CRAZY HORSE

RESOURCES INCORPORATED

(An Exploration Stage Company)

Consolidated Financial Statements

For the Year Ended July 31, 2016

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Crazy Horse Resources Inc.

We have audited the accompanying consolidated financial statements of Crazy Horse Resources Inc., which comprise the consolidated statements of financial position as at July 31, 2016 and July 31, 2015, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 consolidated financial position of Crazy Horse Resources Inc. as at July 31, 2016 and July 31, 2015, and its consolidated financial performance and its consolidated 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 describes that Crazy Horse Resources Inc. has no current sources of revenues, has incurred losses in the years ended July 31, 2016 and 2015, and has an accumulated deficit and working capital deficiency at July 31, 2016. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about Crazy Horse Resources Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

November 9, 2016
Vancouver, Canada

Crazy Horse Resources Incorporated
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

CRAZY HORSE RESOURCES INCORPORATED
TSX.V: **CZH**

	Note		**July 31, 2016**		July 31, 2015
Assets					
Current assets					
Cash and cash equivalents		$	**176,789**	$	582,110
Amounts receivable			**7,061**		6,146
Prepaid expenses and deposits			**11,428**		11,054
			195,278		599,310
Mineral property interest	*5*		**-**		3,090,000
Total assets			**195,278**		3,689,310
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities			**58,721**		52,383
Due to related parties	*11*		**262,415**		110,000
Total liabilities			**321,136**		162,383
Shareholders' Equity (Deficiency)					
Share capital	*7*		**60,746,503**		60,746,503
Reserves			**354,000**		7,083,396
Deficit			**(61,226,361)**		(64,302,972)
Total shareholders equity (deficiency)			**(125,858)**		3,526,927
Total liabilities and shareholders' equity		**$**	**195,278**	$	3,689,310

Nature of Operations and Going Concern (Note 1)

Approved on November 9, 2016 by the Board of Directors:

" Devinder Randhawa"

Devinder Randhawa, Director

"Brian Lueck"

Brian Lueck, Director

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

Crazy Horse Resources Incorporated
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

CRAZY HORSE RESOURCES INCORPORATED
TSX.V: **CZH**

	Note	For the years ended July 31, **2016**	2015
General and administrative expenses			
Audit and accounting		**$ 117,368**	$ 95,211
Consulting	*11*	**188,087**	174,404
Depreciation		**-**	5,134
Exploration and evaluation costs	*5(b)*	**173,306**	161,042
Investor relations		**7,686**	35,814
Legal and professional		**33,672**	47,872
Office and administration	*11*	**43,485**	44,291
Foreign exchange gain (loss)		**1,644**	(26,068)
		565,248	537,700
Loss before other items		**(565,248)**	(537,700)
Other income (expense)			
Interest income		**2,463**	5,852
Write down of mineral property interest	*5*	**(3,090,000)**	-
Write-off of property and equipment	*6*	**-**	(32,931)
		(3,087,537)	(27,079)
Net loss and comprehensive loss for the year		**$ (3,652,785)**	$ (564,779)
Basic and diluted loss per common share		**$ (0.08)**	$ (0.01)
Weighted average number of common shares outstanding		**48,586,059**	48,586,059

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

Crazy Horse Resources Incorporated

Consolidated Statements of Changes in Equity

Expressed in Canadian Dollars

TSX.V: **CZH**

	Common Shares									
	Shares		Amount		Share Option Reserves		Warrant Reserves		Deficit	Total
Balance as at July 31, 2014	48,586,059	$	60,746,503	$	6,729,396	$	354,000	$	(63,738,193) $	4,091,706
Net loss and comprehensive loss	-		-		-		-		(564,779)	(564,779)
Balance as at July 31, 2015	48,586,059		60,746,503		6,729,396		354,000		(64,302,972)	3,526,927
Transfer of share option reserve to deficit					(6,729,396)		-		6,729,396	-
Net loss and comprehensive loss	**-**		**-**		**-**		**-**		**(3,652,785)**	**(3,652,785)**
Balance as at July 31, 2016	**48,586,059**	**$**	**60,746,503**	**$**	**-**	**$**	**354,000**	**$**	**(61,226,361) $**	**(125,858)**

