

Consolidated Financial Statements  
(Expressed in Canadian dollars)



(An Exploration Stage Company)

August 31, 2016



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Barisan Gold Corporation:

We have audited the accompanying consolidated financial statements of Barisan Gold Corporation, which comprise the consolidated statements of financial position as at August 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Barisan Gold Corporation as at August 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Barisan Gold Corporation's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
December 19, 2016

An independent firm associated with  
Moore Stephens International Limited  
**MOORE STEPHENS**

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	August 31, 2016	August 31, 2015
<b>Assets</b>		
Current assets		
Cash	\$ 256,551	\$ 41,523
Receivables (note 6)	6,475	1,131
Prepays and advances	9,937	12,751
	272,963	55,405
Non-current assets		
Receivables (note 6)	196,979	199,620
Exploration and evaluation assets (note 7)	-	496,200
Deposit (note 16)	25,000	-
	221,979	695,820
<b>Total assets</b>	<b>\$ 494,942</b>	<b>\$ 751,225</b>
<b>Liabilities and Shareholders' Deficit</b>		
Current liabilities		
Trade payables and accrued liabilities (note 8)	\$ 1,718,515	\$ 1,226,440
Shareholders' deficit		
Share capital (note 9)	25,455,419	24,988,881
Reserves (note 10)	1,833,510	1,797,983
Deficit	(28,512,502)	(27,262,079)
	(1,223,573)	(475,215)
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 494,942</b>	<b>\$ 751,225</b>

**Continuance of operations and contingencies** (notes 1 and 7)

**Proposed acquisition** (note 16)

**Subsequent events** (note 17)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

"Shawn Westcott" Director

"Scott Eldridge" Director

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended August 31, 2016	Year ended August 31, 2015
<b>Expenses</b>		
General and administrative expenses		
Consulting and other fees	\$ 57,441	\$ 83,686
Directors fees (note 12)	52,000	72,000
Foreign exchange loss (gain)	(754)	12,262
Investor relations	44,733	14,200
Management fees (note 12)	331,250	445,715
Office and administration	167,473	59,516
Professional fees	21,383	40,692
Rent	4,675	88,372
Share-based payments (notes 10 and 12)	35,527	229,919
Transfer agent and regulatory fees	28,945	21,037
Travel and accommodation	13,550	46,186
	(756,223)	(1,113,585)
<b>Other items</b>		
Interest income	-	1,224
Write-off of trade payables	2,000	115,985
Write-off of receivable (note 7)	-	(93,100)
Write-down of exploration and evaluation assets (note 7)	(496,200)	(17,730,373)
	(494,200)	(17,706,264)
Comprehensive loss for the year	\$ (1,250,423)	\$ (18,819,849)
Basic and diluted loss per common share (note 11)	\$ (0.02)	\$ (0.44)
Weighted average number of common shares	65,709,128	43,103,120

See accompanying notes to consolidated financial statements.

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Consolidated Statement of Changes in Shareholders' Deficit

(Expressed in Canadian dollars)

	Number of shares	Share capital	Reserves	Deficit	Shareholders' equity (deficit)
<b>Balance, August 31, 2014</b>	40,721,186	\$ 24,711,161	\$ 1,575,384	\$ (8,442,230)	\$ 17,844,315
Private placement (note 9)	4,339,997	260,400	-	-	260,400
Exercise of stock options (note 9)	100,000	17,320	(7,320)	-	10,000
Share-based payments (note 10)	-	-	229,919	-	229,919
Loss for the year	-	-	-	(18,819,849)	(18,819,849)
<b>Balance, August 31, 2015</b>	45,161,183	24,988,881	1,797,983	(27,262,079)	(475,215)
Private placement (note 9)	25,000,000	500,000	-	-	500,000
Finders' fee (note 9)	-	(24,993)	-	-	(24,993)
Issuance costs (note 9)	-	(8,469)	-	-	(8,469)
Share-based payments (note 10)	-	-	35,527	-	35,527
Loss for the year	-	-	-	(1,250,423)	(1,250,423)
<b>Balance, August 31, 2016</b>	70,161,183	\$ 25,455,419	\$ 1,833,510	\$ (28,512,502)	\$ (1,223,573)

See accompanying notes to consolidated financial statements.

