

Consolidated Financial Statements of

**American CuMo Mining
Corporation**

December 31, 2016

UNAUDITED

NOTICE

The accompanying unaudited condensed consolidated interim financial statements of American CuMo Mining Corporation (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

American CuMo Mining Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		December 31,	June 30,
ASSETS	Note	2016	2016
Current		\$	\$
Cash and cash equivalents		274,250	560,373
Trade and other receivables	5	9,154	6,378
Prepaid expenses		25,750	24,015
Investments	4	43,948	43,948
		353,102	634,714
Non-current assets			
Reclamation bonds	11	54,513	54,513
Non-current deposit	11 & 17	130,090	130,090
Property, plant and equipment	7	3,320	3,320
Unproven mineral right interests	8	20,885,744	20,671,430
		21,426,769	21,494,067
LIABILITIES			
Current			
Trade and other payables	6	878,207	1,016,485
Convertible notes	9	224,338	224,338
Promissory notes	10	-	-
		1,102,545	1,240,823
Non-current liabilities			
Convertible notes	9	3,278,147	3,278,147
Promissory notes	10	2,014,050	1,422,598
Interest on Accrued Notes		125,609	121,698
Reclamation provision	11	177,854	177,854
Deferred income tax liability		496,329	496,329
		7,194,535	6,615,751
EQUITY			
Equity component of convertible notes	9	294,147	294,147
Share capital	14	52,569,000	52,569,000
Share subscriptions receivable		0	(10,000)
Equity reserve		11,195,270	11,195,270
Deficit		(49,391,142)	(48,824,981)
Accumulated other comprehensive loss		(435,042)	(345,120)
		14,232,234	14,878,316
		21,426,769	21,494,067
Nature of Operations	1		
Subsequent event	18		
Commitments	15		
Contingencies	16		
Approved on Behalf of the Board of Directors		Trevor Burns	Joseph Baird

See accompanying notes to the consolidated financial statements.

American CuMo Mining Corporation					
(formerly Mosquito Consolidated Gold Mines Limited)					
Condensed consolidated interim statements of financial position - Unaudited					
(Expressed in Canadian dollars)					
		Three months ended December 31		Six months ended December 31	
	Note	2016	2015	2016	2015
		\$	\$	\$	\$
Expenses					
Interest expense and bank charges		978	37,703	1,603	63,225
Convertible note expense	10	195,000	344,651	195,000	344,651
Depreciation		0	0	0	0
Foreign exchange loss		0	(76,853)	0	(78,782)
Salaries and management fees	12	78,631	49,713	126,035	84,587
Office and miscellaneous		34,436	34,790	43,639	51,450
Consulting and professional fees		32,898	125	31,233	12,173
Rent		16,664	16,844	31,849	32,612
Shareholder comm. and regulatory		34,245	27,645	82,431	67,753
Share-based expense	14	0	7,388	0	7,388
Travel and business development		34,677	2,834	54,389	10,166
		427,529	444,841	566,177	595,224
Loss before other items		(427,529)	(444,841)	(566,177)	(595,224)
Other items					
Gain on sale of unproven mineral right interests	8	0	0	0	0
Gain on dissolution of subsidiary		0	22	0	22
Gain (loss) on sale or forfeiture of investments	5	0	0	0	0
write off reclamation bond		0	0		
Other income		17	0	17	0
Net loss from continuing operations		(427,512)	(444,819)	(566,159)	(595,202)
Discontinued operations, net of tax		0	0	0	0
Net loss		(427,512)	(444,819)	(566,159)	(595,202)
Other comprehensive loss, net of tax					
Items that may be reclassified to net loss					
Unrealized gain (loss) on investments	5	13,989	0	15,246	0
Transfer of other comprehensive	5	0	0	0	0
Cumulative translation adjustment		(39,448)	0	(38,750)	50,879
Sub total		(25,460)	0	(23,504)	50,879
Comprehensive loss		(452,971)	(444,819)	(589,663)	(544,323)
Loss per common share:					
Basic and diluted		(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding					
Basic and diluted		109,597,696	98,856,196	109,597,696	98,856,196

See accompanying notes to the condensed consolidated interim financial statements.

American CuMo Mining Corporation			
(formerly Mosquito Consolidated Gold Mines Limited)			
Condensed consolidated interim statements of financial position - Unaudited			
(Expressed in Canadian dollars)			
		Six months ended December	
		2016	2015
		\$	\$
OPERATING ACTIVITIES			
Net loss from continuing operations		(566,159)	(595,202)
Items not involving cash			
Depreciation		0	0
Share-based expense		0	0
Gain on sale of unproven mineral right interests		-	-
Impairment of unproven mineral right interests		0	0
Loss on sale or forfeiture of investments		0	0
Convertible note expense		195,000	344,651
Interest Accrued on promissory notes		3,910	
Foreign exchange		(89,922)	
Changes in non-cash working capital items:			
Decrease (increase) in trade and other receivables		(2,775)	(2,633)
(Increase) decrease in prepaid expenses		(1,736)	0
Increase (decrease) in trade and other payables		(138,278)	94,754
		(599,960)	(158,452)
INVESTING ACTIVITIES			
reclamation of short term bond		-	250,117
Proceeds from sale of property, plant and equipment		-	-
Expenditures on unproven mineral right interests		(214,315)	(280,990)
Proceeds from sale of unproven mineral right interests			
Proceeds from sale of investment			
		(214,315)	(30,873)
FINANCING ACTIVITIES			
Payment of interest on convertible notes		(195,000)	
Proceeds from issuance of promissory notes		713,150	(246,883)
Proceeds from issuance of shares		10,000	437,438
		528,150	437,438
Net change in cash and cash equivalents from continuing operations		(286,123)	1,229
Net change in cash and cash equivalents from discontinued operations			
Effect of exchange rate changes on cash			(89,749)
Cash and cash equivalents, beginning of the period		560,373	169,243
Cash and cash equivalents, end of the period		274,250	80,723

See accompanying notes to the consolidated financial statements.

