Consolidated Financial Statements
(Expressed in Canadian dollars)

BARISAN
GOLD CORPORATION

(An Exploration Stage Company)

August 31, 2015

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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, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in shareholders' equity (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, 2015 and 2014, 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 29, 2015

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| | | August 31, 2015 | | August 31, 2014 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash | $ | 41,523 | $ | 742,081 |
| Receivables | | 1,131 | | 99,054 |
| Prepaids and advances | | 12,751 | | 43,632 |
| | | 55,405 | | 884,767 |
| Non-current assets | | | | |
| Receivable (note 6) | | 199,620 | | 209,416 |
| Exploration and evaluation assets (note 7) | | 496,200 | | 17,156,750 |
| | | 695,820 | | 17,366,166 |
| **Total assets** | $ | 751,225 | $ | 18,250,933 |
| **Liabilities and Shareholders' Equity (Deficit)** | | | | |
| Current liabilities | | | | |
| Trade payables and accrued liabilities (note 8) | $ | 1,226,440 | $ | 406,618 |
| Shareholders' equity (deficit) | | | | |
| Share capital (note 9) | | 24,988,881 | | 24,711,161 |
| Reserves (note 10) | | 1,797,983 | | 1,575,384 |
| Deficit | | (27,262,079) | | (8,442,230) |
| | | (475,215) | | 17,844,315 |
| **Total liabilities and shareholders' equity (deficit)** | $ | 751,225 | $ | 18,250,933 |

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

**Subsequent event** (note 16)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

*"Lionel Martin"* Director    *"Alex Granger"* Director

## BARISAN GOLD CORPORATION

(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

| | Year ended August 31, 2015 | Year ended August 31, 2014 |
|---|---|---|
| **Expenses** | | |
| General and administrative expenses | | |
| Consulting and other fees | $ 83,686 | $ 85,526 |
| Directors fees (note 12) | 72,000 | 72,000 |
| Depreciation | - | 4,132 |
| Foreign exchange loss (gain) | 12,262 | (38,019) |
| Investor relations | 14,200 | 111,896 |
| Management fees (note 12) | 445,715 | 367,133 |
| Office and administration | 59,516 | 414,901 |
| Professional fees | 40,692 | 102,659 |
| Rent | 88,372 | 94,783 |
| Share-based payments (notes 10 and 12) | 229,919 | 59,101 |
| Transfer agent and regulatory fees | 21,037 | 22,660 |
| Travel and accommodation | 46,186 | 160,596 |
| | 1,113,585 | 1,457,368 |
| **Other items** | | |
| Interest income | 1,224 | 20,385 |
| Loss on sale of Takengon (note 7) | - | (116,441) |
| Write-off of trade payables | 115,985 | - |
| Write-off of receivable (note 6) | (93,100) | - |
| Write-down of exploration and evaluation assets (note 7) | (17,730,373) | - |
| | (17,706,264) | (96,056) |
| Comprehensive loss for the year | $ (18,819,849) | $ (1,553,424) |
| Basic and diluted loss per common share (note 11) | $ (0.44) | $ (0.04) |
| Weighted average number of common shares | 43,103,120 | 40,717,309 |

See accompanying notes to consolidated financial statements.

# BARISAN GOLD CORPORATION

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian dollars)

| | Number of shares | Share capital | Reserves | Deficit | Shareholders' equity (deficit) |
|---|---|---|---|---|---|
| **Balance, August 31, 2013** | 40,706,186 | $ 24,707,186 | $ 1,511,395 | $ (6,888,806) | $ 19,329,775 |
| Exercise of stock options (note 9) | 15,000 | 3,975 | (1,500) | - | 2,475 |
| Share-based payments (note 10) | - | - | 65,489 | - | 65,489 |
| Loss for the year | - | - | - | (1,553,424) | (1,553,424) |
| **Balance, August 31, 2014** | 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) |
| **Balance, August 31, 2015** | 45,161,183 | $ 24,988,881 | $ 1,797,983 | $ (27,262,079) | $ (475,215) |

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, 2015 | Year ended August 31, 2014 |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net loss for the year | $ (18,819,849) | $ (1,553,424) |
| Items not involving cash: | | |
| Depreciation | - | 4,132 |
| Share-based payments | 229,919 | 59,101 |
| Write-down of exploration and evaluation assets | 17,730,373 | - |
| Write-off of receivable | 93,100 | - |
| Write-off of trade payables | (115,985) | - |
| Loss on sale of Takengon | - | 116,441 |
| Changes in non-cash working capital: | | |
| Receivables | 4,823 | (3,879) |
| Prepaids and advances | 30,881 | (7,555) |
| Trade payables and accrued liabilities | 332,090 | 49,321 |
| | (514,648) | (1,335,863) |
| **Investing activities** | | |
| Receivables – non-current | 9,796 | 122,074 |
| Expenditures on exploration and evaluation assets | (466,106) | (2,483,466) |
| Proceeds from sale of Takengon | - | 675,738 |
| | (456,310) | (1,685,654) |
| **Financing activities** | | |
| Private placement | 260,400 | - |
| Stock options exercised | 10,000 | 2,475 |
| | 270,400 | 2,475 |
| Decrease in cash during the year | (700,558) | (3,019,042) |
| Cash, beginning of the year | 742,081 | 3,761,123 |
| **Cash, end of the year** | $ 41,523 | $ 742,081 |