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

	Year ended August 31, 2016	Year ended August 31, 2015
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the year	\$ (1,250,423)	\$ (18,819,849)
Items not involving cash:		
Share-based payments	35,527	229,919
Write-down of exploration and evaluation assets	496,200	17,730,373
Write-off of receivable	-	93,100
Write-off of trade payables	(2,000)	(115,985)
Changes in non-cash working capital:		
Receivables	(5,344)	4,823
Prepays and advances	2,814	30,881
Trade payables and accrued liabilities	494,075	332,090
	(229,151)	(514,648)
<b>Investing activities</b>		
Receivables – non-current	2,641	9,796
Deposit	(25,000)	-
Expenditures on exploration and evaluation assets	-	(466,106)
	(22,359)	(456,310)
<b>Financing activities</b>		
Private placement	466,538	260,400
Stock options exercised	-	10,000
	466,538	270,400
Change in cash during the year	215,028	(700,558)
Cash, beginning of the year	41,523	742,081
<b>Cash, end of the year</b>	<b>\$ 256,551</b>	<b>\$ 41,523</b>

Supplemental disclosure with respect to cash flows (note 15)

See accompanying notes to consolidated financial statements.

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 1. Continuation of operations and contingencies

Barisan Gold Corporation (the “Company” or “BGC”) was incorporated under the laws of the Province of British Columbia on January 25, 2011. Its principal business activities are the acquisition, exploration and development of exploration and evaluation assets.

During the year ended August 31, 2011, East Asia Minerals Corp. (“EAMC”), an entity under common control, transferred assets previously directly owned by EAMC to the Company, a wholly-owned subsidiary of EAMC. The assets transferred were recorded at the book value of EAMC at the date of transfer. The Company holds 80% of the issued and outstanding shares of PT Linge Mineral Resources (“PTLMR”) and PT Gayo Mineral Resources (“PTGMR”). The remaining interest in PTLMR and PTGMR are owned by arm’s length Indonesian partners.

The Company has not yet identified exploration and evaluation assets that contain ore reserves that are economically recoverable. To August 31, 2016, the Company has incurred losses (cumulative losses are \$28,512,502) and further losses are expected. These uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise capital or borrowings sufficient to meet current and future obligations.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on December 19, 2016.

## 2. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) effective as of August 31, 2016.

The consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 3. Significant accounting policies

The accounting policies set out below have been applied to the periods presented in these consolidated financial statements.

### a) Basis of consolidation

These consolidated financial statements of the Company include the assets, liabilities and results of operations of the following subsidiaries:

Name of subsidiary	Place of incorporation	Percentage ownership	
		2016	2015
PT. Gayo Mineral Resources	Indonesia	80%	80%
PT. Linge Mineral Resources	Indonesia	80%	80%

The Company is responsible for fully funding the Indonesian subsidiaries' expenses up to the completion of a feasibility study on its mineral concessions. Following the completion of a feasibility study, the non-controlling interest holders are required to contribute towards all costs incurred by the Company to such date, in proportion to their equity interest, or otherwise have their interest diluted. In determining whether a non-controlling interest should be recorded, the Company has considered the contractual arrangements, whereby the Company substantially holds a 100% interest in the subsidiaries. Accordingly, to August 31, 2016, the Company has not recorded any non-controlling interest.

All intercompany transactions and balances are eliminated on consolidation.



# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 3. Significant accounting policies (cont'd)

### b) Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and each of its Indonesian subsidiaries.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate in effect at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the reporting date. Non-monetary assets and liabilities are translated using foreign exchange rates prevailing at the date of the transaction.

Exchange gains or losses arising on the translation of monetary items are recognized in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on these non-monetary items are also recognized in other comprehensive income.

### c) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. At August 31, 2016, the Company has not classified any financial assets as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. The Company's cash and receivables are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that provide objective evidence of impairment which are recognized in profit or loss. At August 31, 2016, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 3. Significant accounting policies (cont'd)

### d) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade payables are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has no financial liabilities classified as FVTPL and no derivative instruments are held at August 31, 2016.

### e) Significant accounting estimates and assumptions

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurement for financial instruments and stock-based compensation, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

### f) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification/allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiaries.