American CuMo Mining Corporation											
Consolidated Statement of Changes in Equity											
(Expressed in Canadian dollars)											
		Share Capital									
	Note	Number of Shares		Amount	Share Subscriptions Receivable	Convertible Notes	Equity Reserve	Deficit	Comprehensive (Loss) Income	Total Equity	
				\$	\$	\$	\$	\$	\$	\$	
Balance on July 1, 2015		93,262,446		51,095,199	-	294,147	11,014,129	(46,895,224)	(300,962)	15,207,289	
Net loss after tax				-	-	-	-	(1,929,757)	-	(1,929,757)	
Private placements	13	15,897,750		1,486,650	(10,000)	-	-	-	-	1,476,650	
Share-based expense	13	437,500		43,750	-	-	181,141	-	-	43,750	
Warrants exercised	13	437,500		43,750	-	-	-	-	-	43,750	
Share issue costs	13			(56,599)	-	-	-	-	-	(56,599)	
Unrealized gain on investments	4			-	-	-	-	-	12,585	12,585	
Cumulative translation adjustment				-	-	-	-	-	12,585	12,585	
Balance on June 30, 2016		109,597,696		52,569,000	(10,000)	294,147	11,195,270	(48,824,981)	(345,120)	14,878,316	
Net loss after tax				-	-	-	-	(566,159)	-	(566,159)	
Private placements	13				10,000					10,000	
Warrants exercised	13				-	-	-	-	-	-	
Share issue costs	13				-	-	-	-	-	-	
Share-based expense	13				-	-	-	-	-	-	
Unrealized gain on investments	4			-	-	-	-	-	-	-	
Cumulative translation adjustment				-	-	-	-	-	(89,921)	(89,921)	
Balance on December 31, 2016		109,597,696		52,569,000	0	294,147	11,195,270	(49,391,141)	(435,041)	14,232,234	

See accompanying notes to the consolidated financial statements.

American CuMo Mining Corporation

Notes to the Consolidated Financial Statements

December 31, 2016

(Expressed in Canadian dollars)

1. Nature of operations

American CuMo Mining Corporation (“CuMoCo”) is an exploration and development company with mineral right interests in the United States of America and Canada. CuMoCo was incorporated under the laws of British Columbia in 1971.

These consolidated financial statements include the accounts of CuMoCo and its wholly-owned subsidiaries (collectively, the “Company”): Idaho CuMo Mining Corporation (“Idaho CuMo”, formerly Mosquito Mining Corp.), MSQ Operations Inc. (inactive) and 1156207 Ontario Ltd (inactive).

The Company is in the process of exploring its mineral right interests in the United States and at the date of these consolidated interim financial statements, has not yet determined whether any of its mineral properties contain economically recoverable mineral reserves. Accordingly, the carrying amount of mineral right interests represents cumulative expenditures incurred to date and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of CuMoCo to obtain the necessary financing to complete their exploration and development and to resolve any environmental, regulatory, or other constraints. Uncertainty also exists with respect to the recoverability of the carrying value of certain mineral right interests. The ability of the Company to realize on its investment in resource properties is contingent upon resolution of the uncertainties and confirmation of the Company’s title to the mineral properties.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company does not generate material cash flows from operations and accordingly, CuMoCo will need to raise additional funds through future issuance of securities. Although CuMoCo has been successful in raising funds in the past, there can be no assurance CuMoCo will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company has not determined whether any of its properties contain mineral reserves that are economically recoverable. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations. Since inception, the Company has incurred cumulative losses of \$49,391,141 (June 30, 2016: \$48,824,981) and as at December 31, 2016 had a working capital deficiency of \$749,443 (June 30, 2016: working capital deficiency of \$606,109), which may cast significant doubt regarding CuMoCo’s ability to continue as a going concern. Should CuMoCo be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

CuMoCo’s common shares are listed on the TSX Venture Exchange (“TSX-V”) and on the OTCQX stock exchange in the United States, under the trading symbols “MLY” and “MLYCF”, respectively. CuMoCo’s share options and warrants are not listed.

The head office and principal address of the Company is 638 Millbank, Vancouver, British Columbia, Canada V5Z 4B7.

These consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2017 and have been prepared in accordance with and in full compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

American CuMo Mining Corporation

Notes to the Consolidated Financial Statements

December 31, 2016

(Expressed in Canadian dollars)

2. Basis of presentation.

a) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with IFRS and on an historical cost basis, except for financial instruments which have been measured at fair value. The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

b) Adoption of new and revised standards and interpretations

Accounting policies adopted during the current year

Effective July 1, 2015, the Company has applied the following new accounting standards or amendments which were issued by the IASB:

- Amendments to IFRS 2, Share-based Payment
- Amendments to IFRS 8, Operating Segments
- Amendments to IFRS 13, Fair Value Measurement
- Amendments to IAS 16, Property, Plant and Equipment
- Amendments to IAS 24, Related Party Disclosures

The adoption of these new standards or amendments had no material impact on the Company's consolidated financial statements.

Accounting standards issued but not yet effective

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9, Financial Instruments

The Company has not early adopted this new standard to existing standards and does not expect the impact of this standard on the Company's consolidated financial statements to be material.

3. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements include the financial statements of CuMoCo and its controlled subsidiaries (Note 1). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Significant accounting judgments and estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

American CuMo Mining Corporation

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

3. Summary of significant accounting policies (cont'd)

Significant accounting judgments and estimates (cont'd)

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

- Judgments

- a) Unproven mineral right interests

The application of the Company's accounting policy for unproven mineral right interests requires judgment 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 may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

- b) Title to unproven mineral right interests

Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

- c) Going concern

Critical judgement and estimates are applied for the determination that the Company will continue as a going concern for the next year.

- Estimates

- a) Share-based payments:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date in which they are granted. Estimating fair values for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The model and assumptions used by the Company to estimate the fair value of share-based payments are disclosed in Note 13.

