



Condensed Interim Consolidated Financial Statements

Nine months ended March 31, 2017 and 2016

(In accordance with International Financial Reporting Standards ("IFRS") and stated in thousands of United States dollars, unless otherwise indicated)

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Management's Responsibility for Financial Reporting

The condensed interim consolidated financial statements, and the notes thereto, of Era Resources Inc., (formerly Marengo Mining Limited) and its subsidiaries have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board including International Accounting Standard, Interim Financial Reporting 34 ("IAS 34"). Management acknowledges responsibility for the preparation and presentation of the condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared. However, any system of internal controls over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors, principally through the Audit and Risk Committee, is responsible for reviewing and approving the condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfils its financial reporting responsibilities.

"signed"
Pieter Britz
President and Chief Executive Officer

"signed"
Alexander Dann
Chief Financial Officer

May 29, 2017



Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Stated in thousands of U.S. dollars)

		March 31,	June 30,
	Notes	2017	2016
CURRENT ASSETS			
Cash and cash equivalents		8,360	8,182
Short term investments		66	68
Receivables and other current assets		213	196
TOTAL CURRENT ASSETS		8,639	8,446
NON-CURRENT ASSETS			
Property, plant and equipment		612	686
Exploration and evaluation assets	4	134,165	132,458
TOTAL NON-CURRENT ASSETS		134,777	133,144
TOTAL ASSETS		143,416	141,590
CURRENT LIABILITIES			
Trade and other payables		1,924	1,887
Provisions		119	210
Loans and borrowings	5	55,529	39,243
Derivative financial instrument	6	6,586	11,985
TOTAL CURRENT LIABILITIES		64,158	53,325
NON-CURRENT LIABILITIES			
Loans and borrowings	5	-	8,165
TOTAL NON-CURRENT LIABILITIES		-	8,165
TOTAL LIABILITIES		64,158	61,490
SHAREHOLDERS' EQUITY			
Share capital	7	189,946	190,253
Contributed surplus	7	2,443	2,441
Accumulated comprehensive losses		(113,131)	(112,594)
TOTAL SHAREHOLDERS' EQUITY		79,258	80,100
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		143,416	141,590

Nature of Operations and Going Concern (Note 1) and Subsequent Events (Note 14)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Approved by the Board of Directors on May 29, 2017

"signed"

John Hick
Chairman

"signed"

David Danziger
Audit Committee Chair

Condensed Interim Consolidated Statements of Income and Comprehensive (Loss) Gain

(Unaudited – Stated in thousands of U.S. dollars, except shares and share data)

		Three months ended March 31,		Nine months ended March 31,	
	Notes	2017	2016	2017	2016
EXPENSES					
General and administration expenses		(962)	(923)	(2,669)	(3,012)
Depreciation		(23)	(28)	(67)	(87)
Exploration and evaluation assets written-off	4	-	-	(9)	(408)
Net foreign exchange loss		28	(13)	(67)	(132)
Share-based payment expense	7	-	(5)	(2)	(36)
		(957)	(969)	(2,814)	(3,675)
OTHER ITEMS					
Interest income		11	4	19	7
Other income	6	12,397	2,749	22,306	29,792
Financing costs	5	(6,834)	(4,948)	(18,210)	(12,966)
		5,574	(2,195)	4,115	16,833
NET INCOME (LOSS) FOR THE PERIOD		4,617	(3,164)	1,301	13,158
OTHER COMPREHENSIVE LOSS					
<i>Items that may be reclassified to profit and loss</i>					
Exchange differences on translation of foreign operations		(441)	(2,073)	(2,145)	(13,918)
Other comprehensive (loss) gain for the period, net of tax		(441)	(2,073)	(2,145)	(13,918)
TOTAL COMPREHENSIVE GAIN (LOSS) FOR THE PERIOD		4,176	(5,237)	(844)	(760)
Income (Loss) per Share					
Basic	13	0.41	(0.28)	0.11	1.16
Diluted	13	0.00	0.00	(0.01)	(0.03)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Stated in thousands of U.S. dollars except share data)

