Southern Arc
MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015

(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Southern Arc Minerals Inc.

We have audited the accompanying consolidated financial statements of Southern Arc Minerals Inc., which comprise the consolidated statement of financial position as at June 30, 2016 and June 30, 2015, the consolidated statements of loss, comprehensive income (loss), cash flows and changes in equity 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 audit sin 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 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 Southern Arc Minerals Inc. as at June 30, 2016 and June 30, 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 the Company has no current sources of revenue and a history of losses. 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 the Company's ability to continue as a going concern.

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KPMG LLP (Signed)

Chartered Professional Accountants

October 20, 2016
Vancouver, Canada

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at		**June 30, 2016**		June 30, 2015
Assets				
Current				
Cash	$	273,186	$	53,614
Receivables		7,275		6,974
Prepaid expenses		13,037		24,638
		293,498		85,226
Investments (Note 4)		7,534,915		-
Investment in associates (Note 3)		-		5,475,893
Deposit		-		19,463
Equipment (Note 5)		-		2,989
Exploration properties (Note 6)		-		102,068
Total assets	**$**	**7,828,413**	**$**	**5,685,639**
Liabilities				
Current				
Accounts payable and accrued liabilities	$	158,700	$	284,625
Due to related party (Note 8)		-		187,110
		158,700		471,735
Other long-term liabilities		228,764		125,081
Total liabilities		387,464		596,816
Shareholders' equity				
Capital stock (Note 7)		75,882,222		74,891,487
Treasury stock (Note 7)		(1,170,000)		(1,170,000)
Share-based payment reserve (Note 7)		12,177,346		11,949,662
Accumulated other comprehensive income (Note 4)		1,835,927		-
Deficit		(78,936,444)		(78,342,419)
Equity attributable to shareholders		9,789,051		7,328,730
Non-controlling interest		(2,348,102)		(2,239,907)
Total shareholders' equity		7,440,949		5,088,823
Total liabilities and shareholders' equity	**$**	**7,828,413**	**$**	**5,685,639**

Nature of operations and going concern (Note 1)
Subsequent event (Note 13)

Approved by the Board of Directors and authorized for issuance on October 20, 2016:

On behalf of the Board of Directors

"John G. Proust" Director *"Morris Klid"* Director

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF LOSS
(Unaudited - Expressed in Canadian dollars)

For the years ended		**June 30, 2016**		June 30, 2015
Expenses				
Depreciation (Note 5)	$	198	$	8,126
Consulting		373,226		399,569
Office and miscellaneous (Note 9)		124,426		231,414
Share-based compensation (Note 7 and 8)		227,684		27,257
Management fees (Note 8)		420,000		647,400
Exploration expenses (Note 6)		337,497		542,550
Foreign exchange gain		(4,959)		(37,866)
Investor relations		15,727		15,381
Professional fees		102,496		146,561
Rent		36,000		100,146
Salaries and benefits		183,307		129,938
Transfer agent and filing fees		37,982		41,534
Travel		76,643		55,601
Loss before other items		**(1,930,227)**		**(2,307,611)**
Other income (expense)				
Financing expense (Note 8)		(12,232)		(14,641)
Interest income		2,726		6,678
Exploration property write-off (Note 6)		(102,068)		-
Gain on disposition of investment in associate (Note 3)		977,592		-
Gain on sale of shares and warrants (Note 4)		29,654		-
Equity loss from investment in associate (Note 3)		(111,711)		(782,746)
Gain on disposition of equipment		-		9,727
Unrealized gain on change in fair value of warrants (Note 4)		176,083		-
Loss on sale of subsidiary		(6,371)		-
Remeasurement of assets held for sale		-		(755,113)
Impairment of other advances (Note 6)		-		(123,560)
		953,673		(1,659,655)
Net loss before income taxes	**$**	**(976,554)**	**$**	**(3,967,266)**
Income tax recovery	$	274,334	$	-
Net loss for the year	**$**	**(702,220)**	**$**	**(3,967,266)**
Net loss attributable to:				
Shareholders of Southern Arc Minerals Inc.	$	(594,025)	$	(3,893,978)
Non-controlling interests		(108,195)		(73,288)
	$	**(702,220)**	**$**	**(3,967,266)**
Basic and diluted loss per share	**$**	**(0.05)**	**$**	**(0.36)**
Weighted average number of shares outstanding		12,702,273		10,921,449