American CuMo Mining Corporation

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(Expressed in Canadian dollars)

3. Summary of significant accounting policies (cont'd)

Foreign currency translation

The Canadian dollar is considered to be the functional currency and the presentation currency of the Company and all of its subsidiaries, with the exception of Idaho CuMo.

The functional currency of Idaho CuMo is the United States ("US") dollar. This subsidiary has been translated into the Canadian dollar in accordance with IAS 21, *Effects of Changes in Foreign Exchange Rates ("IAS 21")*. These guidelines require that assets and liabilities be translated using the exchange rate at period end, and income and expenses items are translated using the exchange rate at the dates of the transactions. All resulting exchange differences are recognized in other comprehensive income (loss).

For CuMoCo and its subsidiaries (with the exception of Idaho CuMo) transactions denominated in currencies other than the Canadian Dollar are translated using the exchange rate in effect on the transaction date or at an average rate. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical rates. Exchange gains and losses arising from translation are recorded in the consolidated statements of operations and comprehensive loss.

Investments

Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted for the Company's share of earnings, losses and dividends. Investments in which the Company does not exert significant influence are accounted for using the cost method. Under the cost method of accounting, the investment is initially recorded at cost and earnings from such investments are recognized only to the extent they are received or receivable.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized at the following annual rates:

- Office equipment and furniture: 30% declining balance method.

Unproven mineral right interests

The Company capitalizes into intangible assets all costs, net of any recoveries, of acquiring, exploring and evaluating an unproven mineral right interest, until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property, or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral rights annually or when there are indicators of impairment and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. An indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, and if the entity has decided to discontinue exploration activity in a specific area. Management's assessment of the mineral right's fair value is also based upon a review

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of other mineral right transactions that have occurred in the same geographic area as that of the rights under review.

3. Summary of significant accounting policies (cont'd)

Unproven mineral right interests (cont'd)

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are not accrued and are only recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the deferred costs of the related mineral rights, with any excess being included in operations.

There may be material uncertainties associated with the Company's title and ownership of its unproven mineral right interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Reclamation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for

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(Expressed in Canadian dollars)

restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

3. Summary of significant accounting policies (cont'd)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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(Expressed in Canadian dollars)

3. Summary of significant accounting policies (cont'd)

Income tax

Income tax expense represents the sum of tax currently payable and deferred tax.

- Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

- Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets for unused tax losses, tax credits and deductible temporary differences are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the date of the statement of financial position.

3. Summary of significant accounting policies (cont'd)

Income tax (cont'd)

Deferred income tax relating to items recognized directly in equity or OCI is recognized in equity or OCI and not in the statement of loss and comprehensive loss.

Income (loss) per share

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

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is determined on a cost recovery basis.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are other assets and are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for when there is a significant or prolonged decline in the fair value of that investment below its cost, at which time the impairment is recognized in profit or loss.

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Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. Summary of significant accounting policies (cont'd)

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Impairment of financial assets

The Company assesses at each date of the statement of financial position whether any indicators exist that the Company's financial assets are impaired.

Assets measured at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

American CuMo Mining Corporation

Notes to the Consolidated Financial Statements

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3. Summary of significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. There were no cash equivalents at December 31, 2016 and 2015.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings using the effective interest method.

Fees paid to establish loan facilities are recognized as transaction costs of the loan and are deferred and recognized as an adjustment to the effective interest rate on the loan once drawn.

Compound financial instruments issued by the Company include convertible debentures that can be converted at a fixed conversion rate to share capital at the option of the holder. The liability component of convertible debentures is recognized initially at fair value of a similar liability that does not have an equity conversion option. The conversion component is initially valued at fair value based on generally accepted valuation techniques.

If convertible debentures are denominated in a currency that is different from the borrower's functional currency, both the liability and conversion components are carried as borrowings. Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest method. The conversion component of the convertible debenture is re-measured to fair value at each reporting period using the period end foreign exchange rate and changes in value are recognized as a component of finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability, or a portion of the liability, for at least 12 months after the reporting date.

4. Investments

	December 31, 2016	June 30, 2016
	\$	\$
Beginning of year	43,948	31,363
Dispositions	-	-
Additions	-	-
Changes in fair value	-	12,585
End of year	43,948	43,948

American CuMo Mining Corporation

Notes to the Consolidated Financial Statements

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4. Investments (cont'd)

Investments include the following:

		43,100	June 30,
		2016	2016
		\$	\$
Golden Cariboo Resources Inc.	a)	323	323
Barkerville Gold Mines Ltd.	b)	11	11
Yamana Gold Inc.	c)	28,116	28,116
Ximen Resources	d)	15,498	15,498
		43,948	43,948

- a) Company holds 4,300 shares of Golden Cariboo Inc.
- b) Company holds 18 shares of Barkerville Gold Mines Ltd.
- c) Company holds 4,184 shares of Yamana Gold Inc.
- d) Company holds 258,300 shares of Ximen Resources.

5. Trade and other receivables

Trade and other receivables are comprised of the following:

	December 31,	June 30,
	2016	2016
	\$	\$
Taxes receivable	9,154	6,378

6. Trade and other payables

Trade and other payables are comprised of the following:

	December 31,	June 30,
	2016	2016
	\$	\$
Trade payables	878,207	1,016,328
Payables due to related parties (Note 12)		157
	878,207	1,016,485

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7. Property, plant and equipment

	Office equipment and furniture
Cost	\$
Balance at June 30, 2014	175,562
Additions	-
Balance at June 30, 2015	175,562
Additions	-
Balance at June 30, 2016	175,562
Accumulated depreciation	
Balance at June 30, 2014	168,786
Depreciation	2,033
Balance at June 30, 2015	170,819
Depreciation	1,423
Balance at June 30, 2016	172,242
Carrying amount	
At June 30, 2014	6,776
At June 30, 2015	4,743
At June 30, 2016	3,320
At December 31, 2016	3,320

8. Unproven mineral right interests

The Company's flagship project is the CuMo molybdenum project, located in Idaho, in the United States. The Company's Boise property, also located in Idaho, is contiguous to and provides access to the CuMo project.