	Notes	Share Capital	Options and Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total Shareholders' Equity
BALANCE AT JULY 1, 2015		189,927	2,400	(41,913)	(52,134)	98,280
Net income for the period		-	-	-	13,158	13,158
Other comprehensive loss that may be reclassified to the profit or loss		-	-	(13,918)	-	(13,918)
TOTAL COMPREHENSIVE LOSS		-	-	(13,918)	13,158	(760)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Exchange differences on translation of equity items to presentation currency		(19)	-	19	-	-
Employees and consultants share options	7	-	36	-	-	36
BALANCE AT MARCH 31, 2016		189,908	2,436	(55,812)	(38,976)	97,556
BALANCE AT JULY 1, 2016		190,253	2,441	(60,178)	(52,416)	80,100
Net income for the period		-	-	-	1,301	1,301
Other comprehensive loss that may be reclassified to the profit or loss		-	-	(2,145)	-	(2,145)
TOTAL COMPREHENSIVE INCOME (LOSS)		-	-	(2,145)	1,301	(844)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Exchange differences on translation of equity items to presentation currency		(307)	-	307	-	-
Employees and consultants share options	7	-	2	-	-	2
BALANCE AT MARCH 31, 2017		189,946	2,443	(62,016)	(51,115)	79,258

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Stated in thousands of U.S. dollars)

	Notes	Nine months ended March 31,	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the period		1,301	13,158
Items not affecting cash:			
Depreciation		67	87
Share based compensation expense	7	2	36
Write-down of exploration and evaluation assets	4	9	408
Fair value of derivative liability and debt extinguishment gain	6	(22,306)	(29,792)
Interest accrued on debentures	5	18,210	12,966
Unrealized foreign exchange loss		134	198
Changes in working capital	10	129	(354)
Net cash used in operating activities		(2,454)	(3,293)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		19	7
Increase in short term investments		-	(21)
Additions to property, plant and equipment		-	(399)
Additions to exploration and evaluation assets (includes changes in working capital)	4	(4,170)	(3,081)
Net cash used in investing activities		(4,151)	(3,494)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		7,000	7,000
Direct financing costs		(183)	(92)
Net cash provided by financing activities		6,817	6,908
Increase in cash and cash equivalents for the period		212	121
Cash and cash equivalents, beginning of the period		8,182	4,831
Effect of foreign exchange rate changes on cash and cash equivalents		(34)	(35)
Cash and cash equivalents, end of the period		8,360	4,917

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements for the Nine Months Ended March 31, 2017

(Unaudited - All currency amounts are in thousands of U.S. dollars, unless stated otherwise)

(1) NATURE OF OPERATIONS AND GOING CONCERN

Era Resources Inc., (the "Company" or "Era") is an international mineral exploration and development company, limited by shares, and domiciled and incorporated in Canada. The Company operates under the Ontario Business Corporation Act and its registered office is in Toronto, Canada, at 100 King Street West, Suite 3400, Toronto, Ontario, M5X 1A4. Era is listed on the TSX Venture Exchange (the "TSXV"), (Symbol: ERX).

The primary activity of the Company is the exploration and development of its principal asset, the Yandera copper property (the "Yandera Project") in Papua New Guinea. The Company is currently focused on advancing the development of the Yandera Project.

The Company is an exploration and development stage entity and has not yet achieved profitable operations. It is subject to risks and challenges similar to companies in a comparable stage of development. These risks include, but are not limited to the challenges of securing adequate capital to fund its activities, operations risks inherent in the mining industry, and global economic and commodity price volatility. The underlying value of the Yandera Project and the recoverability of the related capitalized costs are entirely dependent on the Company's ability to successfully develop the Project by, among other things, securing necessary permits, obtaining the required financing to complete the development and construction, and upon future profitable production from, or the proceeds from the disposition of, its mineral property.

The Company reported accumulated comprehensive losses of \$113,131 as at March 31, 2017 (June 30, 2016 - \$112,594) and had a working capital deficiency of \$55,519 (June 30, 2016 - \$44,879). The Company's sole source of funding has been the issuance of convertible debt and other loan instruments, and equity securities.

As at March 31, 2017, the Company had \$8,360 in available cash and cash equivalents and short term deposits (June 30, 2016 - \$8,182). There are no sources of operating cash inflows. Given the Company's current financial position and the anticipated ongoing exploration and evaluation expenditures for the Yandera Project, Era's major shareholder, which consists of three entities controlled by the Sentient Group (collectively, "Sentient") has been providing financial assistance to the Company. Note 5 and Note 14 set out the details of the restructuring of the Company's financing transactions with Sentient.