Crazy Horse Resoures Incorporated

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

TSX.V: CZH

	Note	For the years ended July 31, 2016	2015
Cash used in operating activities			
Net loss for the year		$ **(3,652,785)**	$ (564,779)
Items not affecting cash:			
Depreciation		**-**	5,134
Write-down of mineral property interest	5	**3,090,000**	-
Write-off of property and equipment	*6*	**-**	32,931
		(562,785)	(526,714)
Changes in non-cash working capital items			
Amounts receivable		**(915)**	21,953
Prepaid expenses and deposits		**(374)**	40,349
Accounts payable and accrued liabilities		**6,338**	(31,835)
Due to related parties	*11*	**152,415**	97,610
Cash used in operating activities		**(405,321)**	(398,637)
Net decrease in cash and cash equivalents		**(405,321)**	(398,637)
Cash and cash equivalents, beginning of the year		**582,110**	980,747
Cash and cash equivalents, end of the year		$ **176,789**	$ 582,110

1. Nature of Operations and Going Concern

Crazy Horse Resources Inc. (the "Company") is incorporated under the Business Corporations Act of British Columbia. The registered office of the Company is 700-595 Howe St., Vancouver, B.C. V6C 2T5. The principal address and records office is 700-1620 Dickson Ave, Kelowna, British Columbia, V1Y 9Y2. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "CZH".

The Company is an exploration stage company and engages principally in the acquisition, exploration and development of resource properties. The Company has yet to determine whether its mineral property interests contain economically viable ore reserves and there is no guarantee that mineral deposits will be discovered in the future. The recoverability of the amounts shown for mineral property interests is dependent upon proving the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production and/or proceeds from the disposition thereof.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions discussed below create a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

At July 31, 2016, the Company had not achieved profitable operations, had an accumulated deficit of $61,226,361 since inception, a working capital deficiency of $125,858, and expects to incur further losses in the development of its business. The Company believes that, based on its cash flow forecasts, its ability to reduce certain expenditures, if required, and continued support from certain related parties, it will be able to continue as a going concern for at least the next twelve months. Management recognizes that the Company will need to obtain additional financial resources in order to meet its planned business objectives. There are no assurances that the Company will be able to obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which values and statement of financial position classifications would differ significantly from the going concern basis.

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") as at July 31, 2016. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 9, 2016.

These consolidated financial statements have been prepared in Canadian dollars on a historical cost basis and unless otherwise noted all figures are in Canadian dollars. These consolidated financial statements include the financial information of the Company and its subsidiaries. The principal subsidiaries of the Company as at July 31, 2016 are as follows:

Name of Subsidiary	Principal Activity	Incorporation	Interest at July 31, 2016
Asian Arc Mining Resources Corp.	Mineral Exploration	Philippines	100%
Crazy Horse Resources (BVI) Holdings Inc.	Holding Company	British Virgin Islands	100%
Crazy Horse Resources (BVI) Philippines Inc.	Holding Company	British Virgin Islands	100%
Taysan Port Corp.	Holding Company	Philippines	40%
Lupang Barako Development Inc.	Holding Company	Philippines	40%

The Company's 100% owned subsidiary, Asian Arc Mining Resource Corp. ("Asian Arc"), holds a 40% interest in each of the inactive shell companies; Lupang Barako Development Inc. ("LBDI") and Taysan Port Corp. ("Taysan Port").

The Company’s consolidated financial statements include the accounts of all subsidiaries subject to control by the Company. Control is achieved when the Company is exposed to, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, being the Company’s presentation and functional currency. Subsidiaries whose functional currency differ from that of the parent company (“foreign operations”) are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the statement of financial position date and; income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences. The functional currency of the Company’s subsidiaries are the same as that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in the determination of net loss for the year.

3. Significant Accounting Policies

a) Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held in banks and redeemable fixed term deposits cashable on demand or that have a term to maturity of three months or less at the time acquired.

b) Mineral Property Interests

i) Exploration and Evaluation

Property option payments, common shares issued, and other costs associated with acquiring the legal rights to explore a specific resource property are capitalized as mineral property interests and classified as intangible exploration and evaluation assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs of assaying, community development, consumables and supplies, drilling, geological consulting, scoping and feasibility study, site administration and other costs to maintain legal rights to explore an area.