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 3. Significant accounting policies (cont'd)

### g) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### h) Exploration and evaluation assets

Exploration and evaluation expenditures incurred before the Company has obtained legal rights to explore an area of interest are expensed as incurred. All costs related to the acquisition, exploration and development of exploration and evaluation assets incurred subsequent to the acquisition of legal rights to explore are capitalized by property. If economically recoverable ore reserves are determined to exist, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that asset is written down to its recoverable amount. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Indicators of impairment for assets considered to be in the exploration and evaluation stage include the following:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permitting to explore and complete the development of the properties, and future profitable production from the disposition of the metals produced from the properties or by sale.

### i) Impairment

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the

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(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 3. Significant accounting policies (cont'd)

### i) Impairment (cont'd)

higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### j) Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for a restoration and environmental obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with site closure and reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized restoration and environmental costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement costs). The Company had no restoration and environmental obligations as of August 31, 2016 and 2015.

### k) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

### l) Share-based payments

The Company makes periodic grants of share-based awards to selected directors, officers, employees and others providing similar service.

The fair value of the equity-settled awards is determined at the date of the grant by using the Black-Scholes Option Pricing Model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against the reserve for equity settled share based transactions.

The Company uses the Black Scholes Option Pricing Model to estimate the fair value of options granted.

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Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 3. Significant accounting policies (cont'd)

### m) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

The basic loss per share figure has been calculated using the weighted average number of shares outstanding during the respective period. Diluted loss per share is equal to basic loss per share as the effect of outstanding options is anti-dilutive.

### n) Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 4. New standards, amendments and interpretations not yet adopted or effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below.

Some updates that are not applicable or are not consequential to the Company may have been excluded from the following:

IFRS 9 '*Financial Instruments*' – effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments and also requires a single impairment method to be used.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its financial statements.

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(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 5. Capital management

The Company considers the items in shareholders' equity as capital. The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration, and development of its exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, 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 believes there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended August 31, 2016. The Company is not subject to externally imposed capital requirements.

## 6. Receivables

Current receivables consist of Government taxes receivable at August 31, 2016 of \$6,475 (2015 - \$1,131).

Long-term receivable consists of the following: During the year ended August 31, 2012, the Company entered into a Drilling Services Agreement (the "Drilling Agreement") with an arm's length contractor (the "Contractor"). In accordance with the Drilling Agreement, PTGMR agreed to loan the Contractor at a historical value of \$475,074 (USD \$362,624) (the "Loan") towards the acquisition of certain drilling equipment. The Contractor is the legal and beneficial owner of such equipment.

Pursuant to the Drilling Agreement, as drilling services are provided, the Contractor will deduct an amount equal to 18% from invoices as payment (the "Margin Amount") towards the Loan. For the purchase of the equipment, the Contractor will pay the Loan less any Margin Amounts. At August 31, 2016, the Loan balance is \$196,979 (2015 - \$199,620). The Loan is non-interest bearing and is secured by the drilling equipment. No portion of the Loan has been classified as current as the Loan does not have any specific repayment terms. At August 31, 2016, included in trade payables and accrued liabilities is \$526,629 (2015 - \$511,467) owing to the Contractor.

The percentage of the Margin Amount may be increased by the Contractor, by providing notice to the Company. The Drilling Agreement can be terminated by either party at any time (the "End Date"), by giving 14 days notice. If by the End Date the sum of the Margin Amounts has not satisfied the Loan, the Company may request the Contractor to sub-contract the equipment. The invoices from sub-contracting will be subject to an 18% Margin Amount for an unspecified duration until the Loan is paid. In the event that the Contractor is successful in sub-contracting the equipment, the Company will provide the Contractor the use of the equipment for a term of 9 months. Ultimately, the Company and the Contractor may, otherwise, dispose of the equipment as necessary to recover the Loan.

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Year ended August 31, 2016

## 7. Exploration and evaluation assets

	Barisan I (Linge)	Barisan II (Gayo)	Total properties
Balance at August 31, 2014	\$ 6,880,958	\$ 10,275,792	\$ 17,156,750
Expenditures:			
Field costs	1,091	57,608	58,699
Assay costs	366	82,384	82,750
Drilling	-	556,343	556,343
Geology	5,805	331,862	337,667
Technical reports	569	4,167	4,736
Tenement costs	5,684	23,944	29,628
Additions for the year	13,515	1,056,308	1,069,823
Write-down of exploration and evaluation assets	(6,646,373)	(11,084,000)	(17,730,373)
Balance at August 31, 2015	248,100	248,100	496,200
Write-down of exploration and evaluation assets	(248,100)	(248,100)	(496,200)
Balance at August 31, 2016	\$ -	\$ -	\$ -

### Barisan I and Barisan II

The Company has previously entered into Memorandums of Understanding with certain Indonesian companies on two exploration and evaluation assets located in Aceh Province, Indonesia:

Barisan I (Linge)                      80%                                      Barisan II (Gayo)                      80%

PTLMR and PTGMR own the Barisan I and Barisan II gold-copper porphyries respectively (including the Abong epithermal gold deposit).