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian dollars)

for the years ended		**June 30, 2016**	June 30, 2015
Net loss for the year	$	(702,220)	$ (3,967,266)
Other comprehensive loss			
Items that may be subsequently reclassified to profit/loss:			
Gain on change in fair value of available-for-sale investments		2,261,873	-
Loss on available-for-sale investments classified to net loss		(151,612)	
Net income tax expense related to available for sale investments		(274,334)	-
		1,835,927	-
Total comprehensive income (loss) for the year	**$**	**1,133,707**	**$ (3,967,266)**
Net loss attributable to:			
Shareholders of Southern Arc Minerals Inc.	$	1,241,902	$ (3,893,978)
Non-controlling interests		(108,195)	(73,288)
	$	**1,133,707**	**$ (3,967,266)**

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the years ended	**June 30, 2016**	June 30, 2015
Cash flows from operating activities		
Net loss for the year	$ (702,220)	$ (3,967,266)
Items not affecting cash:		
Depreciation	198	8,126
Share-based compensation	227,684	27,257
Income tax recovery	(274,334)	-
Exploration expense (Note 6)	337,497	542,550
Exploration property write-off (Note 6)	102,068	-
Equity loss from investment in associate	111,711	782,746
Remeasurement of assets held for sale	-	755,113
Loss on sale of subsidiary	6,371	-
Gain on disposition of investment in associate (Note 3)	(977,592)	-
Gain on sale of shares and warrants	(29,654)	-
Gain on disposition of equipment	-	(9,727)
Impairment of other advances	-	123,560
Unrealized gain on change in fair value of warrants (Note 4)	(176,083)	-
Foreign exchange gain	(4,959)	(37,866)
Finance expense	12,232	14,641
Interest income	(2,726)	(6,678)
Changes in non-cash working capital items:		
Receivables	(301)	6,627
Prepaid expense	11,601	6,448
Accounts payable, accrued liabilities and other long-term liabilities	19,551	126,977
Interest income received	2,726	6,678
Net cash used in operating activities	(1,336,230)	(1,620,814)
Cash flows from investing activities		
Acquisition of investments	(49,740)	-
Proceeds from sale of investments, net (Note 4)	1,172,588	-
Investment in exploration properties	(334,706)	(500,119)
Proceeds received from sale of subsidiary	26,219	-
Proceeds received from asset held for sale	-	319,860
Proceeds received from disposal of property, plant and equipment	-	18,009
Net cash from (used in) investing activities	814,361	(162,250)
Cash flows from financing activities		
Proceeds from private placement	1,000,000	-
Share issue costs for private placement	(9,265)	-
Proceeds from related party loan	146,242	183,015
Repayment of related party loan,including finance expense of $26,874	(404,691)	-
Net cash from financing activities	732,286	183,015
Effect of exchange rate changes on cash	9,155	9,697
Change in cash during the year	**219,572**	**(1,590,352)**
Cash, beginning of the year	53,614	1,643,966
Cash, end of the year	**$ 273,186**	**$ 53,614**

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Attributable to shareholders of Southern Arc Minerals Inc.							
	Capital Stock	Treasury Stock	Share-based Payment Reserve	Accumulated other Comprehensive Loss	Deficit	Total	Non-controlling Interest	Total Equity
Balance, June 30, 2014	**$ 74,891,487**	**$ (1,170,000)**	**$ 11,922,405**	**$ -**	**$ (74,448,441)**	**$ 11,195,451**	**$ (2,166,619)**	**$ 9,028,832**
Net loss for the year	-	-	-	-	(3,893,978)	(3,893,978)	(73,288)	(3,967,266)
Share-based compensation	-	-	27,257	-	-	27,257	-	27,257
	-	-	27,257	-	(3,893,978)	(3,866,721)	(73,288)	(3,940,009)
Balance, June 30, 2015	**74,891,487**	**(1,170,000)**	**11,949,662**	**-**	**(78,342,419)**	**7,328,730**	**(2,239,907)**	**5,088,823**
Balance, June 30, 2015	**$ 74,891,487**	**$ (1,170,000)**	**$ 11,949,662**	**$ -**	**$ (78,342,419)**	**$ 7,328,730**	**$ (2,239,907)**	**$ 5,088,823**
Net loss for the year	-	-	-	-	(594,025)	(594,025)	(108,195)	(702,220)
Shares issued for private placement (net of share issue cost)	990,735	-	-	-	-	990,735	-	990,735
Share-based compensation	-	-	227,684	-	-	227,684	-	227,684
Other comprehensive income	-	-	-	1,835,927	-	1,835,927	-	1,835,927
	990,735	-	227,684	1,835,927	(594,025)	2,460,321	(108,195)	2,352,126
Balance, June 30, 2016	**$ 75,882,222**	**$ (1,170,000)**	**$ 12,177,346**	**$ 1,835,927**	**$ (78,936,444)**	**$ 9,789,051**	**$ (2,348,102)**	**$ 7,440,949**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Southern Arc Minerals Inc. ("Southern Arc" or "the Company") was incorporated in British Columbia, Canada on August 19, 2004. The Company is a natural resource company engaged in the acquisition and exploration of resource properties. The Company's head office is located at Suite 3123 - 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J1.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company is in the process of evaluating its exploration properties and has not yet determined whether the properties contain reserves that are economically recoverable. The Company does not currently generate any revenues or have operations that generate cash flows. Accordingly, the Company relies on funding received from the sale of investments and financing received from the issuance of common shares or loans and borrowings to finance its exploration activities and general and administrative costs. Based on current plans, budgeted expenditures, and cash requirements, the Company does not have sufficient cash to finance its planned activities for the twelve months from the date of approval of the consolidated financial statements. As a result, the Company will require cash injections by way of selling its investments or obtaining additional financing in order to fund exploration activities and required general and administrative expenses. While the Company has been successful at securing financing in the past, there can be no assurance that it will be able to do so in the future. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue business.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements are presented on a historical cost basis, except for financial instruments classified as available-for-sale or fair value through profit or loss.

