

# **VISCOUNT MINING CORP.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**August 31, 2016**  
*(Expressed in Canadian Dollars)*

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Viscount Mining Corp.

We have audited the accompanying consolidated financial statements of Viscount Mining Corp., which comprise the consolidated statements of financial position as at August 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Viscount Mining Corp. as at August 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

December 29, 2016



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**VISCOUNT MINING CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

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		As at	As at
		August 31, 2016	August 31, 2015
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	1,805,552	636,346
Amounts receivable and prepaid expenses	4	104,133	49,785
		1,909,685	686,131
<b>Exploration and evaluation properties</b>	<b>5</b>	<b>1,026,065</b>	<b>791,083</b>
<b>Total Assets</b>		<b>2,935,750</b>	<b>1,477,214</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	6	90,357	60,186
Amounts due to related parties	7	51,006	10,323
Total Liabilities		141,363	70,509
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	7,261,332	4,736,706
Reserves	8	1,189,635	877,776
Accumulated deficit		(5,656,580)	(4,207,777)
Total shareholders' equity		2,794,387	1,406,705
<b>Total Shareholders' Equity and Liabilities</b>		<b>2,935,750</b>	<b>1,477,214</b>

**Nature and Continuance of Operations (Note 1)**

**Commitments and Contingency (Note 10)**

**Events Occurring After the Reporting Date (Note 13)**

These consolidated financial statements are authorized for issuance by the Board of Directors on December 29, 2016.

**On behalf of the Board:**

“Jim MacKenzie” Director

“William Macdonald” Director

**VISCOUNT MINING CORP.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

	Notes	For the Year Ended August 31, 2016	For the Year Ended August 31, 2015
		\$	\$
<b>Expenses</b>			
Bank charges and interest		2,040	3,654
Consulting		509,035	637,627
Insurance		8,981	6,750
Legal and accounting		134,519	136,990
Office and miscellaneous		2,852	20,077
Promotion		469,563	218,528
Share-based payments	8	234,414	397,325
Transfer agent and filing fees		43,348	39,066
Travel		84,135	43,075
		(1,488,887)	(1,503,092)
Foreign exchange gain/(loss)		39,818	(16,780)
Gain on settlement of accounts payable		-	14,895
Interest income		266	670
<b>Net loss and comprehensive loss for the year</b>			
		(1,448,803)	(1,504,307)
<b>Loss per share, basic and diluted</b>			
		(0.04)	(0.05)
<b>Weighted average number of common shares outstanding</b>			
		36,012,873	30,315,031

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

**VISCOUNT MINING CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

	For the Year Ended August 31, 2016	For the Year Ended August 31, 2015
	\$	\$
<b>Cash flows used in operating activities</b>		
Net loss for the year	(1,448,803)	(1,504,307)
Adjustments for non-cash items		
Share based payments	234,414	397,325
Gain on settlement of accounts payable	-	(14,895)
Changes in operating assets and liabilities:		
(Increase) Decrease in amounts receivable and prepaid expenses	(54,348)	14,968
Decrease in trade payables and accrued liabilities	(837)	(10,237)
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	(1,269,574)	1,117,146
<b>Cash flows from (used in) investing activities</b>		
Option payment received	-	633,300
Exploration and evaluation properties expenditures	(162,407)	(437,683)
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	(162,407)	195,617
<b>Cash flows from financing activities</b>		
Issuance of common shares (net of share issue costs)	2,560,504	1,653,825
Due to related parties	40,683	(161,269)
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	2,601,187	1,492,556
<b>Increase in cash and cash equivalents</b>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
<b>Cash and cash equivalents, beginning of year</b>	1,169,206	571,027
<b>Cash and cash equivalents, end of year</b>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	636,346	65,319
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	1,805,552	636,346

**Supplemental Cash Flow Information (Note 9)**

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

**VISCOUNT MINING CORP.**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED AUGUST 31, 2016

(Expressed in Canadian dollars)

	Notes	Common Shares		Reserves			Share Subscriptions				
		Number of Shares	Share Capital	Warrant Reserve	Option Reserve	Received in Advance	Deficit				
							\$	\$			
<b>Balance – August 31, 2014</b>		21,775,000	3,155,800	20,000	367,532	20,000	(2,703,470)	859,862			
Common shares issued	8	11,666,672	1,750,001	-	-	(20,000)	-	1,730,001			
Exercise of Options	8	25,000	5,000	-	-	-	-	5,000			
Transfer of fair value of options on exercise	8	-	4,391	-	(4,391)	-	-	-			
Share issue costs	8	-	(81,176)	-	-	-	-	(81,176)			
Warrants issued for finders fees	8	-	(97,310)	97,310	-	-	-	-			
Share based payments	8	-	-	-	397,325	-	-	397,325			
Net loss for the year		-	-	-	-	-	(1,504,307)	(1,504,307)			
<b>Balance - August 31, 2015</b>		33,466,672	4,736,706	117,310	760,466	-	(4,207,777)	1,406,705			
Common shares issued for cash	8	4,600,000	2,300,000	-	-	-	-	2,300,000			
Common shares issued for exploration and evaluation properties	8	75,000	27,750	-	-	-	-	27,750			
Exercise of options	8	75,000	28,175	-	(13,175)	-	-	15,000			
Exercise of warrants	8	2,047,422	556,700	(44,844)	-	-	-	511,856			
Share issue costs	8	-	(266,352)	-	-	-	-	(266,352)			
Warrants issued for finders fees	8	-	(121,647)	121,647	-	-	-	-			
Warrants issued for exploration and evaluation properties	8	-	-	13,817	-	-	-	13,817			
Share based payments	8	-	-	-	234,414	-	-	234,414			
Net loss for the year		-	-	-	-	-	(1,448,803)	(1,448,803)			
<b>Balance - August 31, 2016</b>		40,264,094	7,261,332	207,930	981,705	-	(5,656,580)	2,794,387			