The Company also has other unproven mineral right interests in the United States and in Canada.

CUMO PROJECT (United States)

The CuMo Project is situated in the mountains of south-central Idaho, approximately 15 miles northeast of the town of Idaho City. It consists of 161 unpatented mineral claims.

The project was optioned to the Company by CuMo Molybdenum Mining Inc. in 2004. The terms of the option agreement called for 300,000 CuMoCo shares (issued) and a combination of advance royalty payments and work requirements outlined below.

American CuMo Mining Corporation

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8. Unproven mineral right interests (cont'd)

CUMO PROJECT (United States) (cont'd)

1. Advance royalty payments:

- US\$10,000 upon signing (completed);
- US\$10,000 after 60 days (completed);
- US\$5,000 after 6 months (completed);
- US\$20,000 1st year anniversary (completed);
- US\$20,000 2nd year anniversary (completed);
- US\$15,000 3rd year anniversary (completed);
- US\$15,000 every 6 months thereafter (up-to-date).

These payments are to be credited against a 1.5% net smelter return ("NSR") which reduces to 0.5% NSR after cumulative payments of US\$3,000,000.

2. Work requirements:

- US\$25,000 during the first year (completed);
- At least US\$50,000 each year thereafter (up-to-date).

BOISE PROPERTY (United States)

On July 8, 2010, the Company entered into an option agreement, amended on July 5, 2011, to purchase certain mineral claims that included surface rights located in Boise County, Idaho. These patent mineral claims are contiguous to and provide access to the CuMo project. In order to maintain the option in good standing, the Company was required to make option payments of US\$ 1,200,000. These payments have been completed and the Company has obtained title to the Boise property, which becomes part of the overall CuMo Project.

CALIDA PROPERTY (United States)

On November 14, 2016, the Company entered into an option agreement to purchase certain mineral claims located in Lemhi County, Idaho. The property consists of eight (8) unpatented mineral claims covering several significant mineralized gold, silver, and copper veins.

The option agreement gives the Company, a ten-year option to earn 100 percent interest by making a series of payments. An initial payment of \$40,000 US dollars has been made and ongoing payments consist of the following in US funds:

- \$40,000 on or before 90 days of the effective date. (paid January 31, 2017)
- \$50,000 on or before six months of the effective date.
- \$50,000 on or before 12 months of the effective date.
- \$50,000 on or before 18 months of the effective date.
- \$50,000 on or before 24 months of the effective date.
- \$50,000 every six months until commercial production or ten years.
- \$1 million at the start of commercial production.

The Calida agreement includes a variable buyout price, the Actual Exercise Price (AEP), that is based on the number of ounces of gold equivalent as defined in an independent 43-101 pre-feasibility or feasibility study. The AEP has a minimum price of \$10 million dollars for one million ounces of gold equivalent, rising at the rate of \$10 million dollars for each one million ounces of gold equivalent to a maximum price of \$50 million dollars for greater than five million ounces of gold equivalent.

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(Expressed in Canadian dollars)

OTHER PROPERTIES (United States)

Other unproven mineral right interests in the United States were the Spruce Mountain property, which have been fully impaired.

BRETT PROPERTY (Canada)

In 2003 the Company completed an agreement to acquire a 100% interest in the Brett #1 and Brett #2 mineral claims located in the Vernon Mining District of British Columbia for a consideration of 500,000 shares of the Company.

In 2004, Running Fox Resource Corp. ("Running Fox") and the Company entered into an option agreement on the Brett property whereby Running Fox earned a 50% interest in the property in 2004.

In 2011, the Company entered into a subsequent agreement with Running Fox whereby the Company sold to Running Fox the remaining 50% interest, subject to a sliding scale NSR on the property based on the price of gold as follows:

- Gold price up to \$500 per ounce: 2% NSR;
- Gold price between \$501 and \$1,000 per ounce: 3% NSR;
- Gold price between \$1001 and \$1,500 per ounce: 5% NSR;
- Gold price between \$1501 and \$2,000 per ounce: 6% NSR;

On December 20, 2013, the Company entered an agreement (the "Agreement") whereby Ximen Mining Corp. ("Ximen") may acquire the Company's above NSR interest.

The consideration payable to the Company consists of up to \$1,350,000 cash and 100,000 common shares of Ximen payable prior to the third anniversary of the Agreement. In addition, there are additional share issuances of \$120,000 payable in shares due by the third year of the Agreement. The number of shares to be issued shall be calculated based on the deemed price per share being the volume-weighted average closing price (subject to TSX-V minimum pricing) of Ximen's common shares on the TSX-V for the ten trading days prior to the date the payment is due. The securities to be received pursuant to the Agreement will be subject to a four-month hold period from the date of issuance in accordance with applicable Canadian securities law.

During the year, the Company received cash payments equaling \$50,000 from Ximen, per the agreement.

Financing Deals

November 16, 2016: Idaho CuMo signed a joint venture agreement with Platinum Resources International Limited ("PRI") whereby it sells 20% ownership shares of Idaho CuMo to the Joint Venture for US\$100 million, and assigns the Calida Mine property option agreement to the Joint Venture with net interests of 80% PRI, 15% Idaho CuMo and 5% Strategic Venture Fund. PRI must contribute or arrange for US\$200 million to be contributed within 30 months, with the initial US\$10 million within 90 days.