These circumstances, along with other risks relevant to exploration companies, such as continuing losses, result in material uncertainty which lends significant doubt as to the ability of the Company to fulfil its exploration and development activities and, accordingly, the appropriateness ultimately of the use of the accounting principles applicable to a going concern.

The Company will need to raise additional capital through equity issuance or other available financing alternatives in parallel with financial support provided by Sentient in order to continue funding its operating, exploration and evaluation activities, and eventual development of the Yandera Project. Although the Company has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in the future.

Management expects that additional funding will be provided from Sentient or other sources, and therefore these consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from March 31, 2017. Different basis of measurement may be appropriate when a Company is not expected to continue operations for the foreseeable future.

These condensed interim consolidated financial statements do not give effect to adjustments to the carrying values of assets, liabilities and the reported expenses and classifications that would be necessary, should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 29, 2017.

(2) BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These condensed interim consolidated financial statements were prepared in accordance with IFRS, including IAS 34 Interim Financial Statements. The condensed interim consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2016. Any subsequent changes to IFRS that are reflected in the Company's consolidated financial statements for the year ended June 30, 2017 could result in restatement of these condensed interim consolidated financial statements.

(b) Basis of Preparation

These condensed interim consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of any financial assets and financial liabilities (including derivative instruments), measured at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended June 30, 2016.

(c) Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statement of the Company, Era Resources Inc., and its wholly-owned subsidiaries. Consolidation is required when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

(3) CHANGES IN ACCOUNTING POLICIES

New standards adopted during the nine-month period ended March 31, 2017:

IAS 16 "Property, Plant and Equipment" (IAS 16)

The IASB has published Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The adoption of these amendments did not result in any impact to the Company's financial statements.

Amendments

The requirements of IAS 16 are amended 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. This is because such methods reflects a pattern of *generation* of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of *consumption* of an asset's expected future economic benefits.

IAS 1 - "Presentation of Financial Statements" (IAS 1)

The IASB has published Disclosure Initiative (Amendments to IAS 1). The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

Amendments

Disclosure Initiative (Amendments to IAS 1) makes the following changes:

- **Materiality.** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- **Statement of financial position and statement of profit or loss and other comprehensive income.** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- **Notes.** The amendments add additional examples of possible ways of ordering the notes to clarify that

understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The amendments are effective for annual periods beginning on or after 1 January 2016. The adoption of these amendments did not result in any impact to the Company's financial statements.

IFRS 7 "Financial Instruments"

Disclosures amended to (i) add guidance on whether an arrangement to service a financial asset which has been transferred constitutes continuing involvement, and (ii) clarify that the additional disclosure required by the amendments to IFRS 7,

Disclosure - Offsetting financial assets and financial liabilities, is not specifically required for interim periods, unless required by IAS 34.

The amendments are effective for annual periods beginning on or after 1 January 2016. The adoption of these amendments did not result in any impact to the Company's financial statements.

IAS 34 "Interim Financial Reporting"

Amended to (i) clarify what is meant by "information disclosed elsewhere in the interim financial report" and (ii) require a cross reference to the location of that information.

This amendment is effective for annual periods beginning on or after 1 January 2016. The adoption of this amendment did not result in any impact to the Company's financial statements.

Standards, Interpretations and Amendments Not Yet Effective:

IFRS 9 "Financial Instruments" (IFRS 9)

IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in the statement of earnings to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of this standard.

IAS 7 "Statement of Cash Flows"

Disclosures related to financing activities was amended to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for years beginning on or after January 1, 2017. The Company has not yet assessed the impact of this standard.

IAS 12 "Income Taxes"

Deferred tax was amended to clarify (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base, and (iii) certain other aspects of accounting for deferred tax assets. This amendment is effective for years beginning on or after January 1, 2017. The Company has not yet assessed the impact of this standard.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was issued in May 2014 to replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple element arrangements. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it

is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of this standard.

IFRS 16 "Leases"

IFRS 16 replaces current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on the balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low value assets, however this exemption can only be applied by lessees. The standard applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company has not yet assessed the impact of this standard.