These consolidated financial statements were approved for issuance by the Company's Board of Directors on October 20, 2016.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and:

i) its wholly-owned Canadian subsidiary West Indonesia Mining Holdings Inc.;
ii) its wholly-owned Singapore subsidiaries: Indotan Lombok Pte. Ltd.and Southern Sunda Mining Pte. Ltd.;
iii) its wholly-owned Japanese subsidiary Southern Arc Minerals Japan KK;
iv) its 90%-owned Indonesian subsidiary PT. Indotan Lombok Barat Bangkit; and
v) its 70%-owned Indonesian subsidiary PT. Selatan Bengkulu Minerals.

Significant intercompany balances and transactions have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. 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. These estimates are based on historical experience, current and future conditions and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited, to the following:

i) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices related to the issuance of share options. These estimates impact share-based compensation expense and share-based payment reserve.

ii) The application of the Company’s accounting policy for exploration expenditure requires estimates in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

iii) The determination of fair value of investments in warrants, which are derivative instruments, requires assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact mark to market gains and losses recognized in profit or loss.

Critical accounting judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

i) The Company’s assessment of its ability to continue as a going concern requires judgements about whether sufficient financing will be obtained in the near term. See Note 1.

ii) The determination of a subsidiary’s functional currency often requires significant judgement where the primary economic environment in which the subsidiary operates may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Vehicles, furniture, computers, and field equipment are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets currently estimated to be four years.

Depreciation of vehicles, computers and field equipment are allocated to exploration properties when equipment is used in exploration activities.

Exploration properties

Exploration properties

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation, in addition to acquisition costs, are recognized and capitalized by geographical area. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration activities, including general administrative overhead costs, are expensed in the period in which they occur.

If economically recoverable ore reserves are developed, capitalized costs of the related property are tested for impairment and then reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration property is impaired, that property is written down to its estimated fair value. An exploration property is reviewed for impairment annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

The recoverability of amounts capitalized as exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete property development, and future profitable production or proceeds from the disposition thereof.

Title and permits to exploration properties involve certain inherent risks due to the difficulties of determining the validity of certain exploration property interests as well as the potential for problems arising from the frequently ambiguous conveying characteristics of many exploration properties. The Company has investigated title to all of its exploration property interests and, to the best of its knowledge, title to all of its exploration property interests are in good standing. The Company is in various stages of applying for permits for ongoing exploration activities related to the exploration properties.

Joint interest

A portion of the Company’s exploration activities are conducted jointly with others. These consolidated financial statements reflect only the Company’s proportionate interest in such activities.

The Company does not record any exploration expenditures made by any joint venture partner on its account. It also does not recognize any gain or loss on its option and joint venture agreement arrangement, but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Exploration advances received from a joint venture partner in accordance with the terms of the option and joint venture agreement are recorded as current liabilities until the exploration expenditure is incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration properties (continued)

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not currently have material rehabilitation requirements.

Foreign currency transactions

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the exchange rates prevailing on dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency translation differences are recognized in profit or loss.

Loss per share

The Company presents basic per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In reporting periods when a loss is incurred, potential issuance of shares would be anti-dilutive and, therefore, basic and diluted loss per share are the same.

Employee benefits

Short term employee benefits are expensed as the related services are performed.

