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## **BATERO GOLD CORP.**

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
NOVEMBER 30, 2016 AND 2015

*(Expressed in Canadian Dollars)*

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The accompanying financial statements for Batero Gold Corp. have been prepared by management in accordance with International Financial Reporting Standards consistently applied. These financial statements are unaudited and have not been reviewed by the Company's auditors.

# BATERO GOLD CORP.

## Interim Unaudited Condensed Consolidated Statements of Financial Position

<i>(expressed in Canadian Dollars)</i>	Notes	November 30, 2016	August 31, 2016
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		13,018,811	6,209,353
Amounts receivable		507	2,175
Government receivables		11,965	4,687
Prepaid expenses and advances		1,204	4,205
<b>Total current assets</b>		<b>13,032,487</b>	<b>6,220,420</b>
Marketable securities	4	-	7,056,720
Property and equipment	5	2,335,808	2,341,713
Exploration assets	6	7,716,320	7,716,320
<b>Total assets</b>		<b>23,084,615</b>	<b>23,335,173</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	11	331,213	234,734
<b>Total current liabilities</b>		<b>331,213</b>	<b>234,734</b>
<b>Equity</b>			
Share capital	7	66,327,048	66,327,048
Equity reserve	8	11,912,213	11,912,213
Accumulated other comprehensive income		-	2,086,938
Deficit		(55,485,859)	(57,225,760)
<b>Total equity</b>		<b>22,753,402</b>	<b>23,100,439</b>
<b>Total liabilities and equity</b>		<b>23,084,615</b>	<b>23,335,173</b>

"Juan David Uribe Hurtado" , Director

"Felipe Ferraro" , Director

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements

# BATERO GOLD CORP.

## Interim Unaudited Condensed Consolidated Statements of Net Loss and Comprehensive Loss

<i>(expressed in Canadian Dollars)</i>	Notes	For the three months ended	
		November 30, 2016	November 30, 2015
<b>Exploration and evaluation expenditures</b>	9	<b>\$ (348,844)</b>	<b>\$ (271,423)</b>
<b>Expenses</b>			
Consulting and salaries		58,173	51,575
Administration		1,166	4,668
Professional fees		18,462	2,113
Share-based payments	8	-	6,122
Transfer agent and filing fees		1,737	14,060
Operating expenses		<b>(79,538)</b>	<b>(78,538)</b>
<b>Operating loss</b>		<b>(428,382)</b>	<b>(349,961)</b>
<b>Other income (expense)</b>			
Interest and other income		3,200	3,251
Foreign exchange gain		129,802	70,079
Write off of deferred acquisition costs		-	(574,687)
Gain on disposal of marketable securities	4	2,347,281	-
<b>Other income (expense)</b>		<b>2,480,283</b>	<b>(501,357)</b>
<b>Income (loss) for the period before income taxes</b>		<b>2,051,901</b>	<b>(851,318)</b>
<b>Deferred income tax</b>		<b>(312,000)</b>	<b>-</b>
<b>Net income (loss) for the period</b>		<b>1,739,901</b>	<b>(851,318)</b>
<b>Other comprehensive loss</b>			
Unrealized loss on marketable securities		-	(33,200)
Reclassification adjustment for realized gains included in net income, net of tax		<b>(2,086,938)</b>	<b>-</b>
<b>Net comprehensive loss for the period</b>		<b>\$ (347,037)</b>	<b>\$ (884,518)</b>
<b>Net income (loss) per share:</b>			
Basic and diluted loss per common share		<b>\$ 0.02</b>	<b>\$ (0.01)</b>
Weighted average number of common shares outstanding - basic and fully diluted		<b>115,182,383</b>	<b>104,898,860</b>

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements

## BATERO GOLD CORP.

### Interim Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity

(expressed in Canadian Dollars)

