of the net assets of CML and Four points at March 31, 2016, the date of control. The Company has not allocated any value to goodwill as the entirety of the value associated with CML arises from the El Limon mine, any residual amounts have been allocated to mineral property. The non-controlling interest was determined as the proportionate share of the net identifiable assets of CML and Four Points that the Company did not control.

| **Purchase Price Allocation** | **$** |
|---|---|
| Cash | 294,546 |
| Prepaids | 805,127 |
| Inventory | 214,959 |
| El Limon mine | 13,351,267 |
| Equipment | 5,386,430 |
| Liabilities | (10,005,968) |
| Deferred income tax liability | (4,020,214) |
| | **6,026,147** |
| **Consideration** | |
| Cash | 1,787,944 |
| Fair value of carrying interest in CML | 2,367,341 |
| Non-controlling interest | 1,870,862 |
| | **6,026,147** |

**(Unaudited - expressed in Canadian Dollars)**

The deferred income tax liability on acquisition relates to the adjustment of the equipment to fair value on the date of acquisition. The liabilities assumed on acquisition included the Loan to Redrock Resources of $952,818 and the Loan to Rayforte of $852,105, both of which were fair valued on the date of acquisition using a discounted cash flow model and the loan payable to Helm Bank of $5,569,794 which is accounted for as due on demand with the carrying value approximating fair value

On June 21, 2016 the Company received approval for the acquisition of the final 37% of CML held by James Randall Martin ("Martin") and SAEF Exploration Inc. ("SAEF"). In addition to the shares of CML the Company would also receive any amounts owing to SAEF and Martin from CML, which amounted to $1,680,256. The acquisition of 100% of the shares of CML brought the Company's total indirect interest in the El Limon Mine to 62%.

The terms of the agreement with SAEF were as follows:

- Cash consideration of USD$250,000 at closing (paid)
- An unsecured note in the amount of USD$170,000, payable six months from the closing date, along with accrued interest at a rate of 7% per annum. (paid)

The terms of the agreement with Martin were as follows:

- The Company will issue 13,213,340 units at a deemed price of $0.09 per unit, each unit consists of one common share of the Company and one half of one share purchase warrant, each whole warrant entitles the holder to purchase an additional common share of the Company for a period of 18 months from the date of issuance at an exercise price of $0.20 per share.

The total consideration paid to acquire the final 37% of CML was $4,173,038 consisting of the loans and cash consideration to SAEF and the units to Martin. The common shares in the units were fair valued at $0.24 and the warrants were fair valued at $420,019 using the Black Scholes model. Upon obtaining 100% control of CML the Company adjusted its non-controlling interest to reflect the 38% of Four Points that was not controlled by the Company. The acquisition of the 37% was accounted for as follows:

| **Purchase Price Allocation** | **$** |
|---|---|
| Loans from CML | 1,680,256 |
| Change in NCI | (717,839) |
| Amount attributed to equity of Para | 3,210,621 |
| | **4,173,038** |

The non-controlling interest was determined as the proportionate share of the net identifiable assets of Four Points that the Company did not control either directly or indirectly through CML. As the increase in ownership did not result in a change in control the Company did not adjust for any changes in fair value at June 21, 2016.

The operating results for both CML and Four points have been recognized in the consolidated statement of comprehensive loss beginning on March 31, 2016, the effective date of control.

On December 31, 2016 the Company increased its ownership of Four Points to 77%. The increase in ownership was based on the cash payments made by the Company to fund operations of Four Points. The Company recorded a decrease in non-controlling interest of $1,021,856, as there was no consideration paid to the non-controlling interest the amount was recorded against the equity of the parent.

## 3. BASIS OF PRESENTATION

**Statement of compliance**

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 IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the thirteen months ended September 30, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the period ended September 30, 2016 except as outlined below. These condensed interim consolidated financial statements were approved by the board of directors for use on February 28, 2017.

**Accounting standards development**

The following standards have been issued but not yet applied:

- In the annual period beginning September 1, 2018, the Company will be required to adopt IFRS 9, *Financial Instruments*, which is the result of the first phase of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Management is currently evaluating the impact that this standard will have on the consolidated financial statements.

- IFRS 15*, Revenue from Contracts with Customers*, was issued in May 2014 and establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The required adoption date for IFRS 15 is the annual period beginning on or after January 1, 2018, with early adoption permitted. The Company has not completed its assessment of the impact of this standard.

- IFRS 16*, Leases*, specifies how an IFRS reporter will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact the new guidance is expected to have on its consolidated financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

**Estimates**

**Useful life of depreciable assets**
Management reviews its estimate of useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

**Mineral resource estimate**
The life of the El Limon mine is determined from the ore reserves that are available to be extracted at the end of each reporting period. The Company initially estimates the ore reserve available based on the findings of qualified, independent, mining professionals. These estimates are updated from time to time as additional technical and economic information becomes available. Factors that impact the computation of reserves available include the geological data on the size, depth and shape of the ore body, the prevailing and expected market price for the underlying metals to be extracted and the expected costs to extract and process the mined material. Changes in the mineable ore reserve available may impact the carrying value of mine property, exploration and evaluation properties, plant and equipment, site closure and reclamation provision and changes in the recognition of deferred tax amounts in addition to changes in the recognition of depreciation and depletion.