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized. Development expenditure is net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Mineral property interests are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in the statements of comprehensive income/loss.

iii) Depreciation

Mineral property acquisition and development costs will be depreciated on a units-of-production method based on the estimated life of the ore reserves once production commences. The Company's management conducts an annual assessment of the estimated residual values, useful lives, and depreciation methods used for mineral property acquisition and development costs. Any material changes in estimates are applied prospectively.

iv) Impairment

The carrying value of all categories of mineral property interests and exploration and evaluation assets are reviewed for impairment at each reporting period for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in other expenses. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

c) **Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as a finance expense.

d) **Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost net of accumulated depreciation and impairment losses. Depreciation is recorded on a declining-balance basis at the following annual rates:

Exploration equipment	30%
Assaying equipment	30%
Office furniture and equipment	20%
Computer equipment	33%
Software	33%

e) **Site Closure and Reclamation Provision**

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

f) **Income Taxes**

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss for the year except to the extent that it relates to items recognized either in other comprehensive income (loss) or directly in equity, in which case it is recognized in other comprehensive income (loss) or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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 not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. 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 at the reporting date.

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

g) **Share Capital and Warrants**

The Company records in shareholders' equity proceeds from share issuances net of issuance costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company allocates the proceeds received upon issue of equity units, consisting of shares and warrants, using a relative fair value method with respect to the measurement of shares and warrants issued. The relative fair values method requires each component to be valued at fair value and an allocation of the net proceeds received based on the pro-rata fair relative values of the components. The fair value of the warrant component is determined using the Black-Scholes pricing model. When warrants expire unexercised, the pro rata amounts attributed to the warrants are reclassified from reserves to share capital.

h) **Earnings (Loss) per Share**

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares issued and outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per common share. Diluted and basic loss per share are the same because the effects of potential issuances of shares under options and warrants would be anti-dilutive.

i) **Share-based Payments**

From time to time, the Company grants options to purchase common shares to directors, officers, employees and non-employees. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees become entitled to the award. The fair value of the options on the grant date is determined using the Black-Scholes pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

j) **Financial Instruments**

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets and liabilities at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired as well as through the amortization process. The Company's loans and receivables consist of cash and cash equivalents, amounts receivable and deposits.

Financial Assets or Liabilities at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company does not have any financial assets or liabilities at fair value through profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive loss. When an instrument is derecognized, the cumulative gain or loss in other comprehensive loss is transferred to profit or loss. The Company does not have any available-for-sale financial assets.

Held-to-maturity Investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any held-to-maturity investments.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost using the effective interest method. These liabilities include accounts payable and accrued liabilities and due to related parties.

k) **Critical Accounting Judgments and Estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used and judgements made include, among others, the assessment of the Company's ability to continue as a going concern and the Company's ability to renew and/or receive approval of its mining and exploration permits, and the amounts recorded for the recoverability and impairment of mineral
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is included in the following notes:

Note 1 – going concern assessment
Note 5 – impairment of exploration and evaluation assets

4. New Standards, Amendments and Interpretations

There were no new standards effective August 1, 2015 that had an impact on the Company’s consolidated financial statements. The IASB issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company’s financial year beginning on or after July 1, 2016. No new or revised standards or amendments are expected to have a significant impact on the Company’s financial statements.

5. Mineral Property Interests

Taysan Project – Batangas, Philippines Property

On November 12, 2010, the Company signed a property purchase agreement (the “Taysan Agreement”) with Taysan Copper Corp. (“Taysan Copper”) for the acquisition of a 100% interest in the Taysan copper-gold porphyry project, in Batangas province, Philippines, consisting of two exploration permits and three exploration permit applications covering a total area of 11,309 hectares, hosting an advanced copper-gold porphyry deposit.

(Expressed in Canadian Dollars) TSX.V: CZH

Under the terms of the Taysan Agreement, on November 12, 2010 the Company acquired at arm's length all of Taysan Copper's 100% interest in the project in exchange for (a) the issue of 20 million common shares of the Company to the shareholders of Taysan Copper, (b) the payment of US$1.7 million, and (c) the grant of a 1.5% net smelter return royalty ("NSR"). The common shares issued to Taysan Copper were valued at $30,000,000 using a market value of $1.50 per share which was determined by the closing market price of the Company on November 12, 2010. The Company also issued 500,000 common shares valued at $750,000 as a finder's fee in connection with the acquisition of the Taysan project.

On August 1, 2010, the Company acquired all the outstanding shares of Asian Arc, a Philippine registered entity. Asian Arc was acquired to hold the mineral rights to the Taysan project. The Company paid nominal consideration for the acquisition and assumed $67,211 of liabilities, which were expensed during the year ended July 31, 2011.

At July 31, 2016, the Taysan Project consists of one exploration permit which expired in 2013 and has an application for renewal pending and two exploration permit applications in process, all of which cover a combined total area of approximately 4,085 hectares.