Other long term liabilities includes the Company’s statutory obligations to provide certain post-employment benefits in Indonesia. The net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Net obligations in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for services in the current and prior periods discounted to its present value. Re-measurement of these obligations is recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The Company's share option plan allows the Company to grant options to its employees and consultants. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for employee options is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which these deductions can be applied. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

On initial recognition, all financial assets and financial liabilities, including derivatives, are recorded at fair value. All transactions related to financial instruments are recorded on a trade date basis. The directly attributable transaction costs of financial assets and liabilities are included in the carrying value of financial assets and liabilities except transaction costs related to financial assets and liabilities recorded at fair value through profit or loss which are expensed in the period they are incurred. Subsequently, derivatives are measured at fair value and changes in fair value are recognized in profit of loss. For other financial assets and liabilities, subsequent measurement is as follows:

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. Other than investments in warrants of Osisko Mining Corp. the Company does not have any assets classified as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Cash and receivables are classified as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss. The Company has classified its investment in common shares of Osisko as available-for-sale.

All financial assets except for those recognized at fair value through profit or loss are subject to review for impairment at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. The Company has not classified any financial liabilities as fair value through profit or loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities and due to related parties, which are recognized at amortized cost using the effective interest method of amortization.

Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally when the Company's shareholding is between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss. Subsequently, if there is objective evidence that the circumstances that led to the impairment have reversed, an impairment charge may be reversed but only to an amount equal to the original cost of the investment less the Company's share of accumulated losses.

Profits and losses resulting from upstream and downstream transactions between the Company and its associates are recognised in the Company's consolidated financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and pronouncements

The following is an overview of accounting standard change that the Company will be required to adopt in future years. The Company continues to evaluate the impact of these standards on its financial statements.

- IFRS 9 (2014) - Financial Instruments introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2014) also introduces additional changes relating to financial liabilities, amends the impairment model for financial assets and provides a new general hedge accounting standard. The required adoption date for the Company of IFRS 9 is July 1, 2018.

- IFRS 15 - Revenue from Contracts with Customers contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 will be effective for the Company on July 1, 2018, with early adoption permitted.

- IFRS 16 – Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for the Company on July 1, 2019 with early adoption permitted if IFRS 15 has also been applied.

3. INVESTMENT IN ASSOCIATE

Eagle Hill Exploration Corporation

On August 14, 2013, the Company invested $7,324,050 (inclusive of an $865,000 deposit paid in June 2013) to acquire 4,882,700 units of Eagle Hill Exploration Corporation ("Eagle Hill") by way of private placement at a price of $1.50 per unit. Each unit comprised one common share of Eagle Hill and one half share purchase warrant, with each whole warrant entitling the Company to acquire a further common share of Eagle Hill at a price of $2.00 per share for a period of four years. Eagle Hill was a publicly listed mineral exploration company focused on advancing the Windfall Lake Gold Project located in the Abitibi Gold Belt in Quebec, Canada.

On April 8, 2014, the Company invested an additional $526,316 in Eagle Hill by purchasing 375,940 units at $1.40 per unit as part of Eagle Hill's flow-through unit offering. Each unit consisted of one common share of Eagle Hill and one share purchase warrant where each warrant entitled the Company to acquire one share of Eagle Hill at a price of $2.00 until April 8, 2016.

On May 9, 2014, the Company purchased an additional 1,000,000 units at $1.00 per unit for an investment of $1,000,000. Each unit consisted of one common share of Eagle Hill and one share purchase warrant where each warrant entitled the Company to acquire one share of Eagle Hill at a price of $1.60 until May 8, 2016.

As at June 30, 2015, the Company held a total of 6,258,639 common shares and 3,817,290 warrants of Eagle Hill.

(Expressed in Canadian dollars)

3. INVESTMENT IN ASSOCIATE (continued)

On August 25, 2015, Eagle Hill combined with Oban Mining Corporation ("Oban"), Ryan Gold Corp. ("Ryan") and Corona Gold Corporation ("Corona"). Under the terms of the transaction (the "Transaction"), Oban acquired all of the common shares of each of Eagle Hill, Ryan and Corona, with Eagle Hill shareholders receiving 0.5 common shares of Oban (post 20:1 Oban share consolidation) and five common share purchase warrants for each Eagle Hill share held. The Company exchanged its 6,258,639 Eagle Hill common shares for a total of 3,129,319 Oban common shares along with 31,293,195 Oban warrants exercisable into 1,564,660 Oban common shares at $3.00 per share for a period of three years. The Oban warrants received are publicly listed.

The Company also exchanged the 3,817,290 Eagle Hill share purchase warrants for Oban warrants which can be exercised into 1,908,644 Oban common shares at a weighted average exercise price of $3.79 for a weighted average period of 1.66 years. These warrants are not publically listed.

Prior to the date of the Transaction, the Company held a 26.25% equity interest in Eagle Hill, which was accounted for using the equity method. Effective August 25, 2015, due to the changes in voting relationships, ownership and the Board of Directors, the Company determined that it does not have significant influence over Oban.