**Income taxes**
Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

**Share-based payment transactions**
The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

**Judgments**

**Business combination**
On the acquisition of a subsidiary, the Company must determine whether the acquisition is a business combination by applying the definition in IFRS 3 *Business Combinations*. If the assets and liabilities assumed

do not constitute a business the transaction would be accounted for as an asset acquisition. Management has determined that the acquisition of CML constituted a business combination as CML met the definition of a business. A business consists of inputs to which processes are applied resulting in outputs that provide a return to the Company and its shareholders.

Business combinations are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition.

**Exploration and evaluation assets**
The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to ensure the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

**Commencement of Commercial Production**
The Company assesses the stage of each mine under construction to determine when a property reaches the stage when it is substantially complete and ready for its intended use. Criteria used to assess when a property has commenced commercial production include, among other considerations:

- the level of capital expenditures incurred relative to the expected costs to complete;
- he completion of a reasonable period of testing of the mine plant and equipment;
- the ability to produce saleable metals;
- the attainment of relevant permits;
- the ability to sustain ongoing production; and
- the achievement of pre-determined production targets.

When management determines that a property has reached commercial production, costs capitalized during development are amortized.

**Functional Currency**
The functional currency for each of the Company’s subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgements to determine the primary economic environment of an entity. The Company re-evaluates the functional currency of its entities when there is a change in events and conditions which previously determined the primary economic environment of an entity.

**Impairment of exploration and evaluation assets**

**(Unaudited - expressed in Canadian Dollars)**

The application of the Company's accounting policy for determining whether it is likely that costs incurred on exploration and evaluation assets will be recovered through successful exploration and development also requires significant judgment. Management evaluates impairment with consideration of the economic and political environments and current mining codes of the countries where they perform exploration.

## 5. PREPAIDS

As at December 31, 2016 the Company's prepaid amounts consist of the following:

| | **December 31, 2016** | **September 30, 2016** |
|---|---|---|
| | **$** | **$** |
| Investor relation | 85,057 | 101,238 |
| Advances to suppliers | 98,918 | 98,918 |
| Advances to employees | 127,379 | 127,379 |
| Other advances | 111,709 | 91,343 |
| | **423,063** | **418,878** |

## 6. MINERAL PROPERTY

The Company's mineral property balance consists solely of mines under construction.

As at December 31, 2016 the Company's mineral property balance consisted of the following

| | **El Limon** |
|---|---|
| | **$** |
| **Balance, August 31, 2015** | **-** |
| Acquisition of CML | 13,351,267 |
| Development costs | 1,758,434 |
| Foreign exchange translation | 79,774 |
| **Balance, September 30, 2016** | **15,189,475** |
| Development costs | 832,762 |
| Foreign exchange translation | 240,688 |
| **Balance, December 31, 2016** | **16,262,925** |

### El Limon

As part of the acquisition of CML the Company acquired the El Limon gold mine held in Four Points. The mine is subject to a 3% NSR payable quarterly on gold production of at least 100 ton per day for 30 consecutive days, to a maximum of USD$2,000,000. Upon reaching the USD$2,000,000 NSR threshold, the NSR decreases to 0.05% payable to a maximum of USD$1,000,000.

**(Unaudited - expressed in Canadian Dollars)**

## 7. EXPLORATION AND EVALUATION ASSETS

**Tucumã gold project:**

The Company owns a 100% interest in the Tucumã copper/gold exploration project, which consists of six mineral concessions covering a total of 11,456 hectares located in the Carajas metallogenic province in the State of Pará, Brazil. The annual fees for the concessions are approximately $16,500. Prior to a concession expiring, the Company must present to the authority a technical report on the concession, which serves a basis for determining a renewal.

| | December 31, 2016 | September 30, 2016 |
|---|---|---|
| | $ | $ |
| **Acquisition Cost** | | |
| Balance, beginning of period | 1 | 1 |
| Addition, during the period | - | - |
| Impairment charge | - | - |
| Balance, end of the period | 1 | 1 |
| | | |
| **Deferred Exploration Costs** | | |
| Balance, beginning of the period | 1,509,409 | 1,074,694 |
| Addition during the period | | |
| Assays | - | 3,989 |
| Consulting | 52,196 | 172,583 |
| Drilling | - | - |
| Environmental | - | - |
| Field supplies | 34,863 | 79,102 |
| Licenses | 677 | 17,637 |
| Miscellaneous | - | 413 |
| Personnel | 10,260 | 50,535 |
| Project administration | 31,225 | 81,336 |
| Vehicle expenses | 3,003 | 27,563 |
| Foreign exchange on mineral property | (52,322) | 1,557 |
| Total additions during the period | 79,902 | 434,715 |
| | 1,589,311 | 1,509,409 |
| | | |
| **Balance, end of the period** | **1,589,312** | **1,509,410** |

**North Otu Properties**

On July 7, 2016 the Company announced through its newly incorporated 100% Colombian subsidiary, Zara Holdings S.A.S. (“Zara”), that it had entered into a Definitive Agreement (the “Agreement”) with OTU Gold Ltd (“OTU”) to acquire certain mining titles, as well as several mining applications, which are located within the Republic of Colombia, (collectively the “North Otu Properties”). The acquisition of the mining titles was recorded as an asset acquisition at cost. The mining titles and application of the North Otu Properties are the only assets of Zara.