According to the terms of the Memorandums of Understanding, the Company is responsible for funding 100% of the exploration and development and operating expenditures of the exploration and evaluation assets up to and including the costs of any feasibility studies, after which all parties are to fund their proportionate share, or have their interest diluted. In the event the combined interest of the other non-controlling interest holders falls to 10% or less, that interest shall automatically be converted to a 1.5% net smelter royalty.

EAMC also retained a 1.5% net smelter royalty on the Company's interest in each of PTGMR and PTLMR in exchange for \$100,000.

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(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 7. Exploration and evaluation assets (cont'd)

### Barisan I and Barisan II (cont'd)

The Indonesian New Mining Law established in 2009 allows for the granting of permits through the issuance of a mining license, known as an Ijin Usaha Petambangan or "IUP". The IUP's are granted in two stages, namely the Exploration IUP and the Operation Production IUP. Exploration IUPs are exploration licenses, which allow their holders the right to conduct mineral exploration on the ground they cover, subject to other relevant permits, government and local approvals, if applicable. Exploration IUPs are granted for up to a total period of eight years, covering one year for general surveys, three years for exploration, extendable for one year, with a maximum extension of twice the respective extension period, and one year for a feasibility study, extendable for one year, following which they must either be relinquished or upgraded to Production-Operation IUPs.

According to Indonesian Forestry Laws, any company wishing to explore or exploit in forest designated areas must apply for and receive a forestry borrow-use permit. The Company's main areas of interest are located both within forest designated areas and outside forest designated areas. Current activities are solely being conducted in non-forest designated areas until appropriate forestry borrow-use permits are obtained. Exploration forestry borrow-use permits are generally valid for a period of two years after which a new application must be submitted. In addition, the Government of Indonesia extended a two year moratorium until May 2017 related to the issuance of new forestry borrow-use permits related to areas designated as primary forest. The Company's main areas of interest are located both within primary forest and outside of primary forest.

Due in part to the complexity, nature and location of the Company's operations, various social, political, environmental, land title, legal, permitting and tax matters are outstanding from time to time. New permits or permit renewal requests are subject to an applications process under existing Indonesia Government mining and forestry permit rules and regulations that have been changing and evolving in recent years.

On December 24, 2012, the Company received extension until December 28, 2014 to the Exploration IUPs for Linge. The Exploration IUP for Linge has been suspended since July 18, 2013 and, as such, the timetable under the extension has been frozen until the suspension is lifted. On November 25, 2016, a request has been filed to extend the Exploration IUPs for Linge for additional two years.

On February 20, 2013, the Company received an extension until March 5, 2015 to the Exploration IUP for Gayo. The Exploration IUP for Gayo has been suspended since September 15, 2014 and, as such, the timetable under the extension has been frozen until the suspension is lifted. On March 2, 2016, a request has been filed to extend the Exploration IUPs for Gayo for additional three years. The Gayo IUP contains the Upper Tengkereng, Lower Tengkereng, Upper Ise-Ise and Sekeulen gold-copper porphyry prospects.

Upon expiry of the Exploration IUP's, the Company must either convert the IUP's to Operations Production IUP's, request an extension of the Exploration IUP's or suspend the Exploration IUP's.



# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 7. Exploration and evaluation assets (cont'd)

### Barisan I and Barisan II (cont'd)

On October 2, 2015, the Company entered into a preliminary agreement to jointly advance the Company's Indonesian properties. Under the terms of the agreement, the Company was to grant an 80% equity interest in both Barisan I and Barisan II, with the Company maintaining a 20% equity interest.

During the year ended August 31, 2015, as a result of the preliminary agreement, the Company wrote-down its interest in the Linge and Gayo properties to reflect the estimated recoverable amount determined by the anticipated cash proceeds from the sale of the 80% interest in the Indonesian properties.