The Company determined there was an impairment of the Taysan Project as at July 31, 2016 in accordance with IAS 36 - *Impairment of Assets*. The impairment results from a number of factors including, but not limited to: the previous Filipino governments' moratorium on granting new mineral agreements; the newly elected government's stance on the current mining sector; deteriorating market conditions for mining companies, particularly in the Philippines; and the sustained reduction in the Company's market capitalization. The Company has concluded that the Taysan Project carried value be written down to Nil, resulting in an impairment loss of $3,090,000 recorded as write-down of mineral property interest on the July 31, 2016 consolidated statements of loss and comprehensive loss.

a) Acquisition Costs

The capitalized mineral property acquisition costs have been written down from $3,090,000 to Nil as at July 31, 2016.

b) Exploration and Evaluation Costs

Details of the cumulative exploration and evaluation costs for the year ended July 31, 2016 are:

Exploration and Evaluation	**July 31, 2016**	July 31, 2015
Opening cumulative expenditure	**$ 17,025,101**	$ 16,864,059
Exploration and evaluation costs:		
Mobilization and camp costs	**14,458**	18,732
Permitting	**158,848**	142,310
Total exploration and evaluation costs	**173,306**	161,042
Ending cumulative expenditure	**$ 17,198,407**	$ 17,025,101

(Expressed in Canadian Dollars) TSX.V: CZH

6. Property and Equipment

There were no assets acquired during the year ended July 31, 2016. Depreciation for the year was $nil (2015: $5,134). Assets with a net book value of $32,931 were written off during the year ended July 31, 2015 to bring the carrying value of property and equipment to $nil as at July 31, 2016 and July 31, 2015.

7. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value.

b) Stock Options and Warrants

The Company has a share-holder approved stock option plan which allows the Board of Directors to grant stock options to directors, officers, employees, contractors and consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less any applicable discount. The options can be granted for a maximum term of five years with vesting terms determined by the Board of Directors at the time of any grant.

During the year ended July 31, 2016, 33,333 options priced at $0.90 expired resulting in no stock options outstanding at July 31, 2016. During the year ended July 31, 2015, 126,666 options at $0.90 expired and 621,661 options at $0.90 were forfeited.

As at July 31, 2016, there were warrants outstanding as per below:

Date issued	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
Warrants				
February 18, 2014	13,000,000	$0.075	13,000,000	February 18, 2017
As at July 31, 2016	**13,000,000**	**$0.075**	**13,000,000**	

8. Income Taxes

a) The Company's effective tax rate differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.00% (2015 – 26.00%) for the following reasons:

		2016		2015
Loss before income taxes	$	**(3,652,785)**	$	(564,779)
Statutory tax rate		**26.00%**		26.00%
Expected income tax recovery at statutory rates	$	**(949,724)**	$	(146,843)
Adjustments to recovery based on:				
Non-deductible expenses		**41,300**		37,001
Difference in tax rates in different jurisdictions		**(70,824)**		(1,041)
Change in unrecognized tax assets		**979,248**		110,883
Recovery of income taxes	$	**-**	$	-

(Expressed in Canadian Dollars) TSX.V: CZH

b) Deferred tax assets have not been recognized as at July 31, 2016 and 2015 in respect of the following items:

		2016		2015
Non-capital losses	$	**12,546,380**	$	21,331,976
Other deductible temporary differences		**321,790**		321,790
	$	**12,868,170**	$	21,653,766

As at July 31, 2016, the Company had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that the future profit will be available against which the Company can utilize the benefits.

c) The Company has non-capital losses which may be applied to reduce future taxable income. At July 31, 2016, the losses expire as follows:

		Canada		Philippines		Total
2017	$	-	$	4,783,988	$	4,783,988
2018		-		395,866		395,866
2019		-		67,898		67,898
2020		-		25,179		25,179
2021		-		31,663		31,663
2027		131		-		131
2028		20,104		-		20,104
2029		105,294		-		105,294
2030		506,489		-		506,489
2031		2,094,037		-		2,094,037
2032		988,455		-		988,455
2033		1,213,777		-		1,213,777
2034		1,089,828		-		1,089,828
2035		851,397		-		851,397
2036		372,274				372,274
	$	7,241,786	$	5,304,594	$	12,546,380

9. Segmented Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and executive management in assessing performance and in determining the allocation of resources.

The Company considers the business from a geographic perspective and assesses the performance of the operating segments based on measures such as net property and equipment as well as operational results.

a) Operating Segment

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in the Philippines.

