Damara Gold Corp.

An Exploration Stage Company

Condensed Consolidated Interim Financial Statements (un-audited)

October 31, 2016

Expressed in Canadian Dollars

DAMARA GOLD CORP.
An Exploration Stage Company
Three Months ended October 31, 2016
(Expressed in Canadian Dollars)

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NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

For further information please contact:

Lawrence Nagy, CEO or

Terese Gieselman, CFO

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DAMARA GOLD CORP.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at October 31, 2016 and July 31, 2016
Expressed in Canadian Dollars

	Note		October 31 2016		July 31 2016
ASSETS					
Current					
Cash and cash equivalents		$	**41,445**	$	64,538
Available-for-sale-investment	5,6		**308,346**		308,346
Taxes recoverable			**131**		1,520
Total Assets		$	**349,922**	$	374,404
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)					
Current					
Trade and other payables	7		**147,470**		147,163
Loans payable	8		**225,000**		225,000
Total current liabilities			**372,470**		372,163
Shareholders' Deficiency					
Share Capital	9		**31,023,672**		31,023,672
Contributed surplus	10		**1,419,262**		1,419,262
Accumulated comprehensive income	5		**66,856**		66,856
Deficit			**(32,532,338)**		(32,507,549)
Total Shareholders' Equity (Deficiency)			**(22,548)**		2,241
Total Liabilities and Shareholders' Equity (Deficiency)		$	**349,922**	$	374,404

Approved on behalf of the Board of Directors by:

/s/ Lawrence Nagy
Lawrence Nagy, Director

/s/ William Yeoman
William Yeoman, Director

See notes to consolidated financial statements.

DAMARA GOLD CORP.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (un-audited)
For the three months ended October 31, 2016 and October 31, 2015
Expressed in Canadian Dollars

	Note		2016		2015
Expenses					
Administrative and general	11,12	$	**16,282**	$	23,327
Interest on loans payable	8		**8,508**		20,227
Total expenses			**(24,790)**		(43,555)
Net loss and comprehensive loss for the period			**(24,790)**		(43,555)
Loss per share for the period - Basic and Diluted		$	**(0.00)**	$	(0.01)

See notes to consolidated financial statements.

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (un-au

For the three months ended October 31, 2016 and October 31, 2015

Expressed in Canadian Dollars

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance July 31, 2015	5,688,499	$ 30,474,458	$ 1,327,794	$-	$ (32,260,493)	$ (458,242)
Net loss for the period	-	-	-	-	(43,555)	(43,555)
Balance October 31, 2015	5,688,499	$ 30,474,458	$ 1,327,794	$-	$ (32,304,048)	$ (501,797)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance July 31, 2016	17,025,256	$ 31,023,672	$ 1,419,262	$ 66,856	$ (32,507,549)	$ 2,241
Net loss for the period	-	-	-	-	**(24,790)**	**(24,790)**
Balance October 31, 2016	**17,025,256**	**$ 31,023,672**	**$ 1,419,262**	**$ 66,856**	**$(32,532,338)**	**$ (22,548)**

See notes to consolidated financial statements.

DAMARA GOLD CORP.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (un-audited)
For the three months ended October 31, 2016 and October 31, 2015
Expressed in Canadian Dollars

		2016		2015
OPERATING ACTIVITIES				
Net (loss) for the period	$	**(24,790)**	$	(43,555)
Items not affecting cash				
Changes in non-cash working capital				
Taxes recoverable		**1,389**		1,260
Prepaid expenses and advances		-		-
Trade and other payables		**307**		54,729
Cash used in operating activities		**(23,093)**		12,434
Cash Flows From Investing Activities				
Investment in exploration and evaluation assets		-		(19,591)
Total cash provided (used) in investing activities		-		(19,591)
Increase (decrease) in cash during the period		**(23,093)**		(7,157)
Cash and cash equivalents beginning of period		**64,538**		22,758
Cash and cash equivalents end of period	$	**41,445**	$	15,601

Supplemental Disclosure with Respect to Cash Flows (Note 16)

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS

Damara Gold Corp. ("Damara" or the "Company") was incorporated on August 1, 1989 under the *Business Corporations Act* of British Columbia. On September 30, 2014, the Company changed its name to Damara Gold Corp. Effective October 1, 2014 the Company commenced trading on the TSX Venture Exchange (the "Exchange") under the symbol "DMR" as a Tier 2 issuer.

The Company is in the business of exploring and developing mineral property interests with a focus in Namibia. The Company has not earned significant revenues from its mineral property interests and is considered to be in the exploration stage. The Company's corporate head office is at Suite 110 - 2300 Carrington Road, West Kelowna, British Columbia V4T 2N6.