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Nature and Continuance of Operations**

Viscount Mining Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act on October 26, 2011, and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (“TSXV”). On July 23, 2013, the Company completed a share exchange (the “Share Exchange”) with Viscount Mining Resources Ltd. (formerly Viscount Mining Ltd.) (“Viscount”) and all of the shareholders of Viscount, whereby the Company acquired all of the issued and outstanding common shares of Viscount and the former Viscount shareholders received equal number of common shares of the Company. Concurrent with the Share Exchange, the Company changed its name to Viscount Mining Corp. and completed a consolidation of its common shares on the basis of one post-consolidation share for every two pre-consolidation shares, as approved by TSXV. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation. For accounting purposes, the Share Exchange was treated as a reverse takeover (“RTO”), whereby Viscount is considered the acquirer and the Company is considered the acquiree.

The Company had cash and cash equivalents of \$1,805,552 at August 31, 2016 (August 31, 2015 - \$636,346) and working capital of \$1,768,322 (August 31, 2015 - \$615,622), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. For the year ended August 31, 2016, the Company had no source of operating revenues, incurred an operating loss of \$1,448,803 (August 31, 2015 - \$1,504,307) and, as at that date, had an accumulated deficit of \$5,656,580 (August 31, 2015 - \$4,207,777).

Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these consolidated financial statements it would be necessary to restate the Company’s assets and liabilities on a liquidation basis.

The Company is an exploration stage company and its principal business activity is natural resource exploration, focusing on resources located in the states of Nevada and Colorado in the USA. Mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to conduct its planned exploration, meet its administrative overhead and maintain its resource interests.

The recoverability of the Company’s investment in and expenditures on resource properties is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of resource interests.

The Company’s registered office is located at 409 - 221 W. Esplanade, North Vancouver BC V7M 3J3.

**2. Significant Accounting Policies****Statement of Compliance**

The consolidated financial statements of the Company, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended August 31, 2016.

**Basis of Preparation**

These consolidated financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit and loss. The presentation and functional currency of the Company is the Canadian dollar.

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**2. Significant Accounting Policies – (cont'd...)**

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

**Basis of Consolidation**

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. A subsidiary is an entity (including special purpose entity) controlled by the Company, where control is achieved by the Company having the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. A subsidiary is fully consolidated from the date on which control is obtained by the Company, and is de-consolidated from the date that control ceases.

The following subsidiaries have been consolidated for all dates presented within these financial statements, and are wholly owned: Viscount Mining Resources Ltd., Viscount Nevada Holdings Ltd. ("Viscount Nevada") and Viscount Colorado Holdings Ltd. ("Viscount Colorado").

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

**Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about critical 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 consolidated financial statements within the next financial year are discussed below:

*Recoverability of Capitalized Exploration and Evaluation Expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company and the maintenance of good standing of the mineral titles, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

*Share-based payments*

The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free interest rate. These estimates will impact the amount of share-based payments recognized. When stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payment reserves are recorded as share capital.

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**2. Significant Accounting Policies – (cont'd...)***Income taxes*

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

**Financial Assets**

Financial assets are classified as loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss (“FVTPL”), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at FVTPL*

Financial assets classified as FVTPL are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as FVTPL. These assets are carried at fair value with gains or losses recognized in profit or loss. Cash and cash equivalents are included in this category of financial assets.

*Held to Maturity and Loans and receivables*

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial assets classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Amounts receivable are included in this category of financial assets.

*Available-for-sale*

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

**Impairment of Financial Assets**

Financial assets, other than financial assets at fair value through profit or loss, are assessed for indicators of impairment at each period end.

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**2. Significant Accounting Policies – (cont'd...)***Assets carried at amortized cost*

If there is objective evidence that an impairment loss on assets carried at amortized cost have 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 reduced, with the amount of the loss 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.

*Available-for-sale*

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

**Financial Liabilities**

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

*Financial liabilities at FVTPL*

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

*Financial liabilities measured at amortized cost*

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables are included in this category of financial liabilities.

**De-recognition of Financial Assets and Liabilities**

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**2. Significant Accounting Policies – (cont'd...)****Impairment of Non-Current Non-Financial Assets**

The carrying amounts of non-current non-financial assets are reviewed and evaluated for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. Non-current non-financial assets include property, plant, and equipment. If the recoverable amount is less than the carrying amount of the asset, an impairment loss is recognized and the asset is written down to recoverable value.

The recoverable amount is the higher of an asset's "fair value less costs to sell" and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined, with a cash generating unit being the smallest identifiable group of assets and liabilities that generate cash inflows independent from other assets. "Fair value less costs to sell" is determined as the amount that would be