	Note	Share capital			Deficit	Accumulated other comprehensive loss	Shareholder's equity
		Number of shares	Amount	Equity reserve			
			\$	\$	\$	\$	\$
<b>Balance at Aug 31, 2015</b>		<b>87,961,294</b>	<b>64,421,571</b>	<b>11,414,648</b>	<b>(53,649,370)</b>	<b>(59,800)</b>	<b>22,127,049</b>
Share-based payments	8	-	-	6,122	-	-	6,122
Shares issued to acquire shares of CB Gold Inc.		27,221,089	1,905,477	-	-	-	1,905,477
Net loss and accumulated other comprehensive loss for the period		-	-	-	(851,318)	(33,200)	(884,518)
<b>Balance at Nov 30, 2015</b>		<b>115,182,383</b>	<b>66,327,048</b>	<b>11,420,770</b>	<b>(54,500,688)</b>	<b>(93,000)</b>	<b>23,154,130</b>
<b>Balance at Aug 31, 2016</b>		<b>115,182,383</b>	<b>66,327,048</b>	<b>11,912,213</b>	<b>(57,225,760)</b>	<b>2,086,938</b>	<b>23,100,439</b>
Net loss for the period		-	-	-	1,739,901	-	1,739,901
Reclassification adjustment for realized gains included in net income, net of tax		-	-	-	-	(2,086,938)	(2,086,938)
<b>Balance at Nov 30, 2016</b>		<b>115,182,383</b>	<b>66,327,048</b>	<b>11,912,213</b>	<b>(55,485,859)</b>	<b>-</b>	<b>22,753,402</b>

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements

# BATERO GOLD CORP.

## Interim Unaudited Condensed Consolidated Statements of Cash Flows

<i>(expressed in Canadian Dollars)</i>	For the three months ended	
	November 30, 2016	November 30, 2015
	\$	\$
<b>Cash flows from:</b>		
<b>Operating activities</b>		
Net loss for the period	1,739,901	(851,318)
<b>Adjustment for items not affecting cash:</b>		
Share-based payments	-	6,122
Gain on disposal of marketable securities	(2,347,281)	-
Write off of deferred acquisition costs	-	574,687
Deferred income tax recovery	312,000	-
Depreciation	8,737	5,712
<b>Changes in non-cash working capital items:</b>		
Amounts receivable	1,668	2,855
Government receivables	(7,278)	(48,652)
Prepaid expenses and advances	3,001	-
Accounts payable and accrued liabilities	95,364	(520,464)
Cash flows used in operating activities	<u>(193,886)</u>	<u>(831,058)</u>
<b>Investing activities</b>		
Decrease in deposits	-	(21,498)
Acquisition costs deferred	-	(199,687)
Additions to property and equipment	(3,051)	-
Investment in marketable securities	-	(2,050,059)
Cash flows from (used in) investing activities	<u>(3,051)</u>	<u>(2,271,244)</u>
<b>Financing activities</b>		
Proceeds on disposal of marketable securities	7,006,395	-
Cash flows from financing activities	<u>7,006,395</u>	<u>-</u>
Net increase (decrease) in cash	6,809,458	(3,102,302)
Cash, beginning of period	6,209,353	11,612,647
<b>Cash, end of period</b>	<u>13,018,811</u>	<u>8,510,345</u>

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements

# **BATERO GOLD CORP.**

## **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**November 30, 2016 and 2015**

*(Expressed in Canadian dollars)*

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### **1. NATURE OF OPERATIONS**

Batero Gold Corp. was incorporated under the Business Corporations Act (British Columbia) on January 15, 2008. The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "BAT". The Company, together with its subsidiaries (collectively referred to as the "Company" or "Batero"), is engaged in the exploration and development of mineral property interests in Colombia. The Company's head office is located at 2 Toronto St, Suite 230, Toronto, Ontario, M5C 2B5.

The Company is in the process of exploring and evaluating its exploration and evaluation assets. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation assets do not necessarily represent present or future values.

The interim unaudited condensed consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") and are prepared by management 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 has incurred ongoing losses and has no source of recurring revenue.

As at November 30, 2016, the Company had working capital of \$12,701,274 (August 31, 2016 - \$5,985,686) and a deficit of \$55,485,859 (August 31, 2016 - \$57,225,760). At present the Company has no producing properties and consequently has no current operating income or cash flow.