(4) EXPLORATION AND EVALUATION ASSETS

	March 31, 2017	June 30, 2016
Opening net cost amount	132,458	144,340
Foreign exchange	(2,253)	(17,872)
Expenditures capitalised during the period	3,969	6,398
Expenditures written-off during the period	(9)	(408)
Closing Balance	134,165	132,458

During the nine months period ended March 31, 2016, the Company recorded a write-off of exploration and evaluation assets in the amount of \$408.

(5) LOANS AND BORROWINGS

The following tables display debt instruments issued and outstanding as at March 31, 2017 and the activities of the Company's current and long term debt instruments for the nine months period ended March 31, 2017 and year ended June 30, 2016:

March 31, 2017	Principal Face Value	Maturity
January 2014 convertible debentures	28,231	July 1, 2017
July 2014 convertible debentures	10,195	July 1, 2017
December 2014 convertible debentures	7,500	June 30, 2017
November 2015 convertible debentures	7,000	December 31, 2017
April 2016 convertible debentures	3,000	December 31, 2017
May 2016 convertible debentures	4,000	December 31, 2017
November 2016 convertible debentures	7,000	December 31, 2017

2017

	At June 30, 2016	Initial Recognition	Extinguishment/ Revaluations, Net	Accretion	At March 31, 2017
January 2014 convertible debentures	25,308	-	(9,039)	8,864	25,133
July 2014 convertible debentures	8,999	-	(3,316)	3,584	9,267
December 2014 convertible debentures	4,936	-	(421)	2,249	6,764
November 2015 convertible debentures	3,367	-	(80)	1,515	4,802
April 2016 convertible debentures	2,623	-	(991)	421	2,053
May 2016 convertible debentures	2,175	-	(265)	826	2,736
November 2016 convertible debentures	-	4,023	-	751	4,774
	47,408	4,023	(14,112)	18,210	55,529
Less: current portion	39,243				55,529
Total long term debt	8,165				-

2016

	At June 30, 2015	Initial Recognition	Reversal of Interest	Extinguishment/ Revaluations, Net	Accretion	At June, 30, 2016
January 2014 convertible debentures	25,105	-	(4,204)	(6,191)	10,598	25,308
July 2014 convertible debentures	8,933	-	(1,311)	(2,761)	4,138	8,999
December 2014 convertible debentures	5,997	-	(637)	(2,691)	2,267	4,936
November 2015 convertible debentures	-	2,477	-	-	890	3,367
April 2016 convertible debentures	-	2,576	-	-	47	2,623
May 2016 convertible debentures	-	2,044	-	-	131	2,175
	40,035	7,097	(6,152)	(11,643)	18,071	47,408
Less: current portion	34,038					39,243
Total long term debt	5,997					8,165

Convertible Debentures

The total cumulative financing costs on the convertible debentures recognized and expensed in the consolidated statements of income and comprehensive loss were \$18,210 comprised of accretion for the nine months period ended March 31, 2017 (March 31, 2016 - \$12,966 comprised of \$12,796 accretion and \$170 of other finance related costs). For the three months period ended March 31, 2017 the financing costs totalled \$6,834 (three months period ended March 31, 2016 - \$4,948).

During the fiscal years of 2014, 2015 and 2016, the Company completed in total issuance of \$59,926 principal amount of convertible secured debentures to Sentient and \$7,000 in fiscal 2017 year totalling an aggregate of \$66,926 principal amount of convertible secured debentures. The underlying details of the borrowings from the prior fiscal years are disclosed in the Note

11 of the Company's audited annual financial statements for the year ended June 30, 2016.

On August 30, 2016, the Company entered into an amending agreement with Sentient, to extend the maturity of the outstanding first two series of debentures of the Company held by Sentient that were previously set to mature on December 31, 2016. These debentures will now have a maturity date of July 1, 2017. The Company had previously reported a change in the maturity date of the same series of debentures in April of 2016. The four series of debentures have maturity dates now of June 30, 2017, July 1, 2017 and December 31, 2017.

The modified maturity terms as per the amending agreement dated August 30, 2016 resulted in significant changes to the discounted present values of the cash flows associated with the debentures for debentures issued on January 14, 2014 and July 15, 2014 which were previously set to mature on December 31, 2016.