The purchase of the North Otu Properties and the assignment and transfer to Zara of these properties includes all the rights and interests of OTU except for the rights pertaining to non-metallic minerals on the North Otu Properties. The purchase price is US$1,000,000 (the “Purchase Price”) and will be paid to OTU as follows:

- US$500,000 non-refundable deposit (paid)

**(Unaudited - expressed in Canadian Dollars)**

- US$250,000 payable July 7, 2017
- The issuance of 1,270,000 common shares of the Company. The shares were issued on September 9, 2016 and fair valued at $317,500

Additionally, Zara will pay a 2% NSR royalty from the sale of minerals produced from the North Otu Properties. The NSR will be calculated from the results of direct exploitation, through formalization contracts or subcontracts of operations or any figure that allows economic benefit as a result of the exploitation of minerals in these areas. Zara may, at its discretion at any time until June 28, 2021, reduce the NSR from 2% to 1%, paying the amount of US$1,000,000 to OTU. This amount will be constituted by US$750,000 in cash and US$250,000 by the issuance of that number of common shares of Para calculated based on the volume weighted average closing price of Para's shares on the Exchange for the five trading days immediately before reduction of the NSR.

As at December 31, 2016 the North Otu Properties were not in production and the Company has capitalized its acquisition costs of $990,245 to exploration and evaluation assets.

| | North Otu | Tucumã | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Acquisition cost** | | | |
| Balance, August 31, 2015 | - | 1 | 1 |
| Additions | 973,895 | - | 973,895 |
| **Balance, September 30, 2016** | **973,895** | **1** | **973,896** |
| Foreign currency translation | 16,350 | - | 16,350 |
| **Balance, December 31, 2016** | **990,245** | **1** | **990,246** |
| **Deferred Exploration Costs** | | | - |
| Balance, August 31, 2015 | - | 1,074,694 | 1,074,694 |
| Additions | - | 434,715 | 434,715 |
| **Balance September 30, 2016** | **-** | **1,509,409** | **1,509,409** |
| Additions | - | 79,902 | 79,902 |
| **Balance, December 31, 2016** | **-** | **1,589,311** | **1,589,311** |
| **Balance, September 30, 2016** | **973,895** | **1,509,410** | **2,483,305** |
| **Balance, December 31, 2016** | **990,245** | **1,589,312** | **2,579,557** |

**Cumaru-Gradaus Gold project**:

On May 11, 2015 the Company executed an agreement with Mineracao Iraja S/A (the "Vendor") bringing into effect a Mineral Rights Purchase and Sale Agreement (the "Agreements").

Pursuant to the Agreements the Company will, subject to completion of conditions of closing and TSX Venture Exchange approval, acquire a 100% right, title and interest in and to the Cumaru Gradaus Gold project (the "Project") located in Para Sate, Brazil. In consideration the Company will issue 6,440,500 common shares of the Company and a 2% NSR to the Vendor. The NSR will apply to any property brought into commercial production by the Company within 5 kilometers of the Cumaru-Gradaus Gold project. In the event commercial production exceeds 1,000,000 oz. of gold, the royalty will increase to a 3% NSR. The project is also subject to existing royalties, in an aggregate of 2.4% of NSR. The Company will grant the

**(Unaudited - expressed in Canadian Dollars)**

Vendor an additional 1% NSR in the event the Company commences commercial production on any other project in Brazil, including the Tucumã project.

On December 30, 2016 the Company announced that it and its wholly owned Brazilian subsidiary Angra Metals Mineração Ltda.have entered into a Mutual Release Agreement and Amendment Agreement to the Mutual Release Agreement (together the "Settlement Agreements") with Sercor Ltd. ("Sercor"), Mineração Iraja S/A (the "Vendor") and Mineracao Gradaus Ltda and Brason Consultoria Inportacao Exportacao Ltda (together the "Royalty Holders"), under which the parties have terminated the Mineral Rights Purchase and Sale Agreement dated September 8, 2014 (the "Acquisition Agreement") whereby the Company through Angra was to acquire a 100% right, title and interest in and to the Cumaru-Gradaús Gold Project located in Para State, Brazil (the "Project"), as well as subsequent acknowledgement agreement (the "Acknowledgment Agreement") with Sercor, under which the Vendor assigned to Sercor its right to receive the share consideration from the Company under the Acquisition Agreement. The Company issued 1,250,000 common shares in connection with the settlement; the shares were fair valued at $337,500 and recorded as a loss on property settlement.