A continuity of the carrying value of the Company's investment in Eagle Hill is as follows:

Balance, July 1, 2014	$	6,258,639
Share of loss for the year		(782,746)
Balance, as at June 30, 2015	$	5,475,893
Share of loss for the period to August 25, 2015		(111,711)
Balance, as at August 25, 2015	$	5,364,182

A summary of the fair value of the consideration received and the gain realized on the Transaction is as follows:

Fair value of Oban shares received	$	4,381,047
Fair value of Oban warrants received		1,124,982
Fair value of Oban warrants exchanged for Eagle Hill warrants		835,745
Fair value of consideration received		6,341,774
Carrying value of investment in associates at August 25, 2015		(5,364,182)
Gain on investment	$	977,592

The fair value of the Oban shares received on exchange of Eagle Hill shares and Oban warrants received on exchange for Eagle Hill shares was determined using the market trading price of $1.40 and $0.04 of these instruments, respectively. The fair value of the Oban warrants received on exchange for Eagle Hill warrants of $0.44 per warrant was determined using a Black Scholes option pricing model with the following assumptions: market price of common shares of $1.40; risk free interest rate of 1.50%, expected life of between 0.62 and 1.97 years and volatility ranging between 112% to 126%.

On June 17, 2016, Oban changed its name to Osisko Mining Corp ("Osisko").

(Expressed in Canadian dollars)

4. INVESTMENT

In connection with the close of the transaction described in note 3, the Company received 3,129,319 common shares of Osisko and 31,293,195 Osisko tradable warrants exercisable into 1,564,660 common shares at $3.00 per share for a period of three years. The Company also received non-tradable warrants which can be exercised into 1,908,644 Osisko common shares at a weighted average exercise price of $3.79 for a weighted average period of 1.66 years.

The Company classified the Osisko shares as financial assets that are available-for-sale with changes in fair value recorded in other comprehensive income. The Osisko warrants are derivatives and are recognized at their fair value with changes in fair value included in profit or loss.

During the year ended June 30, 2016, the Company sold 654,319 Osisko shares for net proceeds of $749,433 resulting in a loss of $166,613. The Company also sold 6,311,195 Osisko warrants for net proceeds of $423,155 resulting in a gain of $196,267. The Company also acquired 25,000 additional shares of Osisko at a cost of $49,740.

For the year ended June 30, 2016, the net gain on sale of shares and warrants was $29,654.

As at June 30, 2016, the Company's investment in Osisko consisted of the following:

	Number of securities	Fair market value
Osisko common shares	2,500,000	$ 5,625,000
Osisko tradeable warrants	24,982,000	1,498,920
Osisko non-tradeable warrants	1,220,675	410,995
Balance, June 30, 2016		**$ 7,534,915**

The tradeable warrants are exercisable into 1,249,100 common shares at $3.00 per share and the non-tradeable warrants are exercisable into 1,220,675 common shares at $4.00 per share. The fair value of the Osisko common shares and tradeable warrants was based on the closing trading price of $2.25 and $0.06, respectively, on June 30, 2016. The fair value of the non-tradable warrants was determined using a Black Scholes option pricing model with the following assumptions: market price of common shares of $2.25, risk free interest rate of 0.45%, expected life of 1.12 years and volatility of 77.34%.

The Company recorded a gain of $1,835,927 (net of income taxes of $274,334) in accumulated other comprehensive income as at June 30, 2016 related to the shares of Osisko. The Company also recorded an unrealized gain of $176,083 for the year ended June 30, 2016 related to the Osisko warrants in net loss.

(Expressed in Canadian dollars)

5. EQUIPMENT

	Vehicles	Furniture	Computer	Field Equipment	Total
Costs					
Balance, June 30, 2014	65,657	911	57,659	126,011	250,238
Disposal	(27,679)	-	-	-	(27,679)
Balance, June 30, 2015	37,978	911	57,659	126,011	222,559
Balance, June 30, 2016	**$ 37,978**	**$ 911**	**$ 57,659**	**$ 126,011**	**$ 222,559**
Accumulated depreciation					
Balance, June 30, 2014	(45,611)	(829)	(47,474)	(97,588)	(191,502)
Depreciation for the year	(13,425)	(82)	(9,689)	(27,361)	(50,557)
Disposal	22,489	-	-	-	22,489
Balance, June 30, 2015	(36,547)	(911)	(57,163)	(124,949)	(219,570)
Depreciation for the year	(1,431)	-	(496)	(1,062)	(2,989)
Balance, June 30, 2016	**$ (37,978)**	**$ (911)**	**$ (57,659)**	**$ (126,011)**	**$ (222,559)**
Net carrying value					
Balance, June 30, 2015	$ 1,431	$ -	$ 496	$ 1,062	$ 2,989
Balance, June 30, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

During the year ended June 30, 2016, $2,791 of depreciation (June 30, 2015: $42,431) was included in exploration expenses.

