



September 22, 2016

## **Independent Auditor's Report**

### **To the Shareholders of Société d'Exploration Minière Vior Inc.**

We have audited the accompanying financial statements of Société d'Exploration Minière Vior Inc., which comprise the statements of financial position as at June 30, 2016 and 2015 and the statements of loss, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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\*PwC\* refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Société d'Exploration Minière Vior Inc. as at June 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP<sup>1</sup>*

<sup>1</sup> CPA auditor, CA, public accountancy permit No. A121191

# Société d'Exploration Minière Vior Inc.

## Statements of Financial Position

(expressed in Canadian dollars)

	As at June 30, 2016 \$	As at June 30, 2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	991,841	1,430,134
Short-term investment (note 6b)	2,896,012	-
Tax credits for mining exploration and commodity taxes receivable	52,703	134,562
Other amounts receivable (note 5)	138,135	5,471
Prepaid expenses	17,915	10,170
	<hr/> 4,096,606	<hr/> 1,580,337
<b>Investment in an associate</b> (note 6a)	-	640,338
<b>Mining properties</b> (note 7)	619,629	646,867
<b>Property, plant and equipment</b> , at cost less accumulated depreciation of \$6,790 (\$5,823 as at June 30, 2015)	6,616	5,443
	<hr/> 4,722,851	<hr/> 2,872,985
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	156,252	120,639
<b>Equity</b>		
<b>Share capital</b> (note 9)	30,012,803	29,973,781
<b>Warrants</b> (note 10)	30,254	33,919
<b>Stock options</b> (note 11)	172,604	173,829
<b>Contributed surplus</b>	1,506,184	1,494,438
<b>Deficit</b>	(28,856,084)	(28,811,190)
<b>Accumulated other comprehensive income (loss)</b>	1,700,838	(112,431)
	<hr/> 4,566,599	<hr/> 2,752,346
	<hr/> 4,722,851	<hr/> 2,872,985

**Commitment** (note 18)

**Events after the closing date** (note 20)

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

**Approved by the Board of Directors**

(signed) Claude St-Jacques \_\_\_\_\_, Director

(signed) Pierre St-Jacques \_\_\_\_\_, Director

# Société d'Exploration Minière Vior Inc.

## Statements of Loss

(expressed in Canadian dollars)

	Years ended June 30,	
	2016	2015
	\$	\$
<b>Revenues</b>		
Interest	8,707	18,827
Fees charged to a partner	67,341	-
Gain on sale of a short-term investment	-	9,062
	<u>76,048</u>	<u>27,889</u>
<b>Expenses</b>		
Salaries and fringe benefits	263,424	220,243
Professional and maintenance fees	111,489	117,362
Rent and office expenses	67,413	52,469
Advertising and promotion	500	2,063
Share-based compensation	-	97,895
Travelling	4,807	6,592
Search for mining properties (note 13)	7,925	10,570
Interest and bank charges	872	1,115
Depreciation of property, plant and equipment	1,871	2,023
Cost of mining properties abandoned, impaired or written off	105,046	142,285
	<u>563,347</u>	<u>652,617</u>
<b>Loss before an investment in an associate and deferred tax</b>	(487,299)	(624,728)
<b>Share of net loss of an associate</b> (note 6a)	(30,734)	(109,311)
<b>Impairment loss of an associate</b> (note 6a)	-	(58,569)
<b>Gain on disposal of an associate</b> (note 6c)	205,868	-
	<u>175,134</u>	<u>(167,880)</u>
<b>Loss before deferred tax</b>	(312,165)	(792,608)
<b>Deferred tax</b> (note 14)	267,271	37,433
<b>Net loss for the year</b>	<u>(44,894)</u>	<u>(755,175)</u>
<b>Per share</b> (note 15)		
<b>Basic net loss</b>	<u>(0.002)</u>	<u>(0.035)</u>
<b>Diluted net loss</b>	<u>(0.002)</u>	<u>(0.035)</u>

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

# Société d'Exploration Minière Vior Inc.

## Statements of Comprehensive Loss

(expressed in Canadian dollars)

	<u>Years ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
<b>Net loss for the year</b>	(44,894)	(755,175)
<b>Other comprehensive income (loss)</b>		
<b>Items that may be reclassified subsequently to net loss</b>		
Unrealized gain (loss) on an available-for-sale short-term investment, net of related income tax of \$264,313 (\$276 in 2015) (note 6b)	1,700,838	(1,787)
Reclassification of gains on an available-for-sale short-term investment realized upon sale, net of related income tax of \$896	-	(5,750)
Share of other comprehensive loss of the associate, net of related income tax of \$1,513 (\$432 in 2015) (note 6a)	(9,736)	(2,782)
Writeoff of the share of other comprehensive loss of the associate, net of related income tax of \$4,471 (note 6c)	122,167	-
<b>Other comprehensive income (loss) for the year</b>	<u>1,813,269</u>	<u>(10,319)</u>
<b>Comprehensive income (loss) for the year</b>	<u>1,768,375</u>	<u>(765,494)</u>

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

## Société d'Exploration Minière Vior Inc.

### Statements of Changes in Equity

(expressed in Canadian dollars)

	Share capital	Warrants	Stock options	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at July 1, 2015</b>	29,973,781	33,919	173,829	1,494,438	(28,811,190)	(112,431)	2,752,346
Net loss	-	-	-	-	(44,894)	-	(44,894)
Unrealized gain on an available-for-sale short-term investment, net of related income tax of \$264,313	-	-	-	-	-	1,700,838	1,700,838
Share of other comprehensive loss of the associate, net of related income tax of \$1,513	-	-	-	-	-	(9,736)	(9,736)
Writeoff of the share of other comprehensive loss of the associate, net of related income tax of \$4,471	-	-	-	-	-	122,167	122,167
Comprehensive loss for the year	-	-	-	-	(44,894)	1,813,269	1,768,375
Stock options cancelled	-	-	(1,225)	1,225	-	-	-
Warrants granted	-	6,856	-	-	-	-	6,856
Warrants cancelled	-	(10,521)	-	10,521	-	-	-
Issuance of shares for cash consideration	43,144	-	-	-	-	-	43,144
Share issue expenses	(4,122)	-	-	-	-	-	(4,122)
<b>Balance as at June 30, 2016</b>	<b>30,012,803</b>	<b>30,254</b>	<b>172,604</b>	<b>1,506,184</b>	<b>(28,856,084)</b>	<b>1,700,838</b>	<b>4,566,599</b>