Due to the zero coupon interest rate (as a result of the change in terms due to the modification on November 20, 2015), the existing debentures were fair valued using the present value methodology. The principal face values were discounted based on the prorated effective interest rate derived from the fair value of the Investment Debentures issued in November 2015. The existing debentures were extinguished and new fair values of the convertible debentures were recognized.

The overall impact resulting from these extinguishments and revaluations was as follows:

For the convertible debentures issued on January 15, 2014, the new fair value of \$18,804 was recognized. The net gain resulting from extinguishments and revaluations for the nine months ended March 31, 2017 totalled \$8,442.

For the convertible debentures issued on July 15, 2014, the new fair value of \$6,456 was recognized. The net gain resulting from extinguishments and revaluations for the nine months ended March 31, 2017 totalled \$3,002.

On November 28, 2016, the Company completed a new issuance of \$7,000 principal amount of convertible secured debentures (the "Debentures") to Sentient pursuant to the financing agreement dated October 27, 2016.

The Debentures issued on November 28, 2016 mature on December 31, 2017 and do not bear interest. Each \$1,000 principal amount of debentures is convertible into common shares of the Company at a conversion price of C\$0.25 per common share rounded up to the nearest common share. Each debenture is convertible, in whole or in part, at the option of Sentient and at any time, into common shares at the conversion price, for each \$1,000 principal amount of debentures, subject to adjustment in certain circumstances.

The Debentures are secured by the Company's exploration and evaluation assets as guaranteed by each of Marengo Mining (Australia) Limited and Yandera Mining Company (Holdings) Pty Limited.

The conversion price for existing outstanding debentures of the Company held by Sentient pursuant to the terms of prior debenture financings between the Company and Sentient completed in 2014 and 2015, was adjusted to C\$0.25 per common share.

Consistent with the Company's accounting policy, the November 28, 2016 Debentures were initially measured at fair value, net of direct expenses, then subsequently at amortized cost. The fair value, net of direct costs resulted in amount of \$4,023. The total accretion for the period ended March 31, 2017 was \$751 resulting in the closing balance of \$4,774 as at March 31, 2017.

The transaction completed on November 28, 2016 contributed to substantial modifications of the terms of the existing convertible debentures issued in 2014 and 2015. The conversion prices were reduced from C\$0.45 to C\$0.25. The modified terms significantly change the fair value of cash flows. Due to the zero coupon interest rate, the existing debentures were fair valued using the present value methodology. The principal face values were discounted based on the prorated effective interest rate derived from the fair value of the Debentures issued on November 28, 2016. As a result, the existing debentures were extinguished and new fair values of the convertible debentures were recognized as follows:

For the convertible debentures issued on January 15, 2014, the new fair value of \$20,989 was recognized and the existing balance of \$21,585 was extinguished. The total accretion for the period ended March 31, 2017 amounted to \$8,864 resulting in the closing balance of \$25,133 as at March 31, 2017.

For the convertible debentures issued on July 15, 2014, the new fair value of \$7,580 was recognized and existing balance of \$7,894 was extinguished. The total accretion for the period ended March 31, 2017 amounted to \$3,584 resulting in the closing balance of 9,267 as at March 31, 2017.

For the convertible debentures issued on December 18, 2014, the new fair value of \$5,576 was recognized and existing balance of \$5,997 was extinguished. The total accretion for the period ended March 31, 2017 amounted to \$2,249 resulting in the closing balance of \$6,764 as at March 31, 2017.

For the convertible debentures issued on November 13, 2015, the new fair value of \$4,037 was recognized and existing balance of \$4,117 was extinguished. The total accretion for the period ended March 31, 2017 amounted to \$1,515 resulting in the closing balance of \$4,802 as at March 31, 2017.

For the convertible debentures issued on April 18, 2016, the new fair value of \$1,730 was recognized and existing balance of \$2,721 was extinguished. The total accretion for the period ended March 31, 2017 amounted to \$421 resulting in the closing balance of \$2,053 as at March 31, 2017.

For the convertible debentures issued on May 5, 2016, the new fair value of \$2,307 was recognized and existing balance of \$2,571 was extinguished. The total accretion for the period ended March 31, 2017 amounted to \$826 resulting in the closing balance of \$2,736 as at March 31, 2017.

The underlying details of the borrowings described above are disclosed in the Note 11 of the Company's audited annual financial statements for the years ended June 30, 2015 and June 30, 2016.