## 8. PLANT AND EQUIPMENT

| | Buildings and construction | Machinery | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|
| **Cost** | **$** | **$** | **$** | **$** | **$** |
| **Balance, August 31, 2015** | **-** | **-** | **-** | **-** | **-** |
| Acquired through CML | 707,428 | 4,651,638 | 26,538 | 826 | 5,386,430 |
| Additions | 45,618 | 55,167 | 20,428 | 102,870 | 224,082 |
| Foreign exchange | 7,186 | 44,914 | 448 | 990 | 53,538 |
| **Balance September 30, 2016** | **760,232** | **4,751,719** | **47,414** | **104,685** | **5,664,050** |
| Additions | - | 197,005 | 21,515 | 3,290 | 221,810 |
| Foreign exchange | 18,469 | 120,227 | 1,674 | 2,624 | 142,994 |
| **Balance, December 31, 2016** | **778,701** | **5,068,951** | **70,603** | **110,599** | **6,028,854** |

| | Buildings and construction | Machinery | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|
| **Accumulated Depreciation** | **$** | **$** | **$** | **$** | **$** |
| **Balance, August 31, 2015** | **-** | **-** | **-** | **-** | **-** |
| Depreciation | 19,072 | 238,578 | 6,296 | 520 | 264,466 |
| **Balance September 30, 2016** | **19,072** | **238,578** | **6,296** | **520** | **264,466** |
| Depreciation | 9,212 | 151,679 | 5,194 | 13,748 | 179,833 |
| Foreign exchange | 407 | 6,701 | 229 | 638 | 7,975 |
| **Balance, December 31, 2016** | **28,691** | **396,958** | **11,719** | **14,906** | **452,274** |
| **Net Book Value** | | | | | |
| **September 30, 2016** | **741,160** | **4,513,141** | **41,119** | **104,165** | **5,399,584** |
| **December 31, 2016** | **750,010** | **4,671,993** | **58,884** | **95,693** | **5,576,580** |

During the period ended December 31, 2016 $160,890 of depreciation was capitalized to mineral properties and $18,942 was recorded as depreciation expense.

## 9. GOLD SECURED LOAN

On December 15, 2016 the Company entered into a Gold Secured Loan (“Gold Loan”) in the amount of $1,000,000 USD to be repaid over 12 months in gold deliveries commencing September 15, 2017. As per the terms of the agreement the Company will deliver 104 ounces of gold at each delivery date, assuming a gold price of $1,160, or the cash equivalent. The amount of each gold delivery will be based on the closing gold price at the each delivery date and therefore the lender will not be exposed to any future gold price fluctuations.

As the Company`s expected future production of gold ounces will be sufficient to meet the repayment terms and the Company`s intention is to make each payment via gold delivery and not cash payments, the loan is not considered a financial instrument and is accounted for as a prepayment of future gold delivery.

## 10. LOAN PAYABLE AND CREDIT FACILITY

During the period ended August 31, 2015 the Company entered into a loan agreement with Conex Services Inc. (“Conex”) whereby Conex would advance the Company $250,000, received in multiple tranches, for working capital purposes. The loan is secured with a promissory note and each tranche has a term of 12 months from the date of the advance, bearing interest at 1% per month. As part of the consideration for the loan, on February 3, 2015, the Company issued 855,237 bonus shares to Conex. The shares were recorded at fair value on the date of issuance at $64,143 as a financing cost and the Company will amortize the cost using an effective interest rate of 30.1%.

On April 7, 2016 the Company entered into a Credit Facility Agreement (the “facility”) with Conex, whereby Conex has made available to the Company a revolving credit line in the amount of up to $3,000,000. The facility bears interest at 12% annually and each drawdown on the facility will be secured by a promissory note in favour of Conex. All of the Company’s outstanding loans, which amounted to $3,038,813, with Conex were transferred into the facility on April 7, 2016, bearing interest at 12% per annum, with the principal and accrued interest due on August 31, 2018. The Company issued 2,200,000 bonus common shares for the credit facility; the shares were fair valued at $704,000 and recorded as a financing cost to be accreted over the life of the loan using an effective interest rate of 24.5%.

On November 29, 2016 the Company received an additional loan from Conex in the amount of $335,650; the loan is repayable on August 31, 2018 and bears interest at 12% per annum. There were no financing costs associated with the loan. The Company fair valued the loan using a discounted cash flow model using a discount rate of 24.5%, the loan was recorded at a fair value of $276,206 and the Company recorded a $59,644 gain on the fair value of the loan.