American CuMo Mining Corporation

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December 31, 2016

(Expressed in Canadian dollars)

8. Unproven mineral right interests (cont'd)

	CuMo	Boise	Calida	Pine Tree	Other	Total
	\$	\$	\$	\$	\$	\$
Balance, July 1 2015	18,844,888	1,218,145		0		20,063,033
Exploration expenditures:						
Community Relations	103,306					103,306
Geological/professional fees	67,165	-				67,165
Environmental studies	510,630					510,630
	19,545,988	1,218,145		0		20,764,133
Other items:						
Acquisition costs and payments	67,695	-				67,695
Exchange rate change	3,158					3,158
Recovery of reclamation bond	(163,556)					(163,556)
Balance, June 30 2016	19,453,285	1,218,145		0		20,671,430
Exploration expenditures:						
Community Relations	64,361	-				64,361
Geological/professional fees	10,500	-				10,500
Environmental studies	28,664	-				28,664
Other exploration				5,609		5,609
	19,556,811	1,218,145	-	5,609		20,780,564
Other items:						
Acquisition costs and payments	33,179	-	53,708			87,593
Reclamation recovery	-	-				-
Foreign exchange adjustment	-	-			17,226	17,226
Balance, December 31, 2016	19,591,056	1,218,145	53,708	5,609	17,226	20,885,744

9. Convertible notes

In order to finance the ongoing development of the CuMo Project the Company has borrowed from International Energy & Mineral Resources Investment (Hong Kong) Company Limited ("IEMR HK") the principal amount of \$1,500,000 and US\$1,500,000, and issued secured convertible notes (the "Notes") in respect of such indebtedness to IEMR HK (the "Financing").

The Notes have face values of \$1,500,000 and US\$1,500,000, respectively, and mature in October 2017 (the "Maturity Date"). The Notes accrue interest at a rate of 6.5% per annum, calculated and paid annually. At the option of IEMR HK the Notes shall be convertible at any time prior to the Maturity Date, in whole or in part, into common shares of the Company at a price of \$0.28 per common share, provided that IEMR HK shall only be permitted to exercise such conversion right to the extent that it results in IEMR HK holding no greater than 19.9% of the issued and outstanding common shares of CuMoCo.

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The Canadian dollar Note is being treated as a compound financial instrument with a debt element treated as a liability and an equity conversion element treated as equity. On issuance the equity conversion feature was valued at \$297,394. Share issue costs of \$3,247 were allocated to the equity conversion feature, resulting on a net equity conversion feature of \$294,147.

The U.S. dollar Note, given it is not denominated in the functional currency of CuMoCo, is accounted for as a financial liability with an embedded derivative and host debt contract.

The carrying values of the Notes contain the following components:

	December 31, 2016	June 30, 2016
	\$	\$
Liability component	3,123,735	3,123,735
Option conversion component	378,750	378,750
	3,502,485	3,502,485

The current and long-term portions of the Notes are as follows:

	December 31 2016	June 30, 2016
	\$	\$
Short-term	224,338	224,338
Long-term	3,278,147	3,278,147
	3,502,485	3,502,485

Changes in the balances of the Notes are comprised of the following:

	December 31, 2016	June 30, 2016
	\$	\$
Issue of notes	2,997,996	2,997,996
Note issue costs	(21,575)	(21,575)
Allocation of equity conversion feature	(297,394)	(297,394)
Accreted interest	1,500,189	1,500,189
Coupon payments	(597,906)	(597,906)
Change in option conversion feature	(344,854)	(344,854)
Foreign exchange loss	266,029	266,029
	3,502,485	3,502,485

The aggregate total of \$802,159 is reported as convertible note expense (2015: \$570,489) in the Company's statement of loss and comprehensive loss.

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The Notes will default if the Company, or any of its subsidiaries, makes a general assignment for the benefit of its creditor, or files a proposal under the *Bankruptcy and Insolvency Act* (Canada), or shall become insolvent, or shall be declared or adjudged bankrupt, or a receiving order is made against the Company or any subsidiary unless same is being contested in good faith and is dismissed, stayed or withdrawn within 30 days.

This note is secured by all of the assets of the parent company, CuMoCo.

IEMR HK is a "Related Party" of the Company pursuant to the policies of the TSX-V, as IEMR HK holds approximately 12.15% of the issued and outstanding common shares of CuMoCo. As such, the financing constituted a "Related Party Transaction" under the policies of the TSX-V. The Company has relied on exemptions from the formal valuation and minority approval requirements which are available to the Company.

10. Promissory Notes

Idaho CuMo has entered into three different promissory note agreements with two separate third party lenders as follows:

- a) The first promissory note was entered into on March 8, 2015. This note is comprised of the sale of two Idaho CuMo Units ("CuMo Unit") for total proceeds of US\$500,000. Each CuMo Unit costs US\$250,000, consists of a promissory note which accrues annual interest at 8.5%, matures 7 years from the date of issuance and includes an option to enter into a Silver Purchase Agreement Right with the Company. Upon notice that the triggering event has occurred (the decision by the Company to go into production), the CuMo Unit holder has 30 days to enter into the Silver Purchase Agreement Right. The Silver Purchase Agreement Right allows the holder to purchase up to 375,000 ounces of refined silver from the Company at price of US\$5.00/ounce, plus make an upfront payment of US\$250,000.00. The Silver Purchase Agreement Right expires if:
 - a. it is not entered into within 30 days of the triggering event; or
 - b. if the principle amount of the loan is prepaid in whole or in part prior to maturity (this prepayment requires the consent of the lender); or
 - c. the maturity date is reached.

This note is secured by all of the assets of the subsidiary, Idaho CuMo, except for the six claims which make up the Boise Property.

On October 27, 2016 the same party purchased an additional two units for total proceeds of US\$500,000 with the same terms.

- b) The second promissory note is comprised of an initial loan in the amount of US\$250,000 which was received during fiscal 2015, and a second loan in the amount of US\$250,000 which was received during fiscal 2016, for total proceeds of US\$500,000. This loan accrues annual interest at 8.5%, and was amended on January 29, 2016 to extend the maturity date to December 31, 2025. This loan also includes an option to enter into a Silver Purchase Agreement Right (same terms as noted above in a)) with the Company.

This note is secured by the six patented claims which make up the Boise Property owned by Idaho CuMo.