Management believes that the Company has sufficient working capital to fund its planned exploration program and related activities at its Batero-Quinchia Project and ongoing administrative costs for at least the next twelve months.

The interim unaudited condensed consolidated financial statements of the Company for the three months ended November 30, 2016 and 2015 were reviewed, approved and authorized by the Board of Directors on January 20, 2016.

### **2. BASIS OF PRESENTATION**

#### **Statement of Compliance**

These interim unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in particular in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards (IASs) and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs").

#### **Details of the Group**

The interim unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bahia Bonita Properties S.A. ("Bahia"), a Panamanian company, and Sociedad Minera Quinchia S.A.S. ("Minera Quinchia"), a Colombian company.

# **BATERO GOLD CORP.**

## **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**November 30, 2016 and 2015**

*(Expressed in Canadian dollars)*

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Intercompany balances and transactions are eliminated on consolidation. All amounts, unless otherwise specifically indicated otherwise, are presented in Canadian dollars.

### **Basis of Measurement**

The interim unaudited condensed consolidated financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting except for cash flow information. These interim unaudited condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of the Company are as follows:

(a) **Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Actual outcomes could differ from these estimates. These interim unaudited condensed consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim unaudited condensed consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the depreciation of plant and equipment, recoverability of exploration and evaluation assets, valuation of share-based payments and recognition of deferred tax amounts.

### **Critical judgments**

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the interim unaudited condensed consolidated financial statements are as follows:

#### Impairment of long-lived assets

Management has determined that exploration and evaluation acquisition costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans. Management determined there were no triggering events for impairment as defined by IFRS 6.

#### Investment in CB Gold Inc.

## **BATERO GOLD CORP.**

### **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**November 30, 2016 and 2015**

*(Expressed in Canadian dollars)*

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During 2016 the Company obtained over a 20% ownership interest in CB Gold Inc. and disposed of that interest during the first quarter of fiscal 2017. Management determined that despite the ownership interest the Company did not hold significant influence over CB Gold Inc. as its influence was limited due to a third party holding a controlling interest in CB Gold Inc. As such the investment in CB Gold Inc. was accounted for as a financial instrument under IAS 39. The investment in CB Gold Inc. would have been accounted for under the equity method in IAS 28 had management determined significant influence was present.

#### **Estimation uncertainty**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

##### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

##### Valuation of marketable securities

The Company recognized its shares held in CB Gold Inc. at fair value using level 2 inputs. There was inherent uncertainty in the inputs which could have affected fair value. Changes in inputs used in valuing the investment in CB Gold Inc. could affect the estimated fair value. See Note 4 for details relating to the valuation of the CB Gold Inc. shares.

##### Depreciation for property and equipment

Depreciation expense is calculated based on estimated asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of net loss and comprehensive loss.

#### **(b) Cash and cash equivalents**

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at November 30, 2016 and 2015 the Company did not have any cash equivalents.

#### **(c) Amounts receivable**

Amounts receivable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

## **BATERO GOLD CORP.**

### **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**November 30, 2016 and 2015**

*(Expressed in Canadian dollars)*

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(d) Accounts payable and accrued liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are classified as other financial liabilities and are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

(e) Exploration assets

Costs to acquire exploration assets are capitalized as incurred. Costs related to the evaluation of exploration assets are expensed as incurred.

Once an economically viable reserve has been determined for an area, and the decision to proceed with development has been approved, exploration assets attributable to that area are first tested for impairment and then reclassified to property and equipment.

Subsequent recovery of the value of exploration assets depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

The Company assesses exploration assets for impairment when facts and circumstances suggest that the carrying amounts may exceed the recoverable amounts. To the extent that the value of an exploration asset is not expected to be recovered, it is charged to earnings.

(f) Property and equipment

Property and equipment, which is comprised of land, mobile and field equipment, buildings, office furniture and computer hardware and computer software, is recorded at cost less accumulated depreciation calculated using the straight-line method over their estimated useful lives of between 1 and 20 years. No depreciation is taken on land.

(g) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common share and any residual value remaining is allocated to common share purchase warrants.

(h) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, consultants and employees.