**(Unaudited - expressed in Canadian Dollars)**

The loan payable at December 31, 2016 and September 30, 2016, and the changes for the periods then ended are as follows:

| | $ |
|---|---|
| **Balance, August 31, 2015** | **1,978,067** |
| | |
| Loans received | 1,124,391 |
| Less financing costs | (704,000) |
| Interest and accretion | 468,231 |
| | |
| **Balance, September 30, 2016** | **2,866,689** |
| | |
| Fair value loan received | 276,206 |
| Interest and accretion | 196,719 |
| **Balance, December 31, 2016** | **3,339,614** |

## 11. HELM BANK LOAN

As at September 30, 2016 Four Points had an outstanding interest bearing loan of USD$3,500,000 with the Helm Bank Colombia with a 5% annual interest rate and is due on demand. As at December 31, 2016 the Company has accrued interest payable of USD$925,011.

| | $ |
|---|---|
| **Balance, August 31, 2015** | **-** |
| Loan assumed on acquisition of CML | 5,569,794 |
| Interest | 113,435 |
| Foreign exchange on translation of loan | 56,222 |
| **Balance, September 30, 2016** | **5,739,451** |
| | |
| Interest | 58,375 |
| Foreign exchange on translation | 143,636 |
| **Balance, December 31, 2016** | **5,941,462** |

**(Unaudited - expressed in Canadian Dollars)**

## 12. LOAN PAYABLE REDROCK RESOURCES

As part of the consideration paid by CML to acquire Four Points, CML issued a promissory note for USD $1,000,000 with an annual interest rate of 5% payable on May 15, 2018. The Company fair valued the loan using an effective interest of 24.5% and determined the fair value of the loan to be $952,818. The Company will make its next interest payment of USD $50,000 on May 15, 2017. The loan payable at December 31, 2016 and September 30, 2016, and the changes for the periods then ended are as follows:

| | $ |
|---|---|
| **Balance, August 31, 2015** | **-** |
| Loan assumed on acquisition of CML | 952,818 |
| Interest and accretion | 59,683 |
| Interest paid | (64,710) |
| Foreign exchange on translation of loan | 39,777 |
| **Balance, September 30, 2016** | **987,568** |
| | |
| Interest and accretion | 52,766 |
| Foreign exchange on translation of loan | 24,984 |
| **Balance, December 31, 2016** | **1,065,318** |

## 13. LOAN PAYABLE RAYFORTE

Upon completing the acquisition of CML the Company assumed its loan payable to Rayforte of USD $960,623 with an interest rate of 3% and an April 1, 2018 maturity date. The Company fair valued the loan using an effective interest of 24.5% and determined the fair value of the loan to be $852,105. The loan payable at December 31, 2016 and September 30, 2016 and the changes for the periods then ended are as follows:

| | $ |
|---|---|
| **Balance, August 31, 2015** | **-** |
| Loan assumed on acquisition of CML | 852,105 |
| Interest and accretion | 101,739 |
| Foreign exchange on translation of loan | 9,542 |
| **Balance, September 30, 2016** | **963,386** |
| | |
| Interest and accretion | 57,151 |
| Foreign exchange translation | 24,408 |
| **Balance, December 31, 2016** | **1,044,945** |

## 14. SHARE CAPITAL

### Authorized

Unlimited common shares without par value.

The Company did not complete any financings during the period ended December 31, 2016

### Stock options

The Board of Directors of the Company may, from time to time, at its discretion, grant to directors, officers, and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent of the issued and outstanding common shares exercisable for a period not to exceed five years from the Company's listing date. The following is a continuity schedule of outstanding options for the reporting period.

**(Unaudited - expressed in Canadian Dollars)**

The Company's stock options outstanding as at December 31, 2016 and September 30, 2016 and the changes for the periods then ended are as follows:

| | Number of Options | Weighted Average Exercise Price $ | Weighted Average Remaining Contractual Life (years) |
|---|---|---|---|
| Balance outstanding and exercisable at August 31, 2015 | 2,705,243 | 0.17 | 2.46 |
| Granted | 1,025,000 | 0.09 | |
| Expired | (8,100) | 0.50 | |
| Exercised | (1,832,143) | 0.09 | |
| Balance, September 30, 2016 and December 31, 2016 | 1,790,000 | 0.21 | 2.99 |

Stock options outstanding and exercisable at December 31, 2016 are as follows:

| Number of Options | Exercise Price $ | Expiry Date |
|---|---|---|
| 365,000 | 0.75 | July 10, 2017 |
| 600,000 | 0.05 | December 30, 2019 |
| 925,000 | 0.09 | January 28, 2021 |
| 1,790,000 | 0.21 | |

**Warrants**
The Company's warrants outstanding as at December 31, 2016 and September 30, 2016 and the changes for the periods then ended are as follows:

| | Number of Warrants | Exercise Price $ |
|---|---|---|
| Balance, August 31, 2015 | 9,728,494 | 0.10 |
| Issued | 25,040,336 | 0.19 |
| Exercised | (23,970,435) | 0.15 |
| Balance, September 30, 2016 and December 31, 2016 | 10,798,395 | 0.19 |

**(Unaudited - expressed in Canadian Dollars)**

Warrants outstanding as at December 31, 2016 were as follows:

| Outstanding Warrants | Exercise Price $ | Expiry Date |
|---|---|---|
| 1,563,667 | 0.18 | June 8, 2017 |
| 270,000 | 0.18 | August 22, 2017 |
| 3,343,333 | 0.18 | September 17, 2017 |
| 5,621,395 | 0.20 | December 20, 2017 |
| 10,798,395 | | |

Weighted average remaining contractual life is 0.80 years.