This loan also includes an option to acquire up to an additional ten CuMo Units if the lender makes the following payments:

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- US\$500,000 (two CuMo Units) on or before December 31, 2016; and
- An additional US\$500,000 (two CuMo Units) on or before December 31, 2017.

If the lender completes the above payments totalling US\$1,000,000, they will be guaranteed the option to purchase six additional CuMo Units at the date of the triggering event, for a total additional cost of US\$1,500,000. Any accrued interest would be applied against the purchase of these units.

As at December 31, 2016, the Company has total promissory notes issued and outstanding in the amount of US\$1,500,000.

The Company has accrued interest of \$94,659 during fiscal 2016 (2015: \$30,625) in respect of these promissory notes.

11. Reclamation bonds and provisions

The Company's reclamation bonds relate to the following Company properties:

	December 31 2016	June 30 2016
	\$	\$
CuMo **	-	-
Pine Tree	47,764	47,764
Cariboo	3,500	3,500
General reclamation costs	3,249	3,249
	54,513	54,513

These bonds are expected to be refunded to the Company once the government agencies are satisfied that the Company has performed all necessary reclamation activities.

** During fiscal year 2016 the CuMo project cash bond was refunded to the Company and replaced with a surety from a third party. In exchange for the third party agreeing to guarantee to fund the required Bureau of Land Management reclamation bond - currently US\$278,000, the Company was required to pay a security deposit of US\$100,000 and make ongoing annual payments of US\$8,340.

The surety deposit is refundable when the Company completes the required reclamation clean-up costs.

The Company's estimated reclamation provisions relate to the following Company properties:

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11. Reclamation bonds and provisions (cont'd)

	December 31 2016	June 30 2016
	\$	\$
CuMo	130,090	130,090
Pine Tree	47,764	47,764
Cariboo	-	-
General reclamation costs	-	-
	177,854	177,854

Although the Company does not anticipate being required to perform significant reclamation activities, to be conservative, it has recorded provisions for estimated reclamation costs based on the assumption that the amounts of the reclamation bonds posted with government authorities and the amount of the non-current deposit (surety deposit), approximate the best estimate of the net present value of expected future reclamation costs that may need to be incurred by the Company.

The estimated reclamation provision is comprised of deposits to the Bureau of Land Management, the United States Forest Service, the third-party provider of the surety, and other agencies for the above properties.

The continuity of the reclamation provision is as follows:

	December 31 2016	June 30, 2016
	\$	\$
Balance at the beginning of the year	177,854	425,272
Foreign exchange effect on US Bonds		16,909
Change in reclamation provision estimate		(264,327)
Balance at the end of the year	177,854	177,854

12. Related party transactions

Details of the transactions between the Company and other related parties are disclosed below.

(a) Trading transactions

The Company's related parties consist of companies owned by or associated with executive officers and directors, and former executive officers and directors as follows:

	<u>Nature of transactions</u>
Geologic Systems Inc.	Exploration and administration fees
Trevor Burns	Management fees

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12. Related party transactions (cont'd)

(a) Trading transactions (cont'd)

During the quarters ended September 30, 2016 and 2015, the Company incurred the following fees in the normal course of operations in connection with companies owned by key management and directors. Fees have been measured at the exchange amount which is determined on a cost recovery basis.

	Six months ended December 31	
	2016	2015
	\$	\$
Salaries and management fees	48,000	65,000
Exploration fees	12,000	25,000
Administration fees	30,000	-
	90,000	90,000

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Trade and other payables at December 31, 2016 included \$2,087 (June 30, 2016: \$157), which were due to officers, director and private companies controlled by directors and officers of the Company.

Amounts payable by related parties are unsecured, non-interest bearing and payable on demand.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the six months ended December 31, 2016 and 2015 were as follows:

	Note	Six months ended December 31	
		2016	2015
		\$	\$
Salaries and fees	(i)	90,000	90,000
Share-based payments	(ii)		
		90,000	90,000

(i) Salaries and fees include salaries and management fees disclosed in Note 12(a).

(ii) Share-based payments are the fair-value of options granted to key management personnel.

13. Capital and equity reserve

(a) Capital

At December 31, 2016, the Company's authorized share capital consisted of an unlimited number of common shares without par value.

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Notes to the Consolidated Financial Statements

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13. Capital and equity reserve (cont'd)

(a) Capital (cont'd)

Fiscal 2016

On November 12, 2015, the Company completed a private placement whereby 5,156,250 common shares were issued at a price of \$0.08 per share, for gross proceeds of \$412,500. The private placement included share issue costs of \$1,599.

On June 9, 2016, the Company completed a private placement whereby 10,241,500 common shares were issued at a price of \$0.10 per share, for gross proceeds of \$1,024,150. This private placement included share issue costs of 5,000 common shares at a price of \$0.10 per share

On June 10, 2016, the Company issued 500,000 additional common shares as a finder's fee for the June 9, 2016 private placement. These were issued at a deemed value of \$0.10 per share.

During 2016 the Company also issued 437,500 common shares per the exercise of warrants. The warrants were exercisable at \$0.10 per share, resulting in gross proceeds of \$43,750.

As of December 31, 2016, the Company had 109,597,696 shares outstanding.

(b) Equity reserve

Share Options

Equity reserve consists of the accumulated fair value of common share options and share purchase warrants recognized as share-based payments.

The Company has an incentive share option plan under which directors, officers, consultants, and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan is equal to 10% of the then issued and outstanding common shares. No more than 5% of the issued shares may be issued to any eligible person other than a consultant in any 12-month period unless disinterested shareholder approval has been obtained. No more than 2% of the issued shares may be issued to any one consultant in any 12-month period. No more than 2% of the issued shares may be issued to all employees in the aggregate conducting investor relations activities in any 12-month period.