During the year ended August 31, 2016, the terms of the preliminary agreement have not been fulfilled. Furthermore, the Company has applied but has not been granted extensions for Exploration IUPs for Linge and Gayo. Given the uncertainty regarding the Company's request for extension of the Exploration IUPs, the Company has written-off Linge and Gayo to the statement of loss.

### Takengon

The Company previously held a 75% equity interest in Takengon. On June 27, 2014, the Company completed a sale with a private Indonesian company whereby the private Indonesian company agreed to purchase the Company's interest. The Company received total proceeds of 7,289,517,168 Rupiah (\$675,738 CAD). A final 1,000,000,000 Rupiah (\$93,100 CAD) was payable one year after closing and was determined to be uncollectible during the year ended August 31, 2015.

## 8. Trade payables and accrued liabilities

Trade payables and accrued liabilities consist of the following:

	August 31, 2016	August 31, 2015
Trade payables (note 12)	\$ 826,063	\$ 790,455
Accrued liabilities	892,452	435,985
	\$ 1,718,515	\$ 1,226,440

## 9. Share capital

### a) Authorized share capital:

Unlimited number of voting common shares without par value.

### Issued share capital:

As at August 31, 2016, the issued and outstanding share capital is comprised of 70,161,183 (2015 - 45,161,183) common shares.

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 9. Share capital (cont'd)

### a) Authorized share capital (cont'd):

#### *Private placement*

- i) On November 3, 2015, the Company completed a non-brokered private placement of at 25,000,000 units at a price of \$0.02 per unit for gross proceeds of \$500,000. Each unit consists of one common share and one non-transferable common share purchase warrant. Each common share purchase warrant will be exercisable for one common share at a price of \$0.05 per common share for a period of two years, expiring on November 3, 2017. In connection with this private placement, the Company paid a finders' fee of \$24,993 and legal fees of \$8,469 for net proceeds after issuance costs of \$466,538.
- ii) On April 6, 2015, the Company completed a non-brokered private placement of 4,339,997 units at \$0.06 for gross proceeds of \$260,400. Each unit consists of one common share of the Company and one share purchase warrant at the exercise price of \$0.075 per common share for a period of two years, expiring on April 6, 2017.

#### *Other share issuance*

- iii) On October 15, 2014, the Company issued 100,000 shares for stock options exercised for a total consideration of \$10,000. Accordingly, \$7,320 was reallocated from reserves to share capital.

### b) Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

	August 31, 2016		August 31, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the year	4,339,997	\$ 0.075	-	\$ -
Issued	25,000,000	0.05	4,339,997	0.075
Warrants, end of the year	29,339,997	\$ 0.054	4,339,997	\$ 0.075

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## 10. Share-based payments

### a) Stock options

The Company adopted a stock option plan (the "Option Plan") for its officers, directors, employees, consultants and other persons entitling it to grant stock options approved by the Compensation Committee of the Board of Directors from time to time. Under the Option Plan, the Board of Directors may grant up to 20% of the number of common shares issued and outstanding. On this basis, the Option Plan shall be operated as a fixed plan.

The changes in options are as follows:

	Year ended August 31, 2016		Year ended August 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of the year	4,852,500	\$ 0.14	5,087,500	\$ 0.34
Granted	-	-	2,262,500	0.09
Exercised	-	-	(100,000)	0.10
Expired	(300,000)	0.55	-	-
Cancelled	(1,160,000)	0.11	(2,397,500)	0.51
Options outstanding, end of the year	3,392,500	\$ 0.12	4,852,500	\$ 0.14
Options exercisable, end of the year	3,392,500	\$ 0.12	3,721,250	\$ 0.16

During the year ended August 31, 2016, there were no stock options granted or exercised.

During the year ended August 31, 2015:

- i) On September 2, 2014, the Company granted 300,000 stock options at an exercise price of \$0.165 per common share exercisable on or before September 2, 2019.
- ii) On February 13, 2015, the Company received TSX Venture Exchange approval to cancel options granted in August 2011. The Company then re-issued 1,962,500 stock options at an exercise price of \$0.075 per common share exercisable on or before February 13, 2020.

These stock options granted vest equally in semi-annual tranches, starting six months from the date of grant.