As at December 31, 2016 the Company had received proceeds of $50,000 for a warrant exercise for which the shares have yet to be issued.

## 15. RELATED PARTY TRANSACTIONS

All amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment unless otherwise stated. Transactions with related parties are measured at the exchange amount of consideration established and agreed to by the related parties. The Company paid or accrued remunerations to its directors and officers during the periods ended December 31, 2016 and November 30, 2015 are as follows:

| | December 31, 2016 $ | November 30, 2015 $ |
|---|---|---|
| Consulting fees paid to a director | 145,489 | 30,000 |
| Administrative fees paid to a company controlled by a director | - | 7,500 |
| Salaries | 119,908 | - |
| | 265,397 | 37,500 |

As at December 31, 2016, $57,720 (September 30, 2016 - $46,138) was owing to a director and a private company controlled by him, and $19,199 (September 30, 2016 - $19,199) was owing to Goldsource Mines Inc., a company with common directors and officers.

As at December 31, 2016, loans totaling $40,440 (August 31, 2015 - $233,562) were due to a director, a private company which he is a director of, and a private company controlled by him. Loans amounting to $23,252 are unsecured and non-interest bearing and loans amounting to $7,188 bear an interest rate of 1% per month compounded monthly and are due on demand.

Compensation paid to key management personal for the periods ended December 31, 2016 and November 30, 2015 is identical to the table above.

## 16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral properties to commercial production.

**(Unaudited - expressed in Canadian Dollars)**

To date, the Company has depended on external financing to fund its activities. The capital structure of the Company currently consists of equity attributable to shareholders of $7,085,251 (September 30, 2016 – ($6,898,631). 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, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund operations. Management reviews its capital management approach on a regular basis and there have been no changes to the Company's approach during the period ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

## 17. FINANCIAL RISK MANAGEMENT

The carrying values of the Company's financial instruments are classified into the categories below. Fair values are determined either directly by reference to published price quotations in an active market, or from valuation techniques using observable inputs.

| | December 31, 2016 | September 30, 2016 |
|---|---|---|
| | $ | $ |
| Loans and Receivables: | | |
| Cash | 894,915 | 955,107 |
| Other financial liabilities | | |
| Accounts payable and accrued liabilities | 1,259,994 | 1,150,389 |
| Due to related parties | 117,360 | 105,623 |
| Loan payable | 3,339,614 | 2,866,689 |
| Loan Helm Bank | 5,941,462 | 5,739,451 |
| Loan Rayforte | 1,044,945 | 963,386 |
| Loan Redrock Resources | 1,065,316 | 987,568 |

**Fair value measurements**
The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;
Level 3: valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The carrying value of cash, accounts receivable, accounts payable, loan to Helm Bank, the interest portion of the loan to Redrock Resources and due to related parties approximate their fair values because of their short term nature.

The Company's non-current liabilities are considered level two financial instruments and fair valued using a discounted cash flow model and effective interest rate of 24.5%. Non-current liabilities include the loan payable of $3,339,614, the loan to Redrock Resources of $1,037,344 and the loan to Rayforte of $1,044,945.

**Risks arising from financial instruments and risk management**
The Company's activities expose it to a variety of risks including interest rate risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the officers of the Company and discussed with the Board of Directors. The officers of the Company are charged with

**(Unaudited - expressed in Canadian Dollars)**

the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectations of the Board of Directors.

**Interest rate risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk with respect to its cash; however, the risk is minimal because of their short-term maturity. All of the Company's interest bearing debt instruments have fixed interest rates and are not subject to interest rate cash flow risk.

**Credit risk**
Credit risk is the risk of a loss if a customer or third party to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk arises from cash and accounts receivable. The Company mitigates this risk by placing its cash in large reputable Canadian financial institution. The Company considers the credit risk related to cash and accounts receivable to be minimal.

**Liquidity risk**
Liquidity risk is the risk that he Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company develops forecasts and budgets to better manage its obligations while supporting ongoing operations and capital expenditures. The Company relies on debt and equity offerings to raise the financing it needs to meet its ongoing requirements. The Company's cash is available on demand.

Contractual cash flow requirements as at December 31, 2016 are as follows:

| | < 1 Year | 1 – 2 Years | 2 – 5 Years | > 5 years | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 1,259,994 | - | - | - | 1,259,994 |
| Due to related parties | 117,360 | - | - | - | 117,360 |
| Loan Helm bank | 5,941,462 | - | - | - | 5,941,462 |
| Loan payable | - | - | 3,339,614 | - | 3,339,614 |
| Loan Red Rock | 27,972 | 1,037,344 | - | - | 1,065,316 |
| Loan Rayforte | - | 1,044,945 | - | - | 1,044,945 |

**Foreign currency risk**
The Company has operations in Canada, Brazil and Colombia and is exposed to foreign exchange risk due to fluctuations in the US dollar, Brazilian real and Colombian peso. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's net loss to a 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately $39,800.