Supplemental disclosure with respect to cash flows (Note 15)

See accompanying notes to consolidated financial statements.

## 1. Continuance 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 in Indonesia.

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") and 75% of the issued and outstanding shares of PT Takengon Mineral Resources ("PTTMR"). The remaining interest in PTLMR, PTGMR and PTTMR are owned by arm's length Indonesian partners. On June 27, 2014, the Company completed a sale with a private Indonesian company for the Company's 75% equity interest in PTTMR. See note 7.

The Company's exploration and evaluation assets are located in Indonesia and are subject to certain regulatory and forestry permitting issues as described in note 7. The Company also has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. To August 31, 2015, the Company has incurred losses (cumulative losses are $27,262,079) 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 29, 2015.

## 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 and International Financial Reporting Interpretations Committee ("IFRIC") effective as of August 31, 2015.

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.

(Expressed in Canadian dollars)

## 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 2015 | 2014 |
|---|---|---|---|
| PT. Gayo Mineral Resources | Indonesia | 80% | 80% |
| PT. Linge Mineral Resources | Indonesia | 80% | 80% |
| PT. Takengon Mineral Resources* | Indonesia | - | - |

* Sold on June 27, 2014. See note 7.

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, 2015, the Company has not recorded any non-controlling interest.

In addition, the consolidated financial statements of the Company include its wholly-owned Hong Kong subsidiaries, which have been inactive since inception.

All intercompany transactions and balances are eliminated on consolidation.

**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, 2015, 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, 2015, 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.

**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, 2015.

e) Significant accounting estimates and assumptions

The preparation of these consolidated 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 my 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.

**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

**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, 2015 and 2014.

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.

**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 International Accounting Standards Board ("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.

## 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, 2015. The Company is not subject to externally imposed capital requirements.

## 6. Receivables

Current receivables consist of Government taxes receivable at August 31, 2015 of $1,131 (2014 - $5,954). At August 31, 2014, the balance also included a final 1,000,000,000 Rupiah ($93,100 CAD) from the sale of Takengon, which was to be received one year after the closing of the sale (note 8). At August 31, 2015, the Company has determined the balance to be uncollectible and, accordingly, the balance has been written-off.

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 $342,310 (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, 2015, the Loan balance is $199,620 (2014 - $209,416). 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.

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.

(Expressed in Canadian dollars)

## 7. Exploration and evaluation assets

| | | Barisan I (Linge) | | Barisan II (Gayo) | | Takengon | | Total properties |
|---|---|---|---|---|---|---|---|---|
| Balance at August 31, 2013 | $ | 6,823,142 | $ | 7,962,383 | $ | 863,757 | $ | 15,649,282 |
| Expenditures: | | | | | | | | |
| Field costs | | 2,331 | | 399,216 | | 69 | | 401,616 |
| Assay costs | | 567 | | 112,962 | | 132 | | 113,661 |
| Drilling | | - | | 1,255,366 | | - | | 1,255,366 |
| Geology | | 6,459 | | 345,997 | | 2,266 | | 354,722 |
| Technical reports | | - | | 24,235 | | - | | 24,235 |
| Tenement costs | | 48,459 | | 175,633 | | 124,395 | | 348,487 |
| Additions for the year | | 57,816 | | 2,313,409 | | 126,862 | | 2,498,087 |
| Sale of exploration and evaluation asset | | - | | - | | (990,619) | | (990,619) |
| Balance at August 31, 2014 | | 6,880,958 | | 10,275,792 | | - | | 17,156,750 |
| Expenditures: | | | | | | | | |
| Field costs | | 1,091 | | 57,608 | | - | | 58,699 |
| Assay | | 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 |

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.

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

Barisan I and Barisan II (cont'd)
EAMC also retained a 1.5% net smelter royalty on the Company's interest in each of PTGMR, PTLMR and PTTMR in exchange for $150,000.

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.

The Company has investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all rights of ownership are in good standing.

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 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. 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.