The stock options outstanding and exercisable at August 31, 2016 are as follows:

Number of options - outstanding	Number of options - exercisable	Exercise price	Expiry date
900,000	900,000	\$ 0.165	June 18, 2017
335,000	335,000	0.10	July 18, 2018
150,000	150,000	0.20	February 24, 2019
50,000	50,000	0.14	June 12, 2019
355,000	335,000	0.135	July 22, 2019
300,000	300,000	0.165	September 2, 2019
1,302,500	1,302,500	0.075	March 13, 2020
3,392,500	3,392,500		

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 10. Share-based payments (cont'd)

### b) Share-based payments

The total share-based payments recognized on the options vested during year ended August 31, 2016, under the fair value method, was \$35,527 (2015 - \$229,919). Share-based payment expense of \$35,527 (2015 - \$229,919) was recognized in the statement of comprehensive loss.

The following weighted average assumptions were used for the Black-Scholes Option Pricing Model valuation of stock options granted for the years ended August 31:

	Year ended August 31, 2016	Year ended August 31, 2015
Risk-free interest rate	-	1.16%
Expected life of options	-	5 years
Annualized volatility	-	164.54%
Dividend rate	-	0.00%
Weighted average fair value per option	-	\$0.09

Estimates of future volatility used in the model are based upon historical price observations.

### c) Reserves

The reserves account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be reallocated to share capital.

## 11. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2016 was based on the loss attributable to common shareholders of \$1,250,423 (2015 - \$18,819,849) and the weighted average number of common shares outstanding of 65,709,128 (2015 - 43,103,120).

Diluted loss per share did not include the effect of 3,392,500 stock options and 29,339,997 share purchase warrants as the effect would be anti-dilutive.

# BARISAN GOLD CORPORATION

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Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

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## 12. Related party transactions

The compensation of key management personnel and related parties were as follows:

	Year ended August 31, 2016	Year ended August 31, 2015
Fees and short-term benefits - management	\$ 331,250	\$ 445,715
Fees and short-term benefits - directors	52,000	72,000
Share-based payments	27,682	174,006
	\$ 410,932	\$ 691,721

Related party balances

Included in trade payable and accrued liabilities at August 31, 2016 is \$682,759 (2015 - \$302,311) which is \$626,759 due to officers or companies controlled by officers of the Company and \$56,000 (2015 - \$24,000) due to directors of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

## 13. Financial instruments

As at August 31, 2016, the carrying values of cash, receivables, and trade payables approximate their fair values due to their short terms to maturity.

### Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company has limited the exposure to credit risk by only depositing its cash with high credit quality financial institutions, which are available on demand by the Company for its programs. The Company's secondary exposure to risk is on its receivables. The Company has the ability to require the sale of equipment to recover the Loan (note 6).

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company has ensured, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash.

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(Expressed in Canadian dollars)

Year ended August 31, 2016

## 13. Financial instruments (cont'd)

### *Liquidity risk (cont'd)*

Historically, the Company's primary source of financing has been the issuance of equity securities for cash, through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing.

As of August 31, 2016, the Company had no significant contractual obligations other than those included in trade payables and accrued liabilities as disclosed in note 8.

### *Interest and foreign exchange risk*

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At August 31, 2016, the Company was not exposed to significant interest rate risk.

The Company has historically had significant operating expenditures which are denominated in United States dollars ("USD") and Indonesian Rupiah ("IDR"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities.

### *Financial assets:*

The Canadian dollar equivalent of the amounts denominated in foreign currencies are as follows:

<b>August 31, 2016</b>		<b>USD</b>		<b>IDR</b>		<b>Total</b>
Cash	\$	4,891	\$	124	\$	5,015
Receivables	\$	-	\$	196,979	\$	196,979

  

<b>August 31, 2015</b>		<b>USD</b>		<b>IDR</b>		<b>Total</b>
Cash	\$	6,491	\$	374	\$	6,865
Receivables	\$	-	\$	199,620	\$	199,620

### *Financial liabilities:*

The exposure of the Company's financial liabilities to currency risk are as follows:

<b>August 31, 2016</b>		<b>USD</b>		<b>IDR</b>		<b>Total</b>
Trade payables and accrued liabilities	\$	635,975	\$	103,068	\$	739,043

  

<b>August 31, 2015</b>		<b>USD</b>		<b>IDR</b>		<b>Total</b>
Trade payables and accrued liabilities	\$	641,284	\$	264,241	\$	905,525

# BARISAN GOLD CORPORATION

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Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended August 31, 2016

## 13. Financial instruments (cont'd)

### *Sensitivity analysis:*

The Company is exposed to foreign currency risk on fluctuations related to cash, trade payables that are denominated in USD and IDR. As at August 31, 2016, net liabilities totaling \$537,049 (2015 - \$699,040) were held in USD and IDR. Based on the above net exposure as at August 31, 2016 and assuming all other variables remain constant, a 2% depreciation or appreciation of the USD and IDR against the Canadian dollar would result in an increase or decrease of approximately \$11,000 (2015 - \$14,000) in the Company's loss and comprehensive loss.