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

## Société d'Exploration Minière Vior Inc.

### Statements of Changes in Equity (continued)

(expressed in Canadian dollars)

	Share capital	Warrants	Stock options	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at July 1, 2014</b>	29,867,964	10,521	76,669	1,493,703	(28,056,015)	(102,112)	3,290,730
Net loss	-	-	-	-	(755,175)	-	(755,175)
Unrealized loss on an available-for-sale short-term investment, net of related income tax of \$276	-	-	-	-	-	(1,787)	(1,787)
Reclassification of gains on an available-for-sale short-term investment realized upon sale, net of related income tax of \$896	-	-	-	-	-	(5,750)	(5,750)
Share of other comprehensive loss of the associate, net of related income tax of \$432	-	-	-	-	-	(2,782)	(2,782)
Comprehensive loss for the year	-	-	-	-	(755,175)	(10,319)	(765,494)
Stock options granted	-	-	97,895	-	-	-	97,895
Stock options cancelled	-	-	(735)	735	-	-	-
Warrants granted	-	23,398	-	-	-	-	23,398
Issuance of shares for cash consideration	121,644	-	-	-	-	-	121,644
Share issue expenses	(15,827)	-	-	-	-	-	(15,827)
<b>Balance as at June 30, 2015</b>	<b>29,973,781</b>	<b>33,919</b>	<b>173,829</b>	<b>1,494,438</b>	<b>(28,811,190)</b>	<b>(112,431)</b>	<b>2,752,346</b>

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

# Soci t  d'Exploration Mini re Vior Inc.

## Statements of Cash Flows

(expressed in Canadian dollars)

	Years ended June 30,	
	2016	2015
	\$	\$
<b>Cash flows from operating activities</b>		
Net loss for the year	(44,894)	(755,175)
Adjustments for:		
Gain on sale of a short-term investment	-	(9,062)
Share-based compensation	-	97,895
Depreciation of property, plant and equipment	1,871	2,023
Impairment loss of an associate	-	58,569
Share of net loss of an associate	30,734	109,311
Gain on disposal of an associate	(205,868)	-
Deferred tax	(267,271)	(37,433)
Cost of mining properties abandoned, impaired or written off	105,046	142,285
	<u>(380,382)</u>	<u>(391,587)</u>
Changes in items of working capital		
Tax credits for mining exploration and commodity taxes receivable	41,371	(34,086)
Other amounts receivable	(132,664)	32,975
Prepaid expenses	(7,745)	7,082
Accounts payable and accrued liabilities	35,358	(16,529)
	<u>(63,680)</u>	<u>(10,558)</u>
	<u>(444,062)</u>	<u>(402,145)</u>
<b>Cash flows from financing activities</b>		
Share capital and warrants issued for cash, net of share issue expenses	45,878	168,253
	<u>45,878</u>	<u>168,253</u>
<b>Cash flows from investing activities</b>		
Additions to mining properties and capitalized exploration costs	(114,431)	(326,030)
Change in credit on duties refundable for loss	77,366	1,272
Proceeds from the disposal of a short-term investment	-	57,415
Additions to property, plant and equipment	(3,044)	(1,489)
	<u>(40,109)</u>	<u>(268,832)</u>
<b>Decrease in cash</b>	<u>(438,293)</u>	<u>(502,724)</u>
<b>Cash - Beginning of year</b>	<u>1,430,134</u>	<u>1,932,858</u>
<b>Cash - End of year</b>	<u>991,841</u>	<u>1,430,134</u>
Interest received	9,087	19,320

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



# Société d'Exploration Minière Vior Inc.

## Statements of Cash Flows (continued)

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(expressed in Canadian dollars)

### Additional information

Items not affecting cash

	<u>Years ended June 30,</u>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Related to investing activities:		
Credit on duties refundable for loss and refundable tax credit receivable for resources applied against mining properties	36,877	92,748
Acquisition of mining properties and exploration costs included in accounts payable and accrued liabilities	60,790	60,535

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

# Société d'Exploration Minière Vior Inc.

Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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(expressed in Canadian dollars)

## 1 General information

Société d'Exploration Minière Vior Inc. (the "Company") governed by the *Quebec Business Corporations Act*, is in the business of acquiring and exploring mining properties. It has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments for exploration and development programs and general and administration costs.

Management is periodically seeking additional forms of financing through the issuance of new equity instruments, the exercise of warrants, common shares and stock options to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

The address of the Company's registered office is 116 St-Pierre, Suite 200, Quebec City, Quebec, Canada.

## 2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as defined in the Chartered Professional Accountants of Canada Handbook and adopted by the International Accounting Standards Board ("IASB").

### Basis of measurement

These financial statements have been prepared on a going concern basis, under the historical cost convention, except for available-for-sale instruments and for the investment in an associate, which is measured at its recoverable amount.

These financial statements were approved by the Board of Directors on September 22, 2016.

## 3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these annual financial statements are described below. They have been applied consistently to all years presented.

### Cash

Cash consist of cash on hand and balances with banks.

### Short-term investment

The short-term investment consists of shares in a public company. Purchases and sales relating to the short-term investment are recognized in the financial statements on the trade date based on its classification as an available-for-sale investment.

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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(expressed in Canadian dollars)

### Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The standards require that financial assets and financial liabilities, including derivative financial instruments, be initially measured at fair value. Subsequent to initial recognition, financial assets and financial liabilities are measured based on their classification: at fair value through profit or loss, available for sale, loans and receivables or financial liabilities at amortized cost.

**At fair value through profit or loss** – Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired or contracted principally for the purpose of selling in the short-term or if so designated by management. Assets in this category principally include embedded derivatives and derivatives which do not qualify for hedge accounting.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are accounted for in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss in the period in which they arise.