(Expressed in Canadian dollars)

## 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 with PT Insignia Adimulia ("PT Insignia") to jointly advance the Company's Indonesian properties. Under the terms of the agreement, PT Insignia will take an 80% equity interest in both Barisan I and Barisan II, with the Company maintaining a 20% equity interest. The Company's 20% equity interest will be fully carried by PT Insignia until the issuance of a mining license at the Company's projects in Indonesia. It will become PT Insignia's sole responsibility to carry exploration activities, feasibility study activities and permitting activities required prior to the application and successful issuance of a mining license. Upon the issuance of the mining license, the Company will have the option to either fund its 20% share or be further diluted to 5%, in which case its 5% equity interest will become free carried.

As a result of the agreement with PT Insignia, the Company has written 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 subsidiaries.

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 75% equity interest in Takengon. 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.

During the year ended August 31, 2013, the Company had impaired the carrying value of the Takengon property, to reflect the expected purchase price. During the year ended August 31, 2014, the Company incurred a further $126,862 in exploration expenditures on the Takengon project. For the year ended August 31, 2014, the Company realized a loss on sale of $116,441 on Takengon, the difference between the carrying value and the proceeds received.

## 8. Trade payables and accrued liabilities

Trade payables and accrued liabilities consist of the following:

| | | **August 31, 2015** | | **August 31, 2014** |
|---|---|---|---|---|
| Trade payables (note 12) | $ | 790,455 | $ | 25,318 |
| Accrued liabilities | | 435,985 | | 345,136 |
| Other payables | | - | | 36,164 |
| | $ | 1,226,440 | $ | 406,618 |

## 9. Share capital

a) Authorized share capital:

Unlimited number of voting common shares without par value.

Issued share capital:

As at August 31, 2015, the issued and outstanding share capital is comprised of 45,161,183 (2014 - 40,721,186) common shares.

***Private placement***

i) On April 6, 2015, the Company completed a non-brokered private placement of 4,339,997 units at $0.06. 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***

ii) 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.

iii) During the year ended August 31, 2014, 15,000 stock options were exercised for proceeds of $2,475. Accordingly, $1,500 was reallocated from reserves to share capital.

b) Warrants:

As of August 31, 2015, there were 4,339,997 share purchase warrants outstanding (2014 - nil), at the exercise price of $0.075 per common share, expiring on April 6, 2017.

(Expressed in Canadian dollars)

## 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, 2015 | | Year ended August 31, 2014 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Options outstanding, beginning of the year | 5,087,500 | $ 0.34 | 4,654,500 | $ 0.37 |
| Granted | 2,262,500 | 0.09 | 950,000 | 0.14 |
| Exercised | (100,000) | 0.10 | (15,000) | 0.17 |
| Cancelled | (2,397,500) | 0.51 | (502,000) | 0.40 |
| Options outstanding, end of the year | 4,852,500 | $ 0.14 | 5,087,500 | $ 0.34 |
| Options exercisable, end of the year | 3,721,250 | $ 0.16 | 4,312,500 | $ 0.37 |

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.

(Expressed in Canadian dollars)

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

a) Stock options (cont'd)

The stock options outstanding and exercisable at August 31, 2015 are as follows:

| Number of options - outstanding | Number of options - exercisable | Exercise price | Expiry date |
|---|---|---|---|
| 300,000 | 300,000 | $0.55 | August 16, 2016 |
| 1,190,000 | 1,190,000 | 0.165 | June 18, 2017 |
| 440,000 | 440,000 | 0.1 | July 18, 2018 |
| 150,000 | 150,000 | 0.2 | February 24, 2019 |
| 50,000 | 50,000 | 0.14 | June 12, 2019 |
| 460,000 | 460,000 | 0.135 | July 22, 2019 |
| 300,000 | 150,000 | 0.165 | September 2, 2019 |
| 1,962,500 | 981,250 | 0.075 | February 13, 2020 |
| 4,852,500 | 3,721,250 | | |

b) Share-based payments

The total share-based payments recognized on the options vested during year ended August 31, 2015, under the fair value method, was $229,919 (2014 - $65,489). Share-based payment expense of $229,919 (2014 - $59,101) was recognized in the statement of comprehensive loss and $nil (2014 - $6,388) was recorded in exploration and evaluation assets.

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, 2015 | Year ended August 31, 2014 |
|---|---|---|
| Risk-free interest rate | 1.16% | 1.05% |
| Expected life of options | 5 years | 3 years |
| Annualized volatility | 164.54% | 157.13% |
| Dividend rate | 0.00% | 0.00% |
| Weighted average fair value per option | $0.09 | $0.14 |

Estimates of future volatility used in the model are based upon historical price observations. As the Company has a limited share price trading history, it estimates volatility using comparable company price inputs.

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.