As described in the Subsequent Note 14, on April 3, 2017, the Company announced that it has received a notice of exercise of convertible debentures from Sentient relating to the conversion of \$25,926 principal amount of convertible debentures of the Company into common shares of the Company (the "Common Shares") at a conversion price of C\$0.25 per Common Share for an aggregate of 112,669,627 Common Shares. The exercise of the convertible debentures relates to the debentures issued in January, July and December 2014 respectively. Further, on May 24, 2017 the Company announced that it has received notices of exercise of the Company's remaining convertible debentures from Sentient relating to the conversion of \$41,000 principal amount of convertible debentures into Common Shares of the Company at a conversion price of C\$0.25 per Common Share for an aggregate of 195,755,600 Common Shares.

(6) DERIVATIVE FINANCIAL INSTRUMENT

The embedded derivative conversion option feature contained in the debentures is valued using a Black-Scholes model. The risk free interest rate used in the fair value computation is the interest rate on Canadian marketable security bond with maturity similar to the remaining life of the convertible debentures. The expected volatility estimate at date of convertible debt issuance, extinguishment (see Note 5) and March 31, 2017 considers both, the historical price volatility of the Company and the TSX Venture Composite Index.

Application of the Black-Scholes option pricing model requires the use of assumptions. Changes in the underlying assumptions of these models could materially impact the determination of the fair value of the financial instruments.

As at March 31, 2017, the fair value of the derivative liability was \$6,586 (June 30, 2016 - \$11,985). The movement in fair value results from fluctuations and inputs used to determine the fair value at each reporting period, the most significant of which are the Company's share price, volatility and life of the options.

A summary of the derivative liability activities relating to additions and changes resulting from the fair value measurement for the three and nine months period ended March 31, 2017 and March 31, 2016 respectively are as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2017	2016	2017	2016
Opening Balance	18,983	907	11,985	9,650
Additions to derivative liability during the period	-	1,475	2,795	18,488
Fair value (gain) loss for the period	(12,397)	141	(8,194)	(25,615)
Closing Balance	6,586	2,523	6,586	2,523

The Company recorded a net gain of \$8,194 resulting from the fair value measurement for the nine months period ended March 31, 2017 (March 31, 2016 - \$25,615 gain) and \$12,397 gain for the three months period ended March 31, 2017 (March 31, 2016 - \$141 net loss). This fair value gain is recognized within other income in the consolidated statements of loss and comprehensive loss. Other Income also includes gain (loss) resulting from the impact of the revaluation of the derivative liability resulting from the extinguishment of the debt on August 30, 2016 and on November 28, 2016 as described in Note 5 above.

A summary of other income activities for the three and nine months period ended March 31, 2017 and March 31, 2016 are as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2017	2016	2017	2016
Fair value gain (loss) for the period – derivatives	12,397	(141)	8,194	25,615
Extinguishment/revaluations (net) – host liability	-	2,890	14,112	4,177
Total Other Income	12,397	2,749	22,306	29,792

Inputs used to determine the fair value were as follows:

	March 31, 2017	At Extinguishment November 28, 2016	At Extinguishment August 30, 2016	June 30, 2016	March 31, 2016
Risk free interest rate	0.75%	0.66%	0.57%	0.52%	0.54%
Volatility - maturity at July 1, 2017	59%	154%	134%	187%	147%
Volatility - maturity at June 30, 2017	59%	154%	-	151%	147%
Volatility - maturity at December 31, 2017	115%	165%	-	155%	-
Remaining life (years)	0.25 and 0.75	0.6 and 1.08	0.08	0.25, 1.0 and 1.5	1.25 and 1.75

(7) SHARE CAPITAL AND OPTIONS

The Company is authorized to issue an unlimited number of common shares with one vote per share and no par value per share.

There were no common shares issued during the period ended March 31, 2017 and March 31, 2016.

Subsequent to March 31, 2017, as described in the Subsequent Events Note 14, the Company issued an aggregate of 308,425,227 Common Shares in relation to notices of exercise of convertible debentures from Sentient relating to the conversion of \$66,926 principal amount of convertible debentures of the Company into Common Shares of the Company at a conversion price of C\$0.25 per Common Share.

Options

The Company maintains a stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors, or consultants of the Company, options to acquire common shares under the terms as determined by the Board of Directors or such committee.