Financial instruments in this category are included in non-current assets unless the investments mature within 12 months or management intends to dispose of them within 12 months.

The Company does not hold any financial assets in this category.

**Available for sale** – Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Financial assets classified as available for sale are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses are recognized directly in other comprehensive income (loss), except for significant or prolonged decline in value, which are recognized in the statement of loss. Upon derecognition of the financial asset, the accumulated gains or losses previously recognized in accumulated other comprehensive loss are reclassified to the statement of loss.

Available-for-sale investments are included in non-current assets unless the investments mature within 12 months or management intends to dispose of them within 12 months.

The Company's financial assets classified as available for sale and included in the short-term investment consist of shares in a public company. As at June 30, 2015, the Company did not hold any available-for-sale investments.

**Loans and receivables** – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are recognized initially at the amount expected to be received less, when material, a discount to reclass the loans and receivables to fair value. Subsequently, they are measured at amortized cost using the effective interest method less a provision for impairment. They are included in current assets except for those with maturities greater than 12 months after the reporting period, which would be classified as non-current assets.

The Company's loans and receivables include cash, cash equivalents and other amounts receivable in the statement of financial position.

**Financial liabilities at amortized cost** – Financial liabilities include accounts payable and accrued liabilities and are initially recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. Subsequently, they are measured at amortized cost using the effective interest method, which corresponds to par value due to their short-term maturity. They are classified as current liabilities if the payment is due within 12 months. Otherwise, they are presented in non-current liabilities.

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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(expressed in Canadian dollars)

### Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss. This amount represents the loss in accumulated other comprehensive loss that is reclassified to the statement of loss.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt securities are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

### Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment, and are depreciated using the straight-line method over their estimated useful lives ranging from five to ten years, which is considered appropriate to reduce the carrying amounts to estimated residual values of the assets. Cost includes expenditures that are directly attributable to the acquisition of the assets. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

### Investment in an associate

An associate is an entity over which the Company has significant influence, but not control. The financial results of the Company's investments in its associate are included in the Company's results using the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of the associate is recognized in the statement of loss and its share of other comprehensive loss of the associate is included in other comprehensive loss.

Unrealized gains and losses on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in the associate are recognized in the statement of loss.

At each reporting date, the Company assesses whether there is any objective evidence that its interests in the associate are impaired. If impaired, the carrying amount of the Company's share of the underlying assets of the associate is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the statement of loss.

### Mining properties

The Company records its acquisition of interests in mining properties and areas of geological interest at cost less option payments received and other recoveries. These acquisition costs are recognized as intangible assets. Exploration costs related to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the mining properties to which they relate are placed into production, sold or abandoned. These exploration costs are recognized as tangible assets. These costs will be amortized over the estimated recoverable resources in the current mine plan using the unit of production method or written off if the mining properties are sold or projects are abandoned. General exploration costs not related to specific mining properties are expensed as incurred.

Although management has taken actions to verify the ownership rights for mining properties in which the Company owns an interest in accordance with industry standards for the current exploration phase of these properties, these procedures give no assurance to the Company as to title. The title to property may be subject to unrecognized prior agreements and not compliant with regulatory requirements.

Mining properties are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the mining property exceeds its recoverable amount. The recoverable amount is the higher of the mining property's fair value less costs of disposal and value in use. Value in use is determined using the present value of the future cash flows expected to be derived from an asset. Impairment losses are recognized in the statement of loss under caption *Cost of mining properties abandoned, impaired or written off*.

For the purpose of assessing impairment, mining properties are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairments are reviewed for potential reversals at each reporting date. Impairment can be reversed but is limited to the carrying amount that would have been determined net of depreciation, as if no impairment to the carrying amount would have been recognized.

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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(expressed in Canadian dollars)

### Joint arrangements

The Company conducts exploration on some mining properties through joint operations where the joint arrangement participants are bound by a contractual agreement establishing joint control over the assets of the joint arrangement. As for joint operations, each party recognizes its rights to the assets, liabilities, revenues and expenses of the arrangement.

### Provisions

Provisions for environmental restoration, restructuring costs and legal claims, where applicable, are recognized when : (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as interest expense. Changes in assumptions or estimates are reflected in the period in which they occur.

Provision for environmental restoration represents the legal and constructive obligations associated with the eventual closure of the Company's property, plant and equipment. These obligations consist of costs associated with reclamation and monitoring of activities and the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted.

The Company had no provisions as at June 30, 2016 and 2015.

### Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss of 8% under the *Mining Duties Act* and a refundable tax credit for resources which may reach 31% under the *Quebec Income Tax Act*. Those credits are calculated on qualified exploration expenditures incurred in the province of Quebec.

Those credits are accounted for using the cost reduction method. Accordingly, they are recorded as a reduction of the related expenses or capital expenditures in the year the expenses are incurred provided there is reasonable assurance that the Company has complied with all the conditions related to those credits and that those credits will be received.

### Share capital

Share capital issued for non-monetary consideration is generally recorded at the quoted market price of the shares on the date of agreement relating to their issue. Share issue expenses are recorded as a reduction of shares.

### Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference between the quoted price of the common shares and the amount the investors pay for the shares ("premium"), measured in accordance with the residual value method, is recognized as a liability which is reversed into the statement of loss as a deferred tax recovery when eligible expenditures have been made.

The Company recognizes a deferred tax liability for the expenses renounced and a deferred tax expense at the moment the eligible expenditures are made.

### Warrants

Fair value of warrants is measured on the date of grant. The fair value of warrants granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the warrants were granted. When warrants are issued as compensation to brokers, on the date of grant, the fair value of warrants is recognized as a share issue expense presented in reduction of share capital.

### Share-based compensation plan

The Company has established a share-based compensation plan, which is described in note 11 of the financial statements. The Company accounts for compensation costs for all forms of share-based compensation awarded to employees and non-employees, including stock options, using a fair value-based method.

Fair value is measured on the date of grant. The fair value of options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. On the date of grant, the fair value of stock options is recognized as an expense under caption *Share-based compensation* using the graded vesting method. Upon the exercise of stock options, any consideration received from plan members is credited to share capital and the fair value of the exercised stock options is reclassified from *Stock options* to *Share capital*.