(Expressed in Canadian Dollars) TSX.V: CZH

b) **Geographic Segments**

The Company's geographic information for years ended July 31, 2016 and 2015 are as follows:

	July 31, 2016		July 31, 2015	
	Canada	**Philippines**	Canada	Philippines
Assets				
Mineral properties	**$ -**	**$ -**	$ -	$ 3,090,000
Other assets	**111,516**	**83,762**	359,702	239,606
Total	**$ 111,516**	**$ 83,762**	$ 359,702	$ 3,329,606

	July 31, 2016		July 31, 2015	
	Canada	**Philippines**	Canada	Philippines
Expenses				
Exploration expenses	**$ -**	**$ 173,306**	$ -	$ 161,042
Other operating expenses (income)	**374,737**	**17,205**	396,535	(19,877)
Other (income) expenses	**(2,463)**	**3,090,000**	27,079	-
Total	**$ 372,274**	**$ 3,280,511**	$ 423,614	$ 141,165

10. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the exploration of its mineral properties, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying 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 exploration of mineral property interest. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and/or acquire or dispose of assets. There has been no change in capital structure or approach to capital management in the year ended July 31, 2016.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects.

11. Related Party Transactions

The following related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. Unless otherwise noted, amounts due to and from related parties were non-interest bearing, unsecured and had no fixed terms of repayment.

a) Included in current liabilities is $262,415 (2015 – $110,000) payable to related corporations with related directors and executives and to executives for management fees.

(Expressed in Canadian Dollars) TSX.V: CZH

b) During the year ended July 31, 2016 and 2015, the Company incurred the following expenses accrued or paid to key management personnel, directors, and companies with a common director or officer. Key management personnel are considered to be the Directors, CEO, CFO, and President:

	YEAR ENDED JULY 31, 2016	2015
Amounts paid or payable to key management personnel:		
Management and consulting fees	**$ 182,280**	$ 183,807
Amounts included in exploration and evaluation costs	**158,848**	142,310
	341,128	326,117
Amounts paid or payable to other related parties:		
Office expenses	**3,728**	2,330
Rent	**4,500**	3,750
	8,228	6,080
Total	**$ 349,356**	$ 332,197

12. Financial Instruments

The classification and their carrying values of the financial instruments as at July 31, 2016 are:

	July 31, 2016	July 31, 2015
Loans and receivables	**$ 183,850**	$ 588,256
Financial liabilities	**321,136**	162,383

a) Fair Value of Financial Instruments

The fair value of cash, amounts receivable, accounts payables and accrued liabilities, and due to related parties approximates their carrying value due to their short-term maturity.

b) Management of Risks Arising from Financial Instruments

The Company is exposed to various types of market risks including credit risk, interest rate risk, liquidity risk, and foreign exchange rate risk.

(i) Credit Risk – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk is associated primarily with its cash and cash equivalents and amounts receivable. The credit risk is minimized by placing cash with major financial institutions.

(ii) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate less interest revenue. Presently the Company has minimal risk of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments.

(Expressed in Canadian Dollars) TSX.V: CZH

(iii) Liquidity Risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and anticipated exercise of share purchase options and warrants. The Company's cash is held in business accounts which are available on demand for the Company's programs. Accounts payable, accrued liabilities and amounts due to related parties are due within 12 months of the date of the statements of financial position.

(iv) Foreign Exchange Rate Risk – The Company operates in Canada and the Philippines and is exposed to foreign exchange risk due to fluctuations in the Philippine pesos ("PHP"). Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in the foreign currency. At July 31, 2016, one Canadian dollar was equal to PhP 0.02769 (July 31, 2015: 0.02863). As at July 31, 2016 and 2015 the amounts subject to fluctuations are:

	July 31, 2016		July 31, 2015	
	Philippines Pesos	**Canadian $ Equivalent**	Philippines Pesos	Canadian $ Equivalent
Cash and cash equivalents	**2,997,474**	**$ 83,000**	8,341,581	$ 238,819
Prepaid expenses	**27,500**	**761**	27,500	787
Accounts payable and accrued liabilities	**(2,648,893)**	**(73,348)**	(1,351,119)	(38,683)
	376,081	**$ 10,413**	7,017,962	$ 200,923

Based on the net exposures as of July 31, 2016, and assuming that all other variables remain constant, a 10% fluctuation on the Canadian dollar against the Philippines pesos would result in a change in the Company's net gain or loss to be approximately $1,041 (July 31, 2015: $20,092). The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.