## **BATERO GOLD CORP.**

### **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**November 30, 2016 and 2015**

*(Expressed in Canadian dollars)*

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The fair value of the options to employees is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model. The fair value is recognized as an expense with a corresponding increase in share-based payment reserves. The amount recognized as expense is adjusted to reflect the number of share options that ultimately vest. On exercise of the option, the related share-based payment expense is reclassified from share-based payment reserve to share capital.

(i) Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense. As at November 30, 2016 and 2015, the Company does not have any environmental rehabilitation obligation.

(j) Impairment of Long-Lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flows from use and fair value.

In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

(k) Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates.

## **BATERO GOLD CORP.**

### **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**November 30, 2016 and 2015**

*(Expressed in Canadian dollars)*

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Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

(l) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of operations and comprehensive loss. 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.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is only recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(n) Financial instruments

Financial assets are classified into one of four categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available-for-sale ("AFS"); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and

## **BATERO GOLD CORP.**

### **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**November 30, 2016 and 2015**

*(Expressed in Canadian dollars)*

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purpose of the financial asset.

(i) FVTPL financial assets

Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company classifies its cash as FVTPL.

(ii) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company does not have any assets classified as HTM investments.

(iii) AFS financial assets

Marketable securities and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent reporting date. Any unrealized gains and losses in fair value are recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company classifies its marketable securities as AFS.

(iv) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

The Company classifies its receivables as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses.

Loss on receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified.

The Company classifies its financial liabilities into one of two categories as follows:

(i) Fair value through profit or loss

This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company has not classified any financial liabilities as FVTPL.

(ii) Other financial liabilities

This category consists of liabilities carried at amortized cost using the effective interest method. The Company classifies its accounts payable and accrued liabilities as other financial liabilities.

Fair Value Hierarchy

## **BATERO GOLD CORP.**

### **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**November 30, 2016 and 2015**

*(Expressed in Canadian dollars)*

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The inputs used in making fair value measurements are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Cash is measured at fair value using Level 1 inputs. Marketable securities were measured at fair value using Level 2 inputs

#### **Accounting Standards and Interpretations issued but not yet adopted**

As at the date of these financial statements, the following standard has not been applied in these financial statements:

- (i) IFRS 9 *Financial Instruments*; tentatively effective for annual periods beginning on or after January 1, 2018.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits reclassifications except in rare circumstances when the entity's business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized cost or fair value.

Management is currently assessing the impact of this new standard on the Company's accounting policies and financial statement presentation.

#### **4. MARKETABLE SECURITIES**

During 2015 the Company acquired 83,020,237 common shares of CB Gold Inc. at a cost of \$4,659,114. During the period ended November 30, 2016 all of the CB Gold Inc. shares were sold for cash proceeds of \$7,006,395, giving rise to gain of \$2,347,281.

## BATERO GOLD CORP.

### Notes to the Interim Unaudited Condensed Consolidated Financial Statements

November 30, 2016 and 2015

(Expressed in Canadian dollars)

#### 5. PROPERTY AND EQUIPMENT

	Land	Mobile And Field Equipment	Buildings	Computer Hardware and Software	Office Furniture	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>As at August 31, 2015</b>	1,693,463	207,957	619,650	328,746	184,874	3,034,690
Additions	-	6,154	-	17,314	-	23,468
Disposals	-	(22,014)	-	(36,008)	(15,761)	(73,783)
<b>As at August 31, 2016</b>	1,693,463	192,097	619,650	310,052	169,113	2,984,375
Additions	-	-	-	3,051	-	3,051
Disposals	-	(477)	-	-	-	(477)
<b>As at November 30, 2016</b>	1,693,463	191,620	619,650	313,103	169,113	2,986,949
<b>Accumulated Depreciation</b>						
<b>As at August 31, 2015</b>	-	(95,417)	(126,754)	(288,565)	(102,263)	(612,999)
Additions	-	(14,441)	(20,354)	(42,618)	(11,712)	(89,125)
Disposals	-	12,430	-	34,745	12,287	59,462
<b>As at August 31, 2016</b>	-	(97,428)	(147,108)	(296,438)	(101,688)	(642,662)
Additions	-	(3,718)	(426)	(1,509)	(3,084)	(8,737)
Disposals	-	259	-	-	-	259
<b>As at November 30, 2016</b>	-	(100,887)	(147,533)	(297,947)	(104,773)	(651,141)
<b>Net Book Value</b>						
<b>As at August 31, 2016</b>	1,693,463	94,669	472,542	13,614	67,425	2,341,713
<b>As at November 30, 2016</b>	1,693,463	90,734	472,117	15,155	64,340	2,335,808