As of March 31, 2017, the Company had 456,890 remaining reserved options under the plan with 1,137,779 maximum allowed on a post-consolidation basis.

Options granted carry no dividend or voting rights. Options granted to directors and senior management vest as follows: 1/3 on grant, 1/3 on first anniversary of grant and 1/3 on second anniversary of grant. All other options granted to employees and consultants vest immediately.

A summary of option activity under the Plan during the nine months ended March 31, 2017 are as follows:

	Number of Stock Options	Weighted Average Exercise Price- C\$
Balance, June 30, 2016	113,000	1.86
Expired	(1,000)	24.61
Forfeited	-	-
Balance, March 31, 2017	112,000	1.70
Exercisable, March 31, 2017	112,000	1.70

The fair value of option grants is estimated at the grant date using the Black-Scholes option-pricing model. There were no options granted during the nine months period ended March 31, 2017 and March 31, 2016.

The following table summarizes incentive stock options outstanding at March 31, 2017:

	Outstanding			Exercisable	
Exercise price	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options	Weighted average exercise price
C\$13.00	2,000		0.9	2,000	
C\$1.50	110,000		2.3	110,000	
Total Options	112,000	C\$1.70		112,000	C\$1.70

All options are expected to be cancelled on June 6, 2017 due to the going-private transaction as described in the Subsequent Events, Note 14.

Share-Based Compensation

The share-based compensation resulted in the expense amount of \$2 for the nine months period ended March 31, 2017, (March 31, 2016 - \$36 expense).

(8) COMMITMENTS AND CONTINGENCIES

The Company has certain commitments to meet the minimum expenditure requirements on its mineral exploration assets it has interest in.

The Company had no contingent liabilities as at March 31, 2017.

Future minimum payments under the agreements as at March 31, 2017 are as follows:

	Less than 1 year	1 - 5 years	Total
Lease commitments	6	-	6
Exploration commitments	975	108	1,083
Total	981	108	1,089

(9) RELATED PARTY TRANSACTIONS

Key Management Personnel

(a) Key management personnel are defined as members of the Board of Directors and senior officers.

Key management compensation was:

Nine months ended March 31,

	2017	2016
Salaries, wages and other benefits	769	922
Share-based compensation	2	36
Total	771	958

As described in the Subsequent Events (Note 14), on April 4, 2017, the Company announced a proposed going-private transaction. As a result of the change in control, the Company will be obligated to pay \$220 in contractual commitment related to the Company's senior officer.

Other Related Party Transactions

(b) Transactions with Sentient

On October 27, 2016, the Company entered into a financing agreement with Sentient in connection with the proposed issuance of \$7,000 principal amount of convertible secured debentures. The financing transaction was completed on November 28, 2016 and the details of this financing are described in the Loans and Borrowings Note 5 above.

As described in the Subsequent Events (Note 14), on April 3, 2017, the Company announced that it has received a notice of exercise of convertible debentures from Sentient relating to the conversion of \$25,926 principal amount of convertible debentures of the Company into Common Shares of the Company at a conversion price of C\$0.25 per Common Share for an aggregate of 112,669,627 Common Shares. Further, on May 24, 2017 the Company announced that it has received notices of exercise of the Company's remaining convertible debentures from Sentient relating to the conversion of \$41,000 principal amount of convertible debentures into Common Shares of the Company at a conversion price of C\$0.25 per Common Share for an aggregate of 195,755,600 Common Shares.

During the nine months period ended March 31, 2016, Sentient incurred legal and administrative expenses related to the purchase of La Cobota property on behalf of the Company. As a result, at March 31, 2016, the Company owed \$192 to Sentient. There were no fees incurred or paid to Sentient during the nine months period ended March 31, 2017.

(10) SUPPLEMENTAL CASH FLOW INFORMATION

Changes in working capital for the nine months period ended March 31, 2017 and 2016 are as follows:

	2017	2016
Increase in accounts receivable and other current assets	(17)	(29)
Increase (decrease) in accounts payable and accrued liabilities	237	(335)
(Decrease) increase in provisions	(91)	10
Total changes in working capital	129	(354)

(11) FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes nine levels to classify the inputs to valuation techniques used to measure the fair value.