The exercise price of share options is determined by the Board of Directors at the time of grant and may not be less than the discounted market price as calculated and defined in accordance with the policies of the TSX-V. Options granted must be exercised no later than 10 years commencing from the later of the date of grant or such lesser period as determined by the Board. Options shall terminate automatically or 90 days after optionees no longer act as officers, directors or consultants of the Company. In the case of death, options shall terminate within one year from the event.

Once approved, all options are considered vested and are exercisable at any time, except where other vesting periods are determined by the Board.

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Notes to the Consolidated Financial Statements

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13. Capital and equity reserve (cont'd)

(b) Equity reserve (cont'd)

Share Options (cont'd)

Share options were awarded during the six months ended December 31, 2016 and the year ended June 30, 2016 as follows:

	Six months ended December 31, 2016		Year ended June 30, 2016	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of year	9,400,000	0.16	7,150,000	0.17
Options granted			2,250,000	0.15
Options expired	-	-	-	-
Options forfeited	-	-	-	-
Balance, end of year	9,400,000	0.16	9,400,000	0.16

The following table summarizes information about stock options outstanding and exercisable at December 31, 2016:

Options Outstanding				Options exercisable		
		wt. avg. exercise price	wt. avg. remaining contractual life(years)	Options outstanding and exercisable	wt. avg. exercise price	wt. avg. remaining contractual life(years)
exercise price	Options outstanding	\$	life(years)	exercisable	\$	life(years)
0.15	8,800,000	0.15	3.37	8,800,000	0.15	3.37
0.35	600,000	0.35	2.92	600,000	0.35	2.92
	9,400,000	0.16	3.34	9,400,000	0.16	3.34

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Notes to the Consolidated Financial Statements

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13. Capital and equity reserve (cont'd)

(b) Equity reserve (cont'd)

Share Options (cont'd)

The fair value of the share options awarded to employees and directors was estimated using the Black-Scholes option pricing model with the following assumptions for the periods presented below:

	Six months ended Dec 31, 2016	Year ended June 30, 2016
Risk free interest rate	0.53%	0.53%
Expected life	5 years	5 years
Expected volatility	106.70%	106.70%
Expected dividend per share	\$Nil	\$Nil

The total share-based payment expense calculated for the six months ended December 31, 2016 was \$nil (2015: \$nil).

Warrants

At December 31, 2016, the Company had 25,960,500 warrants outstanding as a result of the private placements. 10,562,500 warrants are exercisable at a price of \$0.10 and expire October 10, 2016. During the quarter, the expiration date on these warrants was extended to October 10, 2017. An acceleration clause exists that allows the Company to request the warrants be exercised should the Company's share price exceed \$0.12 for 10 consecutive trading days. Warrant holders would have 20 days to exercise their warrants, or they would expire.

The Company has an additional 15,397,750 warrants outstanding with an exercise price of \$0.15 per share. 5,156,250 of these warrants expire on November 13, 2020, and the remaining 10,241,500 warrants expire on June 10, 2018.

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13. Capital and equity reserve (cont'd)

(b) *Equity reserve (cont'd)*

Warrants (cont'd)

	Six months ended Dec 31, 2016		Year ended June 30, 2016	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of year	25,960,500	0.10	11,000,000	0.10
Warrants granted		0.15	15,397,750	0.15
Warrants exercised		0.10	(437,250)	0
Warrants expired	-	-	-	-
Balance, end of year	25,960,500	0.13	25,960,500	0.13

The warrants outstanding as at December 31, 2016 have a weighted-average remaining life of 1.32 years (2015: 1.28 years).

14. Segmented information

The Company operates in two geographical areas, being Canada and the United States. The following is an analysis of the Company's assets by geographical area and reconciled to the Company's consolidated financial statements:

	Dec 31, 2016 \$	June 30, 2016 \$
Assets by geographic segment, at cost		
Canada		
Current assets	188,141	491,567
Reclamation bonds	54,513	54,513
Property, plant and equipment	3,320	3,320
Unproven mineral right interests	-	-
	245,974	549,400
United States		
Current assets	164,961	143,147
Reclamation bonds	-	-
Non-current deposits	130,090	130,090
Unproven mineral right interests	20,885,744	20,671,430
	21,180,795	20,944,667
	21,426,769	21,494,067

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15. Commitments

- a) The Company has entered a lease agreement for the lease of office premises in Vancouver. The commencement date of the lease was December 1, 2015, for a two-year term. The Company's basic rent commitments for the remaining term of the contract are approximately \$19,350.
- b) During 2016 the Company entered a surety agreement that guarantees the reclamation bond on the CuMo Property (Note 11). To maintain the good standing of this surety, the Company is required to make an annual payment of US\$8,340.

16. Contingencies

- a) In the year ended June 30, 2013, the Company received an invoice for \$77,705 from Multi-Power Products Ltd., a supplier of drill supplies, and disputed this invoice. The drill supplies were shipped directly by the supplier to a Mexican company owned by a former director and officer of the Company. During the year ended June 30, 2014, Kirkness Diamond Drilling (a former subsidiary of the Company) and the Company were served with a Notice of Civil Claim by the supplier.
- b) On April 1, 2016, the Company was notified of an action by a former officer of the Company regarding unpaid fees. This action has been inactive since April 21, 2016. The Company believes this claim is without merit.

17. Supplemental cash flow information

The following significant non-cash transactions have been excluded from the statements of cash flows:

Six months ended December 31, 2016 – No significant transactions.