#### 6. EXPLORATION AND EVALUATION ASSETS

The Batero-Quinchia property comprises one exploration licence, two concession contracts and one application for a concession contract in a contiguous block located within the Municipality of Quinchia, Department of Risaralda, Colombia.

The Company has a 100% interest in the Batero-Quinchia Property and will be required to issue an additional 2,000,000 common shares of the Company if a National Instrument 43-101 ("NI 43-101") compliant report is prepared at any time by the Company that establishes the existence of at least five million ounces of gold categorized as measured resources (as such term is defined in NI 43-101) at a cut-off grade of 0.7 grams per tonne of gold or gold equivalent on the Batero-Quinchia Property.

There were no additions to the exploration assets during the periods ended November 30, 2016 and 2015.

## BATERO GOLD CORP.

Notes to the Interim Unaudited Condensed Consolidated Financial Statements  
November 30, 2016 and 2015  
(Expressed in Canadian dollars)

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### 7. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Unlimited preferred shares without par value

Fiscal 2016 share capital activity:

On October 5, 2015, the CB Gold takeover bid was completed. At that time, as part of the transaction, the Company acquired 34,026,361 CB Gold common shares, by issuing 0.8 common shares for each CB Gold share acquired. A total of 27,221,089 Batero common shares were issued with an estimated total value of \$1,905,477. The value of the Batero shares issued was based on a value of \$0.07 per share which was the market value of the Batero shares on the date of the transaction.

Fiscal 2017 share capital activity:

There was no activity affecting share capital during the period ended November 30, 2016.

### 8. EQUITY RESERVES

#### *Warrants*

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding is as follows:

	Number	Weighted Average Exercise Price \$
Balance, September 1, 2015	<u>5,000,000</u>	0.90
Expired	<u>(5,000,000)</u>	0.90
Balance August 31 and November 30, 2016	<u>-</u>	

#### *Stock options*

The Company has a stock option plan (the "Stock Option Plan") under which it may grant options to directors, officers and technical consultants for up to 10% of the issued and outstanding common shares to directors, officers, employees and consultants. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSXV. The options can be granted for a maximum term of five years and vest at the discretion of the board of directors. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

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On March 14, 2016 9,750,000 options were granted, exercisable at \$0.20, and vested immediately. The options expire on March 14, 2021, and have been valued at \$487,500 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	103%
Risk-free interest rate	0.78%
Expected average life	5 years.

During the period ended November 30, 2016 the Company recorded share-based compensation expense of Nil (2016 - \$6,122).

Stock option activities were as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance – August 31, 2015	1,472,000	0.450
Expired	(222,000)	0.650 to 2.390
Forfeited	(100,000)	0.125
Granted	9,750,000	0.200
<b>Balance – August 31 and November 30, 2016</b>	<b>10,900,000</b>	<b>0.192</b>

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

Expiry date	Exercise price/Weighted average price \$	# Outstanding	# Exercisable
30-May-17	0.125	1,150,000	1,150,000
14-Mar-21	0.200	9,750,000	9,750,000
	0.192	10,900,000	10,900,000

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#### 9. EXPLORATION AND EVALUATION EXPENDITURES

A summary of exploration and related expenditures incurred on the Batero-Quinchia Property is as follows:

	November 30,	
	2016	2015
	\$	\$
Camp supplies and office	26,908	69,986
Consulting and salaries	166,366	107,895
Depreciation	8,737	5,712
Field workers	23,940	25,325
Foreign corporate taxes	10,166	13,985
Maintenance and construction	-	880
Metallurgy	-	3,438
Professional fees	86,689	22,083
Social and environmental	14,606	-
Telephone and communications	536	736
Topography	2,661	7,920
Travel	8,236	13,463
	<u>348,844</u>	<u>271,423</u>

#### 10. RELATED PARTY TRANSACTIONS

During the periods ended November 30, 2016 and 2015 the Company paid or accrued the following amounts to key management and private corporations owned by them:

	November 30,	
	2016	2015
	\$	\$
Consulting fees of key management	53,122	50,000
Share-based payments	-	4,898
	<u>53,122</u>	<u>54,898</u>

- In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.