6. EXPLORATION PROPERTIES

	West Lombok Property, Indonesia	East Elang Property, Indonesia	Total
Balance, June 30, 2014	**$** -	$ 102,068	$ 102,068
Deferred exploration costs incurred during the year:			
Camp construction and other	117,266	-	117,266
Geological and other consulting	252,738	-	252,738
Labour	172,546	-	172,546
Total deferred exploration costs	542,550	-	542,550
Exploration expense written off	(542,550)	-	(542,550)
Balance, June 30, 2015	**-**	102,068	102,068
Deferred exploration costs incurred during the year:			
Camp construction and other	199,548	-	199,548
Geological and other consulting	50,410	-	50,410
Labour	87,539	-	87,539
Total deferred exploration costs	337,497	-	337,497
Exploration expenses written off	(337,497)	-	(337,497)
Exploration property write-down	-	(102,068)	(102,068)
Balance, June 30, 2016	**$ -**	**$ -**	**$ -**

6. EXPLORATION PROPERTIES (continued)

West Lombok property

The Company, through a 90%-owned subsidiary, holds the exploration permit for the West Lombok property located on Lombok Island, Indonesia. During the year ended June 30, 2013, the Company conducted a review of the value of its West Lombok property and determined that its value had been impaired. As a result, the Company wrote off the carrying value. During the year ended June 30, 2016, the Company incurred an additional $337,497 (2015: $542,550) of exploration costs relating to the West Lombok property which were also written off.

On December 8, 2014, the Company announced that it had entered into a binding Memorandum of Agreement with PT Genesis Sumber Energi ("PT GSE") to advance the West Lombok project. Under the terms of the Memorandum of Agreement, PT GSE can earn a 25% interest in the subsidiary which holds the exploration permit for the West Lombok project by funding and obtaining Government approval of an environmental impact study and feasibility study for small-scale underground gold mines and processing plants on the property. PT GSE must also obtain Government approval to convert the West Lombok exploration permit into an exploitation permit, thereby securing tenure on the property for a further 20 years with the option to extend. PT GSE has not yet completed the required activities to earn the 25% interest. Upon receipt of the exploitation permit, the Company will enter into an Integrated Service and Support Agreement with PT GSE (the "ISS Agreement") to conduct small-scale mining on the West Lombok project using traditional methods to a maximum depth of 100 metres. Profits from the sale of gold and other minerals produced from such artisanal mining activities will be split 25% to the Company, 65% to PT GSE and 10% to the Local Government. Southern Arc and PT GSE can continue to explore for deeper gold and porphyry targets on the property, when market sentiment warrants the expenditure. Should the partners choose to mine deeper targets on the property (deeper than 100 metres), profits will be split 65% to the Company, 25% to PT GSE and 10% to the Local Government.

The Company had previously advanced loans receivable on an unsecured basis and without interest to the Indonesian subsidiary companies as capital contributions on behalf of the Indonesian shareholders, and these funds are to be repaid to the Company from future revenues of the subsidiaries. During the year ended June 30, 2015, the Company wrote off the remaining balance of $123,560 related to these advances as it was considered to be uncollectible.

East Elang property

The East Elang property is held by the Company's wholly-owned Indonesian subsidiary, PT. Selatan Arc Minerals ("PT SAM"). In October 2010, the Company entered into an option and joint venture agreement with Vale International S.A. ("Vale"), a wholly-owned subsidiary of Vale S.A., regarding the East Elang property. To exercise its option in the East Elang property and receive a 75% interest in PT SAM, which holds the exploration permit for East Elang, Vale had to fully fund the advancement of East Elang, through to and including the completion of a bankable feasibility study, at no cost to the Company.

In February 2016, the Company received notice from Vale to terminate the option agreement regarding its participation in the East Elang property. As a result, the Company wrote off the remaining cost previously capitalized to the property of $102,068 during the year ended June 30, 2016.

During 2016, the Company sold its share of East Indonesia Mining Pte Ltd., a wholly owned subsidiary of the Company and the parent company of PT SAM, to an Indonesian individual in exchange for $26,219 (US$20,000) and a 3% net smelter returns royalty on all future sales or other disposition of all minerals production from the property. The Company recognized a loss on the sale of these shares of $6,371.

(Expressed in Canadian dollars)

7. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at June 30, 2016, 15,088,116 are issued of which 14,958,116 are outstanding and 130,000 are in treasury. As at June 30, 2015 and 2014, 10,921,449 common shares were issued of which 10,791,449 were outstanding and 130,000 were in treasury.