The Company's financial assets and liabilities as at December 31, 2016 are denominated in Canadian dollars, Brazilian real, Colombian Peso and US dollars as follows:

| | Canadian dollar | US dollar | Colombian Peso | Brazilian real | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | |
| Cash | 47,254 | 678,550 | 167,882 | 1,229 | 894,915 |
| Accounts receivable | 6,967 | - | - | - | 6,967 |
| | 54,221 | 678,550 | 167,882 | 1,229 | 901,882 |
| **Financial liabilities** | | | | | |
| Accounts payable and accrued liabilities | 64,760 | 473,218 | 683,171 | 40,845 | 1,259,994 |
| Due to related party | 117,360 | - | - | - | 117,360 |
| Loan payable | 3,339,614 | - | - | - | 3,339,614 |
| Loan Rayforte | - | 1,044,945 | - | - | 1,044,945 |
| Loan Red Rock | - | 1,065,316 | - | - | 1,065,316 |
| Loan Helm Bank | - | 5,941,462 | - | - | 5,941,462 |
| | 3,519,734 | 8,524,941 | 683,171 | 40,845 | 12,768,691 |

The Company's financial assets and liabilities as at September 30, 2016 are denominated in Canadian dollars and Brazilian real as follows:

| | Canadian dollar | US dollar | Colombian Peso | Brazilian real | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | |
| Cash | 720,449 | 1,286 | 232,130 | 1,242 | 955,107 |
| Accounts receivable | 8,099 | - | 22,953 | 14,987 | 46,039 |
| | 728,548 | 1,286 | 255,083 | 16,229 | 1,001,146 |
| **Financial liabilities** | | | | | |
| Accounts payable and accrued liabilities | 90,504 | 385,579 | 643,031 | 31,275 | 1,150,389 |
| Due to related party | 105,623 | - | - | - | 105,623 |
| Loan payable | 2,866,689 | - | - | - | 2,866,689 |
| Loan Rayforte | - | 963,386 | - | - | 963,386 |
| Loan Red Rock | - | 987,568 | - | - | 987,568 |
| Loan Helm Bank | - | 5,739,451 | - | - | 5,739,451 |
| | 3,062,816 | 8,075,984 | 643,031 | 31,275 | 11,813,106 |

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

**(Unaudited - expressed in Canadian Dollars)**

## 18. SEGMENTED DISCLOSURE

The Company manages its operating segments by reviewing each individual resource project and segregates the projects between properties under development and exploration properties.

**Operating segment**:
The Company has identified the following operating segments: the El Limon property as mine under development and exploration and evaluation assets. The performance of the company's operating segments as at and for the period ended December 31, 2016 and November 30, 2015 is as follows.

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | **El Limon** | **Exploration and evaluation** | **Corporate and other** | **Total** |
| | **$** | **$** | **$** | **$** |
| Loss for the period | 251,837 | - | 1,119,485 | 1,371,325 |
| Salaries | 44,724 | - | 125,115 | 169,839 |
| Consulting | - | - | 204,906 | 204,906 |
| Investor relations | - | - | 34,625 | 34,625 |
| Interest expense | 118,558 | - | 249,640 | 368,198 |
| Depreciation | 18,942 | - | - | 18,942 |
| Current assets | 777,905 | 1,229 | 817,829 | 1,596,963 |
| Non-current assets | 21,839,505 | 2,579,557 | - | 24,419,062 |
| Total assets | 22,617,410 | 2,580,786 | 817,829 | 26,016,025 |
| Current liabilities | 7,097,851 | 40,875 | 208,062 | 7,346,788 |
| Non-current liabilities | 2,791,494 | - | 7,488,922 | 10,280,416 |
| Total liabilities | 9,889,345 | 40,875 | 7,696,984 | 17,627,204 |

| | November 30, 2015 | | |
|---|---|---|---|
| | **Exploration and evaluation** | **Corporate and other** | **Total** |
| | **$** | **$** | **$** |
| Loss for the period | - | 490,770 | 490,770 |
| Consulting | - | 206.750 | 2016.750 |
| Interest expense | - | 117,545 | 117,545 |

**(Unaudited - expressed in Canadian Dollars)**

| | | **September 30, 2016** | | |
|---|---|---|---|---|
| | **El Limon** | **Exploration and evaluation** | **Corporate and other** | **Total** |
| | **$** | **$** | **$** | **$** |
| Current assets | 783,298 | 16,229 | 829,785 | 1,629,312 |
| Non-current assets | 20,589,059 | 2,483,305 | - | 23,072,364 |
| Total assets | 21,372,356 | 2,499,534 | 829,785 | 24,701,676 |
| | | | | |
| Current liabilities | 6,795,352 | 31,275 | 196,127 | 7,022,754 |
| Non-current liabilities | 1,923,663 | - | 6,483,541 | 8,407,204 |
| Total liabilities | 8,719,015 | 31,275 | 6,679,668 | 15,429,958 |