(Expressed in Canadian dollars)

## 11. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2015 was based on the loss attributable to common shareholders of $18,819,849 (2014 - $1,553,424) and the weighted average number of common shares outstanding of 43,103,120 (2014 - 40,717,309).

Diluted loss per share did not include the effect of 4,852,500 stock options and 4,339,997 share purchase warrants as the effect would be anti-dilutive.

## 12. Related party transactions

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

| | Year ended August 31, 2015 | Year ended August 31, 2014 |
|---|---|---|
| Fees and short-term benefits - management | $ 445,715 | $ 360,359 |
| Fees and short-term benefits - directors | 72,000 | 72,000 |
| Share-based payments | 174,006 | 27,431 |
| | $ 691,721 | $ 459,790 |

Related party balances

Included in trade payable and accrued liabilities at August 31, 2015 was $302,311 (2014 - $nil) which was due to officers or companies controlled by officers of the Company and $24,000 (2014 - $nil) 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, 2015, 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.

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, 2015, the Company had no significant contractual obligations other than those included in trade payables and accrued liabilities as disclosed in note 8.

**13. Financial instruments (cont'd)**

*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, 2015, the Company was not exposed to significant interest rate risk.

The Company has 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. The Company is principally engaged in the acquisition, exploration and development of exploration and evaluation assets in Indonesia.

*Financial assets:*

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

| **August 31, 2015** | | **USD** | | **IDR** | | **Total** |
|---|---|---|---|---|---|---|
| Cash | $ | 6,491 | $ | 374 | $ | 6,865 |

| August 31, 2014 | | **USD** | | **IDR** | | **Total** |
|---|---|---|---|---|---|---|
| Cash | $ | 76,489 | $ | 402,169 | $ | 478,658 |

*Financial liabilities:*

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

| **August 31, 2015** | | **USD** | | **IDR** | | **Total** |
|---|---|---|---|---|---|---|
| Trade payables and accrued liabilities | $ | 641,284 | $ | 264,241 | $ | 905,525 |

| August 31, 2014 | | **USD** | | **IDR** | | **Total** |
|---|---|---|---|---|---|---|
| Trade payables and accrued liabilities | $ | 15,398 | $ | 896 | $ | 16,294 |

*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, 2015, net liabilities totaling $898,660 (2014 - $462,364) were held in USD and IDR. Based on the above net exposure as at August 31, 2015 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 $18,000 (2014 - $9,200) in the Company's loss and comprehensive loss.

(Expressed in Canadian dollars)

## 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, 2015 | Year Ended August 31, 2014 |
|---|---|---|
| Loss before income taxes | $ 18,819,849 | $ 1,553,424 |
| Corporate tax rate | 26.00% | 26.56% |
| Expected income tax recovery at statutory rates | (4,893,161) | (412,625) |
| Difference in foreign tax rates | 178,126 | 8,735 |
| Non-taxable income and expenses | 53,829 | (324,598) |
| Deferred tax assets not recognized | 4,661,206 | 737,223 |
| Total income tax expense | $ - | $ - |

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

| | August 31, 2015 | August 31, 2014 |
|---|---|---|
| Deferred income tax assets (liabilities): | | |
| Non-capital loss carry forwards | $ 2,040,249 | $ 1,811,636 |
| Capital loss carry forward | 311,694 | 311,694 |
| Exploration and evaluation assets | 3,941,400 | (491,193) |
| Other | 10,760 | 10,760 |
| Total deferred income tax assets | 6,304,103 | 1,642,897 |
| Valuation allowance | (6,304,103) | (1,642,897) |
| Net deferred income tax liability | $ - | $ - |

As at August 31, 2015, 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 $3,528,423 which may be carried forward and applied against taxable income in future years. These losses, if unutilized, will expire through to 2019. The Company has non-capital losses for Canadian tax purposes of approximately $4,454,395 which may be carried forward. These losses, if unutilized, will expire through 2035. The Company has equipment tax pools of approximately $10,174, share issuance costs of $31,206, and net capital loss tax pools of approximately $1,198,823, which do not expire.

(Expressed in Canadian dollars)

## 15. Supplemental disclosure with respect to cash flows

| | Year ended August 31, 2015 | Year ended August 31, 2014 |
|---|---|---|
| Cash received from income taxes | $ - | $ - |
| Cash paid for interest | $ - | $ - |

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 (note 9).

Significant non-cash financing and investing transactions during the year ended August 31, 2014 were as follows:

a) Included in exploration and evaluation assets is $8,233 which is included in trade payables and accrued liabilities;

b) Included in exploration and evaluation assets are share-based payments of $6,388;

c) Reallocated $1,500 from reserves to share capital; and

d) Reallocated $105,340 from deposit held in trust.

## 16. Subsequent event

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. Each unit will consist 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 from the date of issue.