The nine levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable either directly or indirectly
- Level 3 – Inputs that are not based on observable market data

The following table illustrates the Company's financial instruments measured at fair value on a recurring basis and their classification within the fair value hierarchy as at March 31, 2017 and June 30, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As at March 31, 2017			
Financial liabilities			
Fair value through profit or loss:			
Derivative financial instrument	-	6,586	-
	-	6,586	-
As at June 30, 2016			
Financial liabilities			
Fair value through profit or loss:			
Derivative financial instrument	-	11,985	-
	-	11,985	-

Fair Values of Financial Assets and Liabilities not measured at Fair Value

	As at March 31, 2017		As at June 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	8,360	8,360	8,182	8,182
Short term investments	66	66	68	68
Receivables and other current assets	213	213	196	196
	8,639	8,639	8,446	8,446
Financial liabilities				
Trade and other payables	1,924	1,924	1,887	1,887
Loans and borrowings	55,529	55,529	47,408	47,408
	57,453	57,453	49,295	49,295

The carrying values of the above financial instruments approximate their fair values. The fair value estimates are within level 2 of the fair value hierarchy.

(12) OPERATIONS BY SEGMENT AND GEOGRAPHIC AREA

The Company operates in one reportable segment, being the exploration, evaluation and development of mineral properties. The Company's development property is located in one geographic area, being Papua New Guinea.

(13) NET INCOME (LOSS) PER SHARE

The calculation of basic and diluted income (loss) per share is based on the following data:

	Three months ended March 31.		Nine months ended March 31,	
	2017	2016	2017	2016
Net income (loss)	4,617	(3,164)	1,301	13,158
Weighted average number of shares outstanding	11,377,792	11,377,792	11,377,792	11,377,792
Dilutive effect of convertible debentures	308,425,227	217,230,160	288,200,265	186,858,700
Stock options	112,000	113,500	112,000	113,500
Basic income (loss) per share	0.41	(0.28)	0.11	1.16
Diluted income (loss) per share	0.00	0.00	(0.01)	(0.03)

(14) SUBSEQUENT EVENTS

On April 3, 2017, the Company announced that it has received a notice of exercise of convertible debentures from Sentient relating to the conversion of \$25,926 principal amount of convertible debentures of the Company into Common Shares of the Company at a conversion price of C\$0.25 per Common Share for an aggregate of 112,669,627 Common Shares. Following the conversion, Sentient holds 112,962,967 Common Shares, representing approximately 91.1% of the outstanding Common Shares, and Sentient holds, in aggregate, 115,169,157 Common Shares, representing approximately 92.8% of the outstanding Common Shares.

Following the conversion, the Sentient Group continues to hold \$41,000 principal amount of convertible debentures of the Company entitling the Sentient Group to acquire up to an additional 195,755,600 Common Shares.

The board of directors of the Company has formed a special committee of independent directors to consider the strategic alternatives available to the Company. The Company understands that future financial support of the Company from the Sentient Group will be conditioned upon reductions in expenses including reduction of the public company expenses.

On April 26, 2017, the Company announced a proposed going-private transaction, to be completed via an arrangement (the "Arrangement") to be implemented under a statutory plan of arrangement pursuant to section 192 of the Canada Business Corporations Act (the "CBCA"), (the "Plan of Arrangement").

On May 8, 2017, the Company announced that it obtained an interim order (the "Interim Order") from the Ontario Superior Court of Justice in connection with its previously announced proposed going-private transaction. The final Court date to finalize the requirements has been scheduled for June 7, 2017. Subject to obtaining the Final Order, the required approvals from the Shareholders at the special meeting scheduled to be held on June 6, 2017 and the TSX Venture Exchange, and the satisfaction or waiver of all conditions precedent set out in the Plan of Arrangement, the Arrangement is anticipated to be completed on or about June 14, 2017.

On May 24, 2017, the Company announced that it has received notices of exercise of the Company's remaining convertible debentures from Sentient relating to the conversion of \$41,000 principal amount of convertible debentures into Common Shares of the Company at a conversion price of C\$0.25 per Common Share for an aggregate of 195,755,600 Common Shares. Following the conversion, Sentient holds 308,718,567 Common Shares, representing approximately 96.5% of the outstanding Common Shares, and the Sentient Group holds, in aggregate, 310,924,757 Common Shares, representing approximately 97.2% of the outstanding Common Shares.