**Geographic segment:**
The Company's assets and liabilities as at December 31, 2016 and September 30, 2016 and the Company's expenses by geographic area for the period ended December 31, 2016 and November 30, 2015 are as follows:

| | | **December 31, 2016** | | |
|---|---|---|---|---|
| | Colombia | Brazil | Canada | Total |
| | $ | $ | $ | $ |
| Current assets | 1,456,456 | 1,229 | 139,278 | 1,596,963 |
| Exploration and evaluation asset | 990,245 | 1,589,312 | - | 2,579,557 |
| Plant and equipment | 5,576,580 | - | - | 5,576,580 |
| Mineral properties | 16,262,925 | - | - | 16,262,925 |
| Total assets | 24,286,206 | 1,590,541 | 139,278 | 26,016,025 |
| | | | | |
| Current liabilities | 7,125,823 | 40,875 | 180,090 | 7,346,788 |
| Non-current liabilities | 3,828,838 | - | 6,451,578 | 10,280,416 |
| Total liabilities | 10,954,661 | 40,875 | 6,631,668 | 17,627,204 |
| | | | | |
| Expenses | 133,279 | - | 591,792 | 725,071 |
| Other expenses | 118,558 | - | 527,696 | 646,254 |
| Net loss | 251,837 | - | 1,119,488 | 1,371,325 |

**(Unaudited - expressed in Canadian Dollars)**

The Company's assets, liabilities and expenses by geographic area as at September 30, 2016 and for the period ended November 30, 2015 are as follows:

| | **September 30, 2016** | | | |
|---|---|---|---|---|
| | Colombia | Brazil | Canada | Total |
| | $ | $ | $ | $ |
| Current assets | 783,298 | 16,229 | 829,785 | 1,629,312 |
| Exploration and evaluation asset | 973,895 | 1,509,410 | - | 2,483,305 |
| Plant and equipment | 5,399,584 | - | - | 5,399,584 |
| Mineral properties | 15,189,475 | - | - | 15,189,475 |
| Total assets | 22,346,252 | 1,525,639 | 829,785 | 24,701,676 |
| | | | | |
| Current liabilities | 6,795,352 | 31,275 | 196,127 | 7,022,754 |
| Non-current liabilities | 1,923,663 | - | 6,483,541 | 8,407,204 |
| Total liabilities | 8,719,015 | 31,275 | 6,679,668 | 15,429,958 |
| | **For the period ended November 30, 2015** | | | |
| Expenses | - | - | 373,225 | 373,225 |
| Other expenses | - | - | 117,545 | 117,545 |
| Net loss | - | - | 490,770 | 490,770 |

## 19. SUBSEQUENT EVENTS

- On January 18, 2017 the Company announced that it has entered into a non-binding Letter of Intent to acquire an 80% interest in Nicaragua Milling Company Ltd. ("NML"), a Belize company with mining interests in the Republic of Nicaragua. The aggregate consideration payable to the Vendors for the NML Shares shall consist of 40,000,000 common shares in the capital of Para at a deemed price of C$0.20 per share and 4,000,000 share purchase warrants of Para. Each Warrant will be exercisable to acquire one common share of Para at a price of C$0.30 for three years from the date of issue.

  NML is owned by Randy Martin, Sergio Rios and a third minority shareholder (together, the "Vendors"). Mr. Martin is an Officer, Director and major shareholder of Para. Following the Transaction, and subject to TSXV approval, Sergio Rios will be appointed a Director of Para. Mr. Martin abstained from voting on the Company's approval of the Letter of Intent by virtue of his conflict of interest.

- January 26, 2017 the Company announced that it has entered into a Memorandum of Understanding with Mining and Solutions Construction Group S.A. ("MISCON") whereby the parties have outlined their mutual intentions to enter into a proposed strategic alliance and earn-in agreement concerning MISCON's Finaris Mine and associated concessions as well as the Las Lomas de Casma processing plant, both located in the District of Coris, Province of Aija, Peru (the "Assets"). The properties are located approximately 345 km from Lima, Peru.

  Para has agreed, subject to due diligence to invest an amount of capital and expertise, expected to be between USD $5 – 7 million, consistent with a plan to be developed and mutually agreed to by the parties, in improvements and expansion of the Assets to increase production of the Assets

- January 28, 2017 The Company reported that further to Para's news release of April 8, 2016 announcing a credit facility made available to the Company by Conex in the maximum principal amount of $3,000,000, available for drawdown up and to December 31, 2016 (the "Credit Facility"), the Company announces it has entered into a letter agreement with Conex amending the Credit Facility by (i) increasing the maximum available under the Credit Facility to $5,000,000 and (ii) extending the availability of the Credit Facility to December 31, 2017. As a result of these amendments, amounts outstanding under the Credit Facility will become due and payable December 31, 2019.