2. BASIS OF PREPARATION AND GOING CONCERN

These condensed interim consolidated financial statements for the three month period ended October 31, 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2014 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's 2015 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from August 1, 2016 and income tax expense which is expected for the full financial year.

The preparation of condensed interim consolidated financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the Company's 2016 annual financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 27th 2016.

The consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency.

Going Concern

The Company has not yet achieved profitable operations. These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company had a net loss of $24,790 for the period ended October 31, 2016 (July 31, 2016 - $247,056) and has accumulated a deficit of $332,532,338 (July 31, 2016 - $32,507,549) since inception. These conditions indicate the existence of material uncertainty, which casts significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

No adjustments to the carrying values of the assets and liabilities have been made in these consolidated financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These consolidated financial statements include the accounts of:

	% of ownership	Jurisdiction	Principal Activity
Avasca Inc.	100	British Columbia	Dormant
Valhalla Minerals U.S. Inc.	100	Delaware	Dormant

All significant intercompany balances and transactions have been eliminated on consolidation.

Future Accounting Pronouncements

The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company is currently assessing the impact of the standards on the consolidated financial statements.

IFRS 9 *Financial Instruments*

Issued by the IASB July, 2014
Effective for annual periods beginning on or after August 1, 2018

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.
- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity’s own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Future Accounting Pronouncements (cont'd)

- *Derecognition:*
  The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Issued by the IASB May, 2014
Effective for annual periods beginning on or after August 1, 2016

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IFRS 16 *Leases*

Issued by the IASB January, 2016
Effective for annual periods beginning on or after August 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:
- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

There have been no material revisions to the nature of judgements and amount of changes in estimates of amount reported in the Company's 2015 annual financial statements.

5. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments consist of an investment in 9,039,560 common shares of Osino Resources Corp. ("Osino"). The fair value of the available-for-sale investments as at October 31, 2016 has been determined by seed financing, an observable market transaction valuation, with third parties of $0.034 per share, a Level 2 valuation.

7. TRADE AND OTHER PAYABLES

		October 31 2016		July 31 2016
Trade payables	$	**107,572**	$	123,456
Due to related parties		**39,898**		23,705
Total	$	**147,470**	$	147,161

During the year ended July 31, 2016, $319,729 of trade payables and amounts due to related parties was settled by issuing 3,438,748 units at an estimated fair value of $0.05 per unit (the "DS Units"). This is discussed further in Note 9.

8. LOANS PAYABLE

Related Party Loans

As at October 31, 2016, $225,000 (July 31, 2016 - $225,000) was advanced from Colorado Resources Ltd. ("Colorado"), which has two common directors, Larry Nagy and William Lindqvist, in connection with the Company's former Namibia project. The loan is interest-bearing (15% per annum) and $50,322 (2015 - $57,925) of interest expense is currently due and included in trade payables. The parties are working to settle the outstanding debt and interest amount. Included in trade payables is interest payable of $58,829 (July 31, 2016 - $50,322) related to these loans.

9. SHARE CAPITAL

(a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

(b) Common Shares

During the period ended October 31, 2016 there were no share issuances.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (cont'd)

(b) Common Shares (cont'd)

During the year ended July 31, 2016:

On January 18, 2016 the Company, pursuant to non-brokered private placement issued 1,475,000 units in the capital of the Company ("Units") at an issue price of $0.05 per unit, for gross proceeds of $73,750 (the "Offering"). Each Unit consists of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (each a "Warrant"), with each Warrant entitling the holder thereof to acquire an additional Common Share at an exercise price of $0.15 until January 18, 2021. The Warrant terms will contain an acceleration provision such that if, commencing on May 19, 2016 the closing price of the Common Shares on the Exchange is higher than $0.25 for 20 consecutive trading days then on the twentieth consecutive trading day (the "Acceleration Trigger Date") the expiry date of the Warrants may be accelerated to the date that is 30 days after the Acceleration Trigger Date (the "Accelerated Expiry Date") by the issuance of a news release announcing such Accelerated Expiry Date. All of the Units issued in connection with the Offering and Common Shares issued on exercise of the Warrants will be subject to a restricted resale period that expires May 19, 2016.