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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(expressed in Canadian dollars)

### Income taxes

The Company provides for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on deductible or taxable temporary differences between the carrying amount and tax bases of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities arising from the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### Revenue recognition

Interest on cash and cash equivalents, calculated using the effective interest method, is recognized in the statement of loss as part of interest income on an accrual basis.

The fees invoiced to partners are recognized when the services are provided as project operator.

### Basic and diluted earnings per share

Basic earnings per share are determined using the weighted average number of common shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of common shares outstanding during the year, plus the effects of dilutive potential common shares outstanding during the year. For stock options and warrants, the calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive potential common shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the Company at the average market value of the participating shares during the year.

### Segment reporting

The Company currently operates in one business segment, being the acquisition and the exploration of mining properties. All of the Company's mining properties are located in Québec, Canada.

### New accounting standards not yet adopted

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than June 30, 2016. Many of these updates are not relevant to the Company and are therefore not discussed herein.

#### IFRS 9, *Financial instruments* ("IFRS 9")

In July 2014, the IASB issued the final standard on financial instruments on the classification and measurement, impairment and hedge accounting, to replace IAS 39 *Financial instrument: recognition and measurement*. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and this standard should be adopted on a retrospective way. The Company is currently evaluating the impact of adopting this standard.

#### IAS 1, *Presentation of financial statements* ("IAS 1")

In December 2014, the IASB issued amendments to IAS 1, *Presentation of financial statements*. These amendments clarify guidance on how to exercise professional judgment in determining the extent and structure of disclosures in financial statements. Since IAS 1 is a presentation standard, the amendments thereto, which are effective for annual periods beginning on or after January 1, 2016, will have no impact on the Company's profit or loss or financial position.

#### IFRS 15, *Revenue from contracts with customers* ("IFRS 15")

In May 2014, the IASB issued IFRS 15 *Revenue from contracts with customers*. The objective of this new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability. This new standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard.

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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(expressed in Canadian dollars)

### IFRS 16, *Lease* ("IFRS 16")

This new standard published by the IASB in January 2016, establishes principles for the recognition, measurement and presentation of the leases and the disclosures about them, points of view lessee and the lessor. For accounting of the customer, there will now only one model, which requires the recognition of all assets and liabilities arising from lease contracts. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard.

## 4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These judgments, estimates and assumptions are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### a) Critical accounting estimates and assumptions

Critical accounting estimates and assumptions are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment. The following discusses the most significant accounting estimates and assumptions that the Company has made in the preparation of the financial statements.

#### Mining properties

The Company's evaluation of the recoverable amount with respect to the mining properties is based on numerous assumptions including long-term commodity prices, future capital requirements, exploration potential and operations performance and may differ significantly from actual values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of mining properties to carrying values. Assets are reviewed for an indication of impairment at each reporting date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, interruptions in exploration activities and significant negative industry or economic trends.

#### Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. The determination of the ability of the Company to utilize tax losses carry forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets.

Changes in economic conditions, commodity prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

### b) Critical judgments in applying the entity's accounting policies

#### Short-term investments

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Objective evidence of an impairment loss includes: i) significant financial difficulty of the obligor; ii) delinquencies in interest or principal payments; iii) increased probability that the borrower will enter bankruptcy or other financial reorganization; and iv) in the case of equity securities, a significant or prolonged decline in the fair value of the security below its cost. Assumptions used to calculate the fair value are described in note 17b of the financial statements.

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

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### 5 Other amounts receivable

	As at June 30,	
	2016	2015
	\$	\$
Partner	133,861	-
Others	4,274	5,471
	<u>138,135</u>	<u>5,471</u>

### 6 Investment in Aurvista Gold Corporation

#### a) Investment in an associate

	As at June 30,	
	2016	2015
	\$	\$
Aurvista Gold Corporation, under the equity method (interest of 29.76% – 20,685,800 shares)		
Balance - Beginning of year	640,338	811,432
Share of net loss	(30,734)	(109,311)
Share of other comprehensive loss	(11,249)	(3,214)
Impairment loss	-	(58,569)
Deemed disposal of the investment in an associate	<u>(598,355)</u>	<u>-</u>
Balance - End of year	<u>-</u>	<u>640,338</u>

On August 9, 2011, following the closing of its initial public offering and its listing on the TSX Venture Exchange, Aurvista Gold Corporation ("Aurvista"), a mining exploration company exercising its activities in the province of Quebec, acquired the Company's residual interest in the Douay, Douay Ouest, Douay Est and Bloc Joutel properties (collectively "Douay"), except for 10% in two claims of the Douay Ouest property for a consideration of 21,250,000 common shares of its share capital for a gross value of \$20,293,750 at the issuing date.

As a result of this transaction, the Company held 43.8% of the issued common shares of Aurvista. Since the Company has significant influence on Aurvista, the investment was accounted for under the equity method. On the transaction date, the investment in Aurvista was recorded based on the gross proceeds from the disposal of the Douay properties, being \$20,293,750, less a discount of \$4,533,750 related to share escrow agreements. The discount was calculated using a valuation model at an average rate of 22%, based on the release period of the escrowed shares. The Company will have to issue to the intermediaries involved in the transaction 564,200 Aurvista shares over an 18-month period in settlement of selling costs of \$538,812, less a discount of \$120,375. The amount to be paid will be adjusted based on the fair value of the shares held by the Company in Aurvista at the end of each period. Selling costs of \$42,748 were also paid to a law firm. Considering the escrow discount and the selling costs, the net proceeds amounted to \$13,925,664.

As at June 30, 2013, following the issuance of 20,976,012 shares by Aurvista and a distribution by the Company of 564,200 shares of Aurvista to intermediaries involved in the transaction, the Company held 29.76% of the issued common shares of Aurvista. No issuance or distribution of the common shares of Aurvista has occurred since that time.