18. Subsequent events

Subsequent to December 31, 2016, the following events occurred:

- January 27, 2017, the Company announced positive results from a second, larger Ore-Sorting test.
- In January 2017, 45 mining claims were staked and filed on the Calida Property bring it to a total of 53 claims.
- In January and February 2017, a total of 2,035,000 Warrants at 0.10 were exercised for net proceeds of \$203,500 and 6,700,000 warrants at 0.15 were exercised for net proceeds of \$1,005,000.
- On February 24, the Board of Directors agreed to entered into an amendment agreement with Ximen Mining Corporation ("Ximen") pursuant to which the parties have amended the terms of the Net Smelter Return Royalty purchase agreement dated January 27, 2014 (the "Ximen Agreement") under which the Company has agreed to sell its interest in an NSR royalty on mineral claims comprising the Brett Gold Property. The Ximen Agreement, which required Ximen to pay \$1,350,000 to the Company on February 20, 2017, has now been amended to require Ximen to pay the

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Company (a) \$50,000 upon execution of the amendment to the Ximen Agreement, payable in Ximen cash or Ximen common shares (at Ximen's discretion - Ximen has elected to issue the Company a total of 628,900 common shares in satisfaction of this requirement); (b) a further \$60,000 in cash or Ximen common shares (at Ximen's discretion) on February 20, 2018; (c) a further \$75,000 in cash or Ximen common shares (at Ximen's discretion) on February 20, 2019; and (d) a final cash instalment of \$1,250,000 on February 20, 2020.

- On February 25, the Company, together with its subsidiaries, Poly Resources LLC ("Poly") and Idaho CuMo Mining Corporation ("Idaho CuMo"), entered a strategic financial relationship with Millennia Minerals Pte Ltd. (Singapore) ("Millennia") initially through a binding Memorandum of Understanding (MOU) to be further consummated by the execution of a Definitive Agreement.

Under the MOU, upon Millennia having satisfactorily completed due diligence and the parties having successfully negotiated and entered into the Definitive Agreement on or before March 10, 2017, Millennia is to directly invest, partner and/or arrange new capital of up to US\$200 million for Poly in return for up to a 63.77% interest in Poly. The financing is to occur in three direct private placements into Poly as follows:

First Private Placement: Millennia is to directly invest, partner and/or arrange US\$10 million for Poly no later than April 28, 2017 in consideration of 50% of the shares in Poly, on a pari passu fully diluting basis, subject to the parties having first entered into the Definitive Agreement. This First Private Placement is to be paid in two instalments:

- a. A first instalment of US\$1 million to be paid to Poly within 48 hours of the execution of the Definitive Agreement in exchange for an option to acquire 50% of the shares of Poly upon the payment to Poly of a further US\$9 million (the "Second Instalment"). If the initial US\$1million payment is not made when due, Millennia will lose its right to earn an interest in Poly; and
- b. The second instalment of US\$9 million to be paid to Poly no later than April 28, 2017 unless otherwise mutually agreed in writing by the parties. If the second instalment of US\$9 million is not made when due, Millennia will lose its right to earn an interest in Poly.

Second Private Placement: Millennia is to directly invest, partner and/or arrange a further US\$55 million for Poly within 90 days of the later of the date it has satisfactorily completed geological and legal due diligence and Poly having completing a technical report containing an initial National Instrument 43-101 compliant mineral resource estimate on the Calida project that is acceptable to Millennia and its advisers, in return for additional shares of Poly representing 15% of the then outstanding shares of Poly (which would result in Millennia holding 56.52% of Poly's shares). Upon completion of the Second Private Placement, Millennia is to be granted share purchase warrants to acquire up to 1% of the Company's issued and outstanding shares at an exercise price equal to the closing price of the Company's common shares on the day after the date of the Company's news release announcing the execution of the Definitive Agreement. If closing of the Second Private Placement does not occur, the Company shall be entitled to purchase from Millennia the shares of Poly issued to Millennia upon closing of the First Private Placement at a price equal to US\$12 million.

Third Private Placement: Upon completion of the Second Private Placement, Millennia would have the right to directly invest, partner and/or arrange a further US\$135 million for Poly within 360 days of the date of closing of the Second Private Placement in return for additional shares of Poly representing 20% of the outstanding shares of Poly (which would result in Millennia holding 63.77% of Poly's shares).

Under the MOU, Poly is to commit to spending the following on the Calida project: (a) US\$4.5 million of the initial US\$10 million to be raised from the First Private Placement; (b) US\$30.5 million of the

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US\$55 million to be raised from the Second Private Placement; and (c) US\$65 million of the US\$135 million to be raised from the third private placement. Poly is to advance the remainder of the gross proceeds from the private placements to Idaho CuMo (which holds the CuMo Project), and Poly's payments to Idaho CuMo will be treated as subscription payments for Idaho CuMo shares. Upon Poly's payment to Idaho CuMo of US\$5.5 million from the US\$10 million to be raised from the First Private Placement, Poly would be issued shares of Idaho CuMo to cause Poly to hold a 1.1% interest in Idaho CuMo. Upon Poly's payment to Idaho CuMo of US\$24.5 million from the US\$55 million to be raised from the Second Private Placement, Poly would be issued additional shares of Idaho CuMo to cause Poly to acquire an additional 4.9% interest in Idaho CuMo, resulting in Poly holding a 6% interest in Idaho CuMo. Upon Poly's payment to Idaho CuMo of US\$70 million from the US\$135 million to be raised from the Third Private Placement, Poly would be issued additional shares of Idaho CuMo to cause Poly to acquire an additional 14% interest in Idaho CuMo, resulting in Poly holding a 20% interest in Idaho CuMo.

Upon completion of the First Private Placement, Millennia is to be granted the right to nominate 3 of 6 members of the Board of Directors of Poly (with the Chairman of Poly holding the casting vote). Upon completion of the Second Private Placement, Millennia is to be granted the right to nominate 4 of 6 members of the Board of Directors of Poly. Upon completion of the Third Private Placement, Millennia is to be granted the right to nominate one member of the Board of Directors of Idaho CuMo, as well as one member to the Board of Directors of the Company.

The MOU also provides that the parties will establish a management committee for the Calida Gold Project, with Millennia obtaining control over such management committee upon completion of the Second Private Placement.

If and when a total of US\$200 million in private placement financing has raised for Poly, Millennia and its investment banking advisers are to facilitate the raising of additional capital of up to US\$2 billion for CuMoCo (subject to regulatory approval) at reasonable commercial terms for the further development and the commercial feasibility and operational establishment of the two Idaho projects.