## 14. Income taxes

The actual income tax provision differs from the expected amounts calculated by applying the Canadian and Indonesian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. A reconciliation of income taxes at statutory rates with the reported income tax expense is as follows:

	Year Ended August 31, 2016	Year Ended August 31, 2015
Loss before income taxes	\$1,250,423	\$ 18,819,849
Corporate tax rate	26.00%	26.00%
Expected income tax recovery at statutory rates	(325,110)	(4,893,161)
Difference in foreign tax rates	-	178,126
Non-taxable income and expenses	9,802	53,829
Deferred tax assets not recognized	315,308	4,661,206
Total income tax expense	\$ -	\$ -

Deferred tax assets have not been recognized in respect of the following items:

	August 31, 2016	August 31, 2015
Deferred income tax assets (liabilities):		
Non-capital loss carry forwards	\$ 2,259,627	\$ 2,040,249
Capital loss carry forward	311,694	311,694
Exploration and evaluation assets	4,228,068	3,941,400
Other	12,960	10,760
Total deferred income tax assets	6,812,349	6,304,103
Valuation allowance	(6,812,349)	(6,304,103)
Net deferred income tax liability	\$ -	\$ -

As at August 31, 2016, the Company had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which the Company can utilize the benefits. The Company has non-capital losses for Indonesian income tax purposes of approximately \$4,063,848 which may be carried forward and applied against taxable income in future years. These losses, if unutilized, will expire through to 2020. The Company has non-capital losses for Canadian tax purposes of approximately \$4,627,026 which may be carried forward. These losses, if unutilized, will expire through 2036. The Company has equipment tax pools of approximately \$10,174, share issuance costs of \$39,674, and net capital loss tax pools of approximately \$1,198,823, which do not expire.

# BARISAN GOLD CORPORATION

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(Expressed in Canadian dollars)

Year ended August 31, 2016

## 15. Supplemental disclosure with respect to cash flows

	Year ended August 31, 2016	Year ended August 31, 2015
Cash received from income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

There were no significant non-cash financing and investing transactions during the year ended August 31, 2016.

Significant non-cash financing and investing transactions during the year ended August 31, 2015 were as follows:

- a) Included in exploration and evaluation assets is \$603,717 which is included in trade payables and accrued liabilities; and
- b) Reallocated \$7,320 from reserves to share capital.

## 16. Proposed acquisition

The Company announced that it entered into an Agreement (the "Agreement") with DG Resource Management ("DGRM") to acquire 100% interest in the Railroad Valley Lithium Property located in Nevada, and the Black Canyon Lithium Property located in Arizona.

Under the terms of the agreement, the Company will pay \$100,000 in cash and issue 20,668,617 (pre-consolidation) common shares to DGRM in exchange for a 100% equity interest in both the Railroad Valley and Black Canyon properties. DGRM will retain a 2% Net Smelter Royalty on each property. On execution of the Agreement, the Company paid a non-refundable deposit of \$25,000 to DGRM.

In association with this transaction, the Company will undertake a number of organizational changes. These are anticipated to include a change of Company name, a change of Officers and Directors, a consolidation of shares of the Company, and the placement of all Indonesian assets to an independent trust which will seek to maximize the value of such assets to the benefit of Company and its other stakeholders.

## 17. Subsequent events

- 1) The Company announced that it will issue 2,214,380 (pre-consolidation) common shares to certain directors and officers at \$0.05 per share (pre-consolidation) for the settlement of \$110,719 of Company expenses and debt incurred over the past 2 years and 10,331,990 (pre-consolidation) common shares to Indonesia Exploration Ltd. at \$0.05 per share (pre-consolidation) for the settlement of \$516,600 of payables.
- 2) Shareholders approved the consolidation of the Company's issued and outstanding common shares on the basis of one post-consolidation common share for every five pre-consolidation common shares.