During the second quarter of fiscal year ended in 2015, the Company determined that the fair value of its investment in Aurvista was lower than its carrying amount and consequently recognized an impairment loss of \$58,569. The investment was adjusted to its recoverable amount representing the quoted market price of the Aurvista shares less selling costs.

The Company's share in the results of Aurvista as well as the financial information (assets, liabilities, revenues and net loss) of Aurvista will be accounted for and presented in the Company's financial statements with a maximum delay of one quarter depending of the availability of Aurvista's financial information at the time of the release of the Company's financial statements. The share in the results of Aurvista for the quarter ended June 30, 2015 is recorded in the current fiscal year of the Company.



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Notes to Financial Statements

For the years ended June 30, 2016 and 2015

(expressed in Canadian dollars)

## b) Short-term investment – 20,685,800 shares of Aurvista Gold Corporation

On November 3, 2015, the Company ceased to exercise significant influence over Aurvista and reclassified its investment in an associate under short-term investment.

	As at June 30,	
	2016	2015
	\$	\$
Balance - Beginning of year	-	-
Fair value of the investment at the time of the loss of significant influence	930,861	-
Unrealized gain during the year	1,965,151	-
Balance - End of year	<u>2,896,012</u>	<u>-</u>

## c) Gain at the time of the loss of significant influence

	As at June 30,	
	2016	2015
	\$	\$
Fair value of the investment at the time of the loss of significant influence	930,861	-
Carrying value of the investment at the time of the loss of significant influence	(598,355)	-
Writeoff of the share of other comprehensive loss of the associate	(126,638)	-
Gain on disposal of an associate	<u>205,868</u>	<u>-</u>

## 7 Mining properties

### Reconciliation of mining properties

	Exploration costs	Acquisition cost		Total
		Mining properties	Claims	
	\$	\$	\$	\$
<b>Balance as at June 30, 2014</b>	424,672	7,925	65,486	498,083
Costs incurred	359,622	-	24,195	383,817
Mining properties abandoned, impaired or written off	(118,075)	-	(24,210)	(142,285)
Credit on duties refundable for loss and refundable tax credit for resources	(92,748)	-	-	(92,748)
<b>Balance as at June 30, 2015</b>	573,471	7,925	65,471	646,867
Costs incurred	110,610	-	4,075	114,685
Mining properties abandoned, impaired or written off	(92,863)	-	(12,183)	(105,046)
Credit on duties refundable for loss and refundable tax credit for resources	(36,877)	-	-	(36,877)
<b>Balance as at June 30, 2016</b>	<u>554,341</u>	<u>7,925</u>	<u>57,363</u>	<u>619,629</u>

# Société d'Exploration Minière Vior Inc.

Notes to Financial Statements

For the years ended June 30, 2016 and 2015

(expressed in Canadian dollars)

## Detail of mining properties

	N <sup>o</sup> of claims	Undivided interest %	Balance as at June 30, 2015 \$	Costs incurred \$	Mining properties abandoned, impaired or written off, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at June 30, 2016 \$
Big Island Lake	80					
Acquisition costs		100	2,210	2,210	-	4,420
Exploration costs			3,177	6,941	(2,343)	7,775
			<u>5,387</u>	<u>9,151</u>	<u>(2,343)</u>	<u>12,195</u>
Douay Ouest (note a)	5					
Acquisition costs		10	7,925	-	-	7,925
Exploration costs			14,583	-	-	14,583
			<u>22,508</u>	<u>-</u>	<u>-</u>	<u>22,508</u>
Foothills (note b)	478					
Acquisition costs		100	30,321	1,266	(900)	30,687
Exploration costs			260,421	101,756	(43,696)	318,481
			<u>290,742</u>	<u>103,022</u>	<u>(44,596)</u>	<u>349,168</u>
Ligneris	77					
Acquisition costs		100	29,300	470	(11,283)	18,487
Exploration costs			218,815	1,644	(83,610)	136,849
			<u>248,115</u>	<u>2,114</u>	<u>(94,893)</u>	<u>155,336</u>
Veza-Noyard	10					
Acquisition costs		100	1,406	-	-	1,406
Exploration costs			76,286	269	(91)	76,464
			<u>77,692</u>	<u>269</u>	<u>(91)</u>	<u>77,870</u>
Others	-					
Acquisition costs		-	2,423	129	-	2,552
Exploration costs			-	-	-	-
			<u>2,423</u>	<u>129</u>	<u>-</u>	<u>2,552</u>
			<u>646,867</u>	<u>114,685</u>	<u>(141,923)</u>	<u>619,629</u>

All mining properties are located in the province of Quebec.

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

For the years ended June 30, 2016 and 2015

(expressed in Canadian dollars)

### Detail of mining properties (continued)

	N <sup>o</sup> of claims	Undivided interest %	Balance as at June 30, 2014 \$	Costs incurred \$	Mining properties abandoned, impaired or written off, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at June 30, 2015 \$
Big Island Lake	40					
Acquisition costs		100	-	2,210	-	2,210
Exploration costs			-	3,632	(455)	3,177
			-	5,842	(455)	5,387
Douay Ouest (note a)	5					
Acquisition costs		10	7,925	-	-	7,925
Exploration costs			14,583	-	-	14,583
			22,508	-	-	22,508
Foothills	466					
Acquisition costs		100	33,571	14,750	(18,000)	30,321
Exploration costs			6,120	346,335	(92,034)	260,421
			39,691	361,085	(110,034)	290,742
Ligneris	124					
Acquisition costs		100	28,187	6,276	(5,163)	29,300
Exploration costs			251,210	9,655	(42,050)	218,815
			279,397	15,931	(47,213)	248,115
Veza-Noyard	10					
Acquisition costs		100	2,093	360	(1,047)	1,406
Exploration costs			152,570	-	(76,284)	76,286
			154,663	360	(77,331)	77,692
Others	-					
Acquisition costs		-	1,824	599	-	2,423
Exploration costs			-	-	-	-
			1,824	599	-	2,423
			498,083	383,817	(235,033)	646,867

All mining properties are located in the province of Quebec.