On January 26, 2016, the Company closed a private placement and issued 4,166,667 units (the "Units") at a price of $0.24 per Unit for gross proceeds of $1,000,000. Each Unit consisted of one common share and one non-transferrable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of five years at an exercise price of $0.32. Of these units, 500,000 were issued to the Company's Chief Executive Officer and 1,335,000 to the Company's Chief Operating Officer.

Share options

The Company grants share options in accordance with its share option plan and the policies of the TSX Venture Exchange. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The terms of the option, including the vesting terms and the option price, are fixed by the directors at the time of grant subject to the price not being less than the market price of the Company's shares on the date of grant. The share options granted are exercisable for a period of up to ten years, as determined by the board of directors at the time of grant. A summary of the Company's outstanding share options granted is presented in the following table.

	Number of Options		Weighted Average Exercise Price
Outstanding at June 30, 2014	927,500	$	5.40
Expired	(466,750)		5.07
Forfeited	(21,250)		1.00
Outstanding at June 30, 2015	439,500	$	5.90
Cancelled	(438,000)		(5.90)
Forfeited	(1,500)		(5.90)
Granted	959,000		0.32
Outstanding at June 30, 2016 (remaining average contractual life is 4.41 years)	959,000	$	0.32
Number of options exercisable at June 30, 2016	479,500	$	0.32

On November 27, 2015, the Company granted 959,000 stock options to directors, officers, employees and consultants with an exercise price of $0.32 exercisable until November 26, 2020. Of the options granted, 25% vested immediately with the remainder vesting 25% every six months thereafter. During the year ended June 30, 2016, the Company recorded share-based compensation of $227,684 (June 30, 2015: $27,257) as a result of the vesting of options granted.

(Expressed in Canadian dollars)

7. SHAREHOLDERS' EQUITY (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of share options granted during the year ended June 30, 2016:

		June 30, 2016
Risk-free interest rate		0.70%
Expected life of options (in years)		1.00 - 2.50
Annualized volatility		172.00%
Share price	$	0.32
Fair value of options granted	$	0.30
Forfeiture rate		-
Dividend rate		-

Share purchase warrants

As part of the private placement on January 26, 2016, the Company issued 4,166,667 warrants with an exercise price of $0.32 and an expiry date of January 26, 2021. All of these warrants remain outstanding as at June 30, 2016.

8. RELATED PARTY TRANSACTIONS

Key management and personnel compensation

Key management personnel include the directors and other officers of the Company. Key management compensation consists of the following:

		June 30, 2016		June 30, 2015
Management fees	$	276,000	$	647,400
Consulting services (exploration)		-		129,664
Finance expense		12,233		14,641
Share-based compensation		180,147		11,427

During the year ended June 30, 2016, the Company paid $276,000 (June 30, 2015: $647,400) in management fees to a private company controlled by the Chief Executive Officer and Chairman of the Company. This fee is inclusive of administrative, finance, accounting, investor relations and management consulting fees.

On May 21, 2015, US$150,000 was advanced to the Company by a director and officer of the Company. This promissory note was repayable on demand and bore no interest. There was a one-time finance expense of US$12,000 or 8% of the principal sum that the Company recorded and accrued within accounts payable. During the year ended June 30, 2016, an additional US$119,571 was advanced to the Company by an officer and director of the Company. This promissory note was repayable on demand and bore no interest. There was a one-time finance expense of US$9,406 or 8% of the principal sum that the Company recorded and accrued within accounts payable. On February 5, 2016, the Company repaid these loans plus accrued financing fees in full for a total of US$290,977 ($404,691).

The above transactions occurred in the normal course of operations and are recorded at the consideration established and agreed to by the related parties.

(Expressed in Canadian dollars)

9. OFFICE AND MISCELLANEOUS EXPENSES

		June 30, 2016		June 30, 2015
Administrative	$	15,061	$	46,744
Office expenses		38,285		118,123
Insurance		61,436		51,174
Interest and bank charges		-		7,502
Telephone		8,416		6,460
Meals and entertainment		1,228		1,411
	$	124,426	$	231,414

10. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to credit risk, liquidity risk and market risk, which may have a material effect on cash flows, operations and comprehensive income.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company reduces its credit risk by maintaining its bank accounts at large financial institutions. Accounts receivable consists of amounts receivable from the Canadian federal government for the refundable GST amounts. The Company assesses the collectability and fair value of this receivable at each reporting period.

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 1.

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on the Company's cash is minimal. The quoted market price of Osisko warrants is subject to fluctuations and this impacts profit or loss. Changes in the quoted market price of Osisko common shares affects other comprehensive income. A 1% change (plus or minus) in the share price of Osisko's shares would change the fair value of the shares by approximately $56,250 and a 1% change in the market price of the warrants would change the fair value of by approximately $19,100.