- The remuneration of directors and key executives is determined by the Compensation Committee.

During the period the Company made payments to Antioquia Gold Ltd. and Infinita Prosperidad Minera, companies with key management personnel common to Batero, in the amount of \$128,108 and \$55,260 respectively. Batero shares office space with Antioquia Gold Ltd. and the payments made to it were primarily for shared office costs. The payment to Infinita Prosperidad Minera was primarily for the reimbursement of expenses related to management studies incurred on behalf of Batero.

Included in accounts payable and accrued liabilities as at November 30, 2016 is \$21,020 (2015 - \$28,889) owing to related parties.

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### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### *Categories of Financial Assets and Financial Liabilities*

Financial instruments are classified into one of the following four categories: fair value through profit or loss (“FVTPL”); held-to-maturity (“HTM”) investments; loans and receivables; and available-for-sale (“AFS”).

The carrying values of the Company’s financial instruments are classified into the following categories:

<b>Financial Instrument</b>	<b>Category</b>
Cash	FVTPL
Marketable securities	AFS
Receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

*The Company’s risk exposure and financial instruments are summarized below:*

#### *Credit Risk*

Credit risk is the risk of potential loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash and receivables. Cash is mostly held in large Canadian financial institutions. Receivables consist primarily of amounts due from the federal Government of Canada. Management believes that the credit risk concentration with respect to cash and receivables is low. The Company currently has limited credit risk from operations.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Company prepares expenditure budgets which are regularly monitored and updated as considered necessary. To facilitate its exploration program and ongoing corporate, general and administrative overhead, the Company raises funds through private equity placements, public offerings and option agreements with third parties. As at November 30, 2016 the Company had cash of \$13,018,811 (August 31, 2016 – \$6,209,353) to settle current liabilities of \$331,213 (August 31, 2016 - \$234,734).

#### *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. There is limited interest rate risk due to the short-term nature of the Company’s financial instruments.

#### *Foreign Currency Risk*

The Company conducts its business in Colombia in Colombian pesos, and in Canada in Canadian dollars. An insignificant dollar value of business in each country is transacted in a currency that is foreign to that operation, and as a result any foreign currency risk inherent in day-to-day operations is minimal.

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The Company funds activities in the Colombian operation and advances funds from time to time by way of direct investment. As at November 30, 2016 the Company had a large balance of cash on hand denominated in US funds of approximately US\$9,143,492, and is of the view that the US dollar will appreciate vis a vis the Colombian peso, and the Canadian dollar; however, the Company has assumed a foreign exchange risk. Should the US dollar appreciate 10% vis a vis the Canadian dollar, the company would experience a net gain of approximately \$915,000. Should it depreciate 10% vis a vis the Canadian dollar, the company would experience a net loss of approximately \$915,000.

#### *Marketable securities price risk*

Marketable securities price risk is the risk that the fair value of marketable securities decreases as a result of changes in the securities market and the value of individual stocks.

#### *Capital Management*

The Company's objective when managing capital, defined as its shareholders' equity, is to safeguard the entity's ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds all administration and exploration programs from the issue of shares, generally through private placements. The Company prepares a budget for seasonal exploration programs and may initiate equity offerings to ensure sufficient funds for each season's programs. If the Company is unsuccessful in raising sufficient capital, exploration programs may be extended, delayed or cancelled. In order to conserve cash, the Company may issue shares to pay for properties or compensate directors, employees and contractors through stock options.

The Company is not subject to any externally imposed capital requirements.