(a) As a result of the transaction described in note 6, Aurvista may acquire the 10% residual interest in the five claims of the Douay Ouest property in consideration for a sum of \$25,000 in the 20 years following the acquisition of the residual interest in the properties described above. If this residual interest is acquired, Aurvista shall also pay Northern Abitibi Mining Corp. ("NAM") a sum of \$80,000 and remit 80,000 shares of the Company, as described in the price adjustment clause included in the property acquisition agreement entered into between NAM and the Company. The Company will also issue 40,000 warrants to NAM.

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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(b) On March 9, 2016, the Company granted Iluka Exploration (Canada) Ltd ("Iluka") the option to acquire an initial 51% interest in the Foothills property for a consideration of exploration work totalling \$400,000 during the first year of the agreement and an additional 39% for a consideration of exploration work totalling \$2,100,000 no later than March 31, 2019. As at June 30, 2016, Iluka spent \$313,243 on exploration work.

### 8 Accounts payable and accrued liabilities

	As at June 30, 2016 \$	As at June 30, 2015 \$
Suppliers	131,260	87,327
Salaries and fringe benefits	24,992	18,380
Companies owned by directors	-	14,932
	<u>156,252</u>	<u>120,639</u>

### 9 Share capital

Authorized

Unlimited number of common shares, voting and participatory, without par value

On February 17, 2015, the Company consolidated its share capital on a 5-to-1 basis. The comparative figures have been adjusted accordingly.

Issued and fully paid

The share capital issued has varied as follows:

	Years ended June 30,			
	2016		2015	
	Number	\$	Number	\$
Balance - Beginning of year	22,704,346	29,973,781	21,103,775	29,867,964
Issuance of shares for cash consideration (a) (b) (c)	555,555	43,144	1,600,571	121,644
Share issue expenses	-	(4,122)	-	(15,827)
Balance - End of year	<u>23,259,901</u>	<u>30,012,803</u>	<u>22,704,346</u>	<u>29,973,781</u>

(a) On July 31, 2015, the Company made a \$50,000 private placement through the issuance of 555,555 of its shares at a price of \$0.09 per share along with 138,889 share purchase warrants giving the holder the right to subscribe for one common share of the Company at a price of \$0.11 until July 31, 2017. The offering is presented net of the value of the related warrants which was established at \$6,856. Share issue expenses of \$4,122 were incurred by the Company under the private placement.

(b) On February 17, 2015, the Company made a \$100,000 private placement through the issuance of 1,000,000 of its shares at a price of \$0.10 per share along with 500,000 share purchase warrants giving the holder the right to subscribe for one common share of the Company at a price of \$0.14 until February 17, 2017. The offering is presented net of the value of the related warrants, which was established at \$23,398. Share issue expenses of \$8,327 were incurred by the Company under the private placement.

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

For the years ended June 30, 2016 and 2015

(expressed in Canadian dollars)

(c) On March 9, 2015, the Company made a private placement consisting of 600,571 flow-through shares at a price of \$0.14 per share for aggregate gross proceeds of \$84,080. An amount of \$35,555, net of share issue expenses, was recorded as a premium related to flow-through shares in accounts payable and accrued liabilities of the Company. Share issue expenses of \$7,500 were incurred by the Company under the private placement.

### 10 Warrants

The following table presents warrant activity since July 1, 2014 and summarizes information about outstanding and exercisable warrants as at June 30, 2016. The table has been adjusted to reflect the share consolidation of the Company on a 5-to-1 basis. The comparative figures have been adjusted accordingly.

	Years ended June 30,			
	2016		2015	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding and exercisable - Beginning of year	540,000	0.17	40,000	0.60
Granted	138,889	0.11	500,000	0.14
Matured	(40,000)	0.60	-	-
Outstanding and exercisable - End of year	638,889	0.13	540,000	0.17

The following table summarizes the maturity dates of outstanding and exercisable warrants:

The 500,000 outstanding and exercisable warrants at \$0.14 will mature in February 2017.

The 138,889 outstanding and exercisable warrants at \$0.11 will mature in July 2017.

The fair value of warrants granted was estimated using the Black-Scholes valuation model with the following assumptions:

	Years ended June 30,	
	2016	2015
Risk-free interest rate	0.41%	0.46%
Expected volatility	144.38%	147.91%
Dividend yield	Nil	Nil
Expected life	2 years	2 years
Fair value of warrants granted	\$0.049	\$0.047

### 11 Stock options

The Company maintains a stock option plan under which certain key employees, managers, directors, consultants, service providers and investor relations service providers may be granted stock options for shares of the Company. A maximum of 2,270,434 stock options may be granted (maximum of 5% of the number of common shares outstanding in favour of key employees, managers, directors and consultants, and maximum of 2% of the number of common shares outstanding in favour of investor relations service providers).

# Société d'Exploration Minière Vior Inc.

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For the years ended June 30, 2016 and 2015

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Options granted expire after a maximum of ten years following the date of grant. There is no vesting period.

The following table presents the stock option activity since July 1, 2014 and summarizes information about fixed stock options outstanding and exercisable as at June 30, 2016. The table has been adjusted to reflect the share consolidation of the Company on a 5-to-1 basis. The comparative figures have been adjusted accordingly.

	<b>Years ended June 30,</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding and exercisable - Beginning of year	2,060,000	0.16	313,000	0.50
Granted	-	-	1,750,000	0.10
Cancelled	(5,000)	0.50	(3,000)	0.50
Outstanding and exercisable - End of year	<u>2,055,000</u>	<u>0.16</u>	<u>2,060,000</u>	<u>0.16</u>

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2016:

<b>Exercise price</b>	<b>Options outstanding and exercisable Number</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Weighted average exercise price \$</b>
\$0.10	1,750,000	8.91	0.10
\$0.50	305,000	4.34	0.50

The fair value of stock options granted was estimated using the Black-Scholes valuation model with the following assumptions:

	<b>Year ended June 30, 2015</b>
Risk-free interest rate	1.70%
Expected volatility	97.65%
Dividend yield	Nil
Expected life	10 years
Fair value of stock options granted	\$0.056

# Société d'Exploration Minière Vior Inc.

Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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## 12 Compensation of key management

Key management includes the directors, the president, the vice-president exploration and the chief financial officer. The short-term employee benefits include salaries for key management and fees for directors. The share-based payments are grants of stock options of the Company.

Compensation awarded to key management included:

	Years ended June 30,	
	2015	2014
	\$	\$
Short-term employee benefits	269,302	269,568
Share-based compensation	-	97,895
Total compensation of key management	269,302	367,463

## 13 Search for mining properties

	Years ended June 30,	
	2016	2015
	\$	\$
Salaries and fees	7,913	10,087
Other	12	483
	7,925	10,570

## 14 Deferred tax

The major component of the income tax provision is as follows:

	Years ended June 30,	
	2016	2015
	\$	\$
Deferred tax recovery	267,271	37,433

The reconciliation of income taxes, calculated using the combined federal and Quebec provincial statutory tax rates, to income taxes presented in the financial statements is detailed as follows:

	Years ended June 30,	
	2016	2015
	\$	\$
Loss before deferred tax	(312,165)	(792,608)
Combined federal and provincial income tax rate of 26.90%	83,972	213,212
Share issue expenses not affecting earnings	1,109	4,257
Expiry of tax losses	(64,840)	(41,374)
Difference between current and future tax rates	273,762	(22,981)
Change in unrecognized deferred tax assets	237,505	(107,108)
Tax impact on flow-through shares	-	16,420
Comprehensive loss not affecting loss	(264,577)	(25,393)
Other	340	400
Deferred tax recovery	267,271	37,433

# Société d'Exploration Minière Vior Inc.

Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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The significant components of the deferred tax assets and liabilities are as follows:

Recognized deferred tax assets and liabilities:

	<b>As at June 30, 2016 \$</b>	<b>As at June 30, 2015 \$</b>
Deferred tax assets		
Non-capital losses	183,986	56,000
Capital losses	239,588	79,217
	<u>423,574</u>	<u>135,217</u>
Deferred tax liabilities		
Investment in an associate	-	(79,217)
Short-term investment	(382,574)	-
Mining properties	(41,000)	(56,000)
	<u>(423,574)</u>	<u>(135,217)</u>

Presented in the statement of financial position as follows:

Deferred tax assets	-	-
Deferred tax liabilities	-	-

Unrecognized deferred tax assets:

	<b>As at June 30, 2016 \$</b>	<b>As at June 30, 2015 \$</b>
Non-capital losses	894,901	984,426
Capital losses	-	160,371
Property, plant and equipment and intangible assets	13,058	12,554
Issue expenses	4,517	5,013
Mining properties	161,000	148,000
Others	13,843	13,460
	<u>1,087,319</u>	<u>1,323,824</u>



# Société d'Exploration Minière Vior Inc.

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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income.

As at June 30, 2016, the Company has non-capital losses of \$4,048,442 at the federal level and \$3,963,195 at the provincial level (\$3,916,687 at the federal level and \$3,806,074 at the provincial level for 2015) available to reduce taxable income in future years. These losses expire at various dates between 2027 and 2036.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred tax assets

	Non-capital losses	Capital losses	Total
		\$	\$
As at July 1, 2014	65,000	103,369	168,369
Charged to the statement of loss	(9,000)	(24,152)	(33,152)
As at June 30, 2015	56,000	79,217	135,217
Credited to the statement of loss	127,986	160,371	288,357
As at June 30, 2016	183,986	239,588	423,574

### Deferred tax liabilities

	Short-term investment	Investment in an associate	Mining properties	Total
	\$	\$	\$	\$
As at July 1, 2014	1,171	102,198	65,000	168,369
Credited to the statement of loss	-	(22,549)	(9,000)	(31,549)
Credited to other comprehensive income (loss)	(1,171)	(432)	-	(1,603)
As at June 30, 2015	-	79,217	56,000	135,217
Charged (credited) to the statement of loss	118,261	(82,175)	(15,000)	21,086
Charged to other comprehensive income (loss)	264,313	2,958	-	267,271
As at June 30, 2016	382,574	-	41,000	423,574

# Société d'Exploration Minière Vior Inc.

## Notes to Financial Statements

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Deferred tax assets and liabilities in the amount of \$423,574 will be realized after more than 12 months.

As at June 30, 2016, the non-refundable federal tax credits and non-refundable provincial tax credits for resources were as follows:

Expiry Date	Federal \$	Expiry Date	Provincial \$
2025	12,725	2017	32,075
2026	3,597	2018	3,550
2027	2,926		
2028	4,643		
2029	259		
2030	1,098		

These credits can be used up to the amount of income taxes payable for those years. The non-refundable federal investment tax credits and the non-refundable provincial tax credits for resources are not recognized because there is no reasonable assurance that the credits will be realized.

## 15 Earnings per share

The following table presents a reconciliation between the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding.

	2016	2015
Basic weighted average number of shares outstanding	23,214,364	21,658,474
Diluted weighted average number of shares outstanding	23,214,364	21,658,474

Items excluded from the calculation of diluted net loss per share because the exercise price was greater than the average quoted value of the common shares.

Stock options	2,055,000	2,060,000
Warrants	638,889	540,000

# Société d'Exploration Minière Vior Inc.

Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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(expressed in Canadian dollars)

## 16 Capital management

The Company considers the items included in equity for an amount of \$4,566,599 (\$2,752,346 in 2015) as capital components.

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

In the opinion of management, working capital as at June 30, 2016 will cover the cost of current expenses and the exploration expenditures for the next year.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it considers there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Other operations that affect equity are presented in the statements of changes in equity.

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 was no change in the approach used by the Company for its capital management for the year ended June 30, 2016.

The Company is not subject to externally imposed capital requirements.

# Société d'Exploration Minière Vior Inc.

Notes to Financial Statements

For the years ended June 30, 2016 and 2015

(expressed in Canadian dollars)

## 17 Financial instruments

### a) Financial instruments

The classification of financial instruments as at June 30, 2016 and 2015 is summarized as follows:

	<b>As at June 30, 2016</b>				
				Carrying value	Fair value
	Available-for-sale	Loans and receivables	Financial liabilities at amortized cost	Total	Total
	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash	-	991,841	-	991,841	991,841
Short-term investment	2,896,012	-	-	2,896,012	2,896,012
Other amounts receivable	-	138,135	-	138,135	138,135
	2,896,012	1,129,976	-	4,025,988	4,025,988
<b>Financial Liabilities</b>					
Accounts payable and accrued liabilities		-	133,748	133,748	133,748
		-	133,748	133,748	133,748

  

	<b>As at June 30, 2015</b>				
				Carrying value	Fair value
	Available-for-sale	Loans and receivables	Financial liabilities at amortized cost	Total	Total
	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash		1,430,134	-	1,430,134	1,430,134
Other amounts receivable		5,471	-	5,471	5,471
		1,435,605	-	1,435,605	1,435,605
<b>Financial Liabilities</b>					
Accounts payable and accrued liabilities		-	104,086	104,086	104,086
		-	104,086	104,086	104,086

Available-for-sale assets consist of shares in a public company. Cash, other amounts receivable and accounts payable and accrued liabilities are financial instruments whose carrying value approximates their fair value due to their short-term maturity.

# Société d'Exploration Minière Vior Inc.

Notes to Financial Statements

For the years ended June 30, 2016 and 2015

(expressed in Canadian dollars)

## b) Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following three levels:

Level 1 – valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the statement of financial position as at June 30, 2016, classified using the fair value hierarchy described above:

	As at June 30, 2016
	<u>Level 1</u>
	\$
<b>Financial assets</b>	
Shares	<u>2,896,012</u>

As at June 30, 2015, no financial instruments had been recorded at fair value.

No transfer attributable to changes in the observability of market data was made among the fair value measurement hierarchy level during the years ended June 30, 2016 and 2015.

## c) Valuation techniques that are used to measure fair value

The fair value of shares is established using the bid price on the most beneficial active market for these instruments that is readily available to the Company. When a bid price is not available, the Company uses the closing price of the most recent transaction on such instrument. If the instrument is subject to a restriction on the sale period, the fair value is discounted and the instrument is classified in level 2.

## d) Financial risk factors

The Company's activities expose it to various financial risks, such as credit risk, liquidity risk and market risk.

# Société d'Exploration Minière Vior Inc.

Notes to Financial Statements

For the years ended June 30, 2016 and 2015

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(expressed in Canadian dollars)

## **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short-term investment and other amounts receivable. The maximum exposure to credit risk approximates the amount recognized on the statement of financial position. The Company does not hold any collateral as security. Financial assets included in other amounts receivable consist of interest and amounts receivable from a partner. The credit risk related to these amounts is due to the partners' possible inability to settle their debts. Management believes that the credit risk with respect to financial assets included in amounts receivable is remote, as the Company signed an agreement with a major mining company and that the credit risk related to amounts receivable from a partner is nil, this partner having already paid these amounts. The credit risk related to cash is limited because the Company deals with a Canadian bank with a high credit rating and its subsidiaries. The Company minimizes its exposure to issuer risk by investing only in products having a high quality investment-grade rating. Exposure to these risks is closely monitored and maintained within the limits stated in the investment policy of the Company, which is revised regularly.

## **Liquidity risk**

Liquidity risk is the risk that the Company may be unable to fulfill its financial obligations related to financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidities to meet liabilities when due. As at June 30, 2016, the Company had a cash balance of \$991,841, (\$1,430,134 as at June 30, 2015) to settle current liabilities of \$156,252 (\$120,639 as at June 30, 2015). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

## **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, currency risk and other price risks such as equity risk.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's current policy is to invest excess cash principally in term deposits or in interest-bearing accounts held with a Canadian bank and its subsidiaries.

For the year ended June 30, 2016, a 1% increase or decrease in interest rates on interest-bearing bank balances would result in an estimated impact of \$8,041 (impact of \$12,698 for the year ended June 30, 2015) on the statements of loss and comprehensive loss.

### *Currency risk*

The Company's functional currency is the Canadian dollar, and virtually all of its purchases are made in this currency. As a result, the Company's exposure to currency risk is minimal.

### *Equity risk*

Equity risk is the risk that the fair value of a financial instrument varies due to equity market changes. An investment policy is in place and its application is monitored by the Board of Directors on a quarterly basis.

Changes in fair value of available-for-sale shares are recorded in other comprehensive loss. A variation of  $\pm 10\%$  of the quoted market prices as at June 30, 2016, would have had a \$250,650 after-tax effect on other comprehensive loss (no after-tax effect for the year ended June 30, 2015).

# Société d'Exploration Minière Vior Inc.

Notes to Financial Statements

For the years ended June 30, 2016 and 2015

(expressed in Canadian dollars)

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## 18 Commitment

The Company has a rental lease for its administrative offices with a company owned by a director. The rental lease has a term of three years beginning on June 1, 2016 and ending on May 31, 2019. The annual cost is \$19,800 and will be subject to an annual raise according to the consumer price index with a minimum of 2% annually.

## 19 Related party transactions

The Company entered into the following transactions with companies owned by directors:

	2016	2015
	\$	\$
Incurring expenses capitalized in mining properties	7,010	29,867
Rent and office expenses	19,800	17,592
Search for mining properties	377	357

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Incurring expenses capitalized in mining properties and search for mining properties consist mainly of fees related to exploration and services provided by a company owned by a director of the Company.

Rent and office expenses are issued from renting office space.

## 20 Events after the closing date

On July 20, 2016, the Company made a \$740,000 private placement through the issuance of 7,400,000 shares of the Company at a price of \$0.10 per share along with 7,400,000 share purchase warrants giving the holder the right to subscribe for one common share of the Company at a price of \$0.15 until July 20, 2017.

On August 25, 2016, the Company amended the agreement signed on March 9, 2016 with Iluka to add 140 new claims held by the Company. Iluka will pay \$25,000 plus the cost of the claims, increase from \$400,000 to \$500,000 the amount relating to the exploration work required to obtain the initial 51% interest and increase from \$2,100,000 to \$2,200,000 the amount relating to the exploration work required to obtain the additional 39% interest.