Foreign exchange risk - The Company operates in Japan and Indonesia. The Company could accordingly be at risk for foreign currency fluctuations. The Company minimizes cash and monetary assets or liabilities in Indonesia and Japan.

At June 30, 2016, the Company had US$30,910 (approximately CDN$39,927), Japanese Yen ("Yen") 40,770 (approximately CDN$516) and Indonesian Rupiah ("Rph") 9,720,102 (approximately CDN$952) in cash, and US$158,127 (approximately CDN$204,254) and Yen 56,854 (approximately CDN$720) in accounts payable and accrued liabilities. As at June 30, 2016, US$1 amounts were converted at a rate of US$0.77 to CDN$1, Yen 78.98 to CDN$1, and Rph amounts were converted at a rate of Rph 10,204 to CDN$1.

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS (continued)

Fair value

IFRS requires disclosure about fair value measurements for financial instruments and liquidity risk using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three-level hierarchy is as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or 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.

The Osisko common shares and tradeable warrants are recognized at fair value using the quoted market price of these instruments. Accordingly, these are classified as level 1. The Osisko non-tradeable warrants are recognized at fair value using level 2 inputs.

The carrying value of cash, receivable, accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

		2016		2015
Loss for the year, before income taxes	$	(976,554)	$	(3,967,266)
Expected income tax recovery	$	(253,904)	$	(1,031,489)
Items not deductible for income tax purposes		223,909		586,789
Effect of change in tax rate		(5,825)		(7,521)
Effect of tax rates in other jurisdictions		15,755		21,915
Tax benefits unrecognized (recognized)		(254,269)		430,306
Total income taxes	$	(274,334)	$	-

Deferred income tax assets have not been recognized for the following temporary difference:

		2016		2015
Deferred income tax assets:				
Non-capital loss carry forwards	$	30,812,329	$	29,012,237
Capital loss carry forwards		2,662,043		63,703
Share issuance costs		7,412		500
Cumulative exploration expenses		28,537,468		29,091,060
Equipment		26,155		22,839
Long-term investment		2,949,264		9,012,681
		64,994,671		67,203,020

During the years ended June 30, 2016 and 2015, the Company recognized the following income tax assets (liabilities):

		2016		2015
Investments		(274,334)		-
Capital loss carryforward		274,334		-
	$	-	$	-

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(Expressed in Canadian dollars)

11. INCOME TAXES (continued)

The Company has accumulated losses for deduction against future years' Canadian taxable income, which expire as follows:

2026	604,856
2027	486,895
2028	511,735
2029	886,865
2030	2,938,228
2031	3,597,090
2032	3,763,442
2033	3,103,710
2034	3,298,960
2035	2,079,608
2036	735,180
	$ 22,006,569

The Company also has $7,732,456 and $1,073,304 in losses accumulated in Indonesia and Japan, respectively, which expire at various dates to 2025. In addition, the Company has $8,870,850 and $19,708,402 of unclaimed resource expenses for Canadian and Indonesian income tax purposes, respectively, that can be carried forward indefinitely and used to reduce taxable income.

12. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment focused on the acquisition and exploration of resource properties.

	Canada	Japan	Singapore	Indonesia	Total
June 30, 2016					
Exploration properties	$ -	$ -	$ -	$ -	$ -
Total assets	$ 7,811,989	$ 8,271	$ 178	$ 7,975	$ 7,828,413
June 30, 2015					
Exploration properties	$ -	$ -	$ -	$ 102,068	$ 102,068
Total assets	$ 5,531,567	$ 12,155	$ 29,736	$ 112,181	$ 5,685,639

For the year ended June 30,	2016	2015
Net loss (income) for the year – Canada	$ (378,456)	$ 2,743,634
Net loss for the year – Japan	465,628	106,949
Net loss for the year – Singapore	149,235	141,577
Net loss for the year – Indonesia	465,813	975,106
Net loss for the year	$ 702,220	$ 3,967,266

13. SUBSEQUENT EVENT

On September 16, 2016, the Company sold its subsidiary, Southern Arc Minerals Japan KK ("SAMJ"), to Sky Ridge Resources ("Sky Ridge"), a publically listed entity ("the Acquisition"). Upon completion of the Acquisition and associated $7 million financing, Sky Ridge consolidated its shares on a one-for-two basis and changed its name to Japan Gold Corp. ("Japan Gold"). In exchange for its interest in SAMJ, Southern Arc received 23,750,000 post-consolidation common shares of Japan Gold, representing approximately 42.9% of the issued and outstanding shares of Japan Gold on an undiluted basis. The securities acquired by Southern Arc pursuant to the Acquisition are subject to an Escrow Agreement with 10% of the shares released from escrow on September 16, 2016 and 15% of the shares to be released at each of six month increments over the next 36 months.