(c) Share Purchase Warrants

The following is a summary of changes in warrants from August 1, 2015 to October 31, 2016:

	Number of Warrants Outstanding	Exercise Price	Weighted Average Exercise Price
Balance, July 31, 2015	-	-	-
Granted	5,957,351	$0.15	$0.15
Balance, July 31, 2016 and October 31, 2016	**5,957,351**	**$0.15**	**$0.15**

As at October 31, 2016, 5,957,351 (July 31, 2016 – 5,957,351) share purchase warrants were outstanding and exercisable with a weighted average remaining contractual life of 4.31 (2016 – 4.56) years. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Expiry Date	Exercise Price	Number of Warrants
January 18, 2021	$0.15	1,475,000
March 2, 2021	$0.15	4,482,351
Total		**5,957,351**

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS

(a) Option Plan Details

The Company has an incentive stock option plan (the "Plan") that allows it to grant share purchase options to its employees, directors, consultants and management company employees. Under the terms of the Plan, the exercise price of each option will not be lower than the lowest exercise price permitted by the Exchange (currently $0.05). The Plan allows for a maximum of 10% of outstanding shares to be issued under the Plan. The Plan is subject to annual shareholder approval.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or management company employee, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of the death of an optionee, the options terminate at the earlier of twelve months after the date of death and the expiration of the option period. Vesting of options is determined by the Board of Directors at the time the options are granted. Options issued to consultants providing investor relations activities must vest in stages over twelve months with no more than one-quarter of the options vesting in any three-month period.

Stock option activity was as follows:

August 1, 2016 to October 31, 2016								
Grant Date	**Expiry Date**	**Exercise Price**	**Opening Balance**	**Granted**	**Expired**	**Closing Balance**	**Vested and Exercisable**	**Unvested**
13-Dec-12	**13-Dec-17**	**$1.00**	**30,000**	**-**	**-**	**30,000**	**30,000**	**-**
27-Jul-16	**27-Jul-21**	**$0.05**	**1,600,000**	**-**	**-**	**1,600,000**	**1,600,000**	**-**
			1,630,000	**-**	**-**	**1,630,000**	**1,630,000**	**-**
Weighted Average Exercise Price			**$0.07**	**-**	**-**	**$0.07**	**$0.07**	**-**
Weighted Average Life Remaining (years)			**4.9**	**-**	**-**	**4.67**	**4.67**	**-**

August 1, 2015 to July 31, 2016								
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	Closing Balance	Vested and Exercisable	Unvested
17-Dec-10	17-Dec-15	$1.65	6,000	-	(6,000)	-	-	-
13-Dec-12	13-Dec-17	$1.00	30,000	-	-	30,000	30,000	-
27-Jul-16	27-Jul-21	$0.05	-	1,600,000	-	1,600,000	1,600,000	-
			36,000	1,600,000	(6,000)	1,630,000	1,630,000	-
Weighted Average Exercise Price			$1.11	$0.05	$1.65	$0.07	$0.07	-
Weighted Average Life Remaining (years)			2	5	-	4.9	4.9	-

(b) Fair Value of Options Issued During the Period

There were no options granted during the period ended October 31, 2016 and October 31, 2015.

(Expressed in Canadian Dollars)

11. ADMINISTRATIVE AND GENERAL EXPENSES

		Three Months Ended October 31	
		2016	2015
Administrative and General Expenses include:	Note		
Accounting and legal		$ 187	$ -
Consulting	11	10,538	16,838
Website, shareholder communication		500	500
Office and administration fees		236	1,023
Regulatory fees		-	-
Rent		2,886	2,886
Transfer agent fees		815	564
Travel		1,122	1,517
		$ 16,283	$ 23,327

12. RELATED PARTY TRANSACTIONS

(a) Key Management Compensation

	October 31 2016	October 31 2015
Key management personnel compensation comprised :		
Consulting fees:	$10,538	$16,838

(i) Consulting fees of $7,500 (2015 - $15,000) were paid and/or accrued to 43983 Yukon Inc. ("43983") a company, controlled by Lawrence Nagy, the Company's Chief Executive Officer.
(ii) Consulting fees of $3 (2015 - $1,683) were paid and/or accrued to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, the Chief Financial Officer of the Company.

(a) Related Party Liabilities

Amounts due to:	Service for:	October 31 2016	July 31 2016
Minco	Consulting Fees	$9,326	$7,769
43983	Consulting Fees	$22,500	$15,000
43983	Expenses	$936	$936
Colorado - common officers	Rent	$7,137	$7,137
Total related party payables		$39,898	$23,705

(Expressed in Canadian Dollars)

13. INCOME TAXES

The Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

Available to		Amount
2026	$	405,000
2027		380,000
2029		828,000
2030		492,000
2031		641,000
2032		481,000
2033		616,000
2034		130,000
2035		333,000
2036		213,000
	$	4,519,000

The Company's tax position is calculated annually and readers are referred to the audited consolidated financial statements for the year ended July 31, 2016 for further details

14. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year.

	October 31 2016	October 31 2015
Loss attributable to ordinary shareholders	($24,790)	($43,555)
Weighted average number of common shares	17,025,256	5,938,486
Basic and diluted loss per share	($0.00)	($0.01)

15. COMMITMENTS

The Company has no commitments as at October 31, 2016.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the period ended October 31, 2016 and October 31, 2015 there were no non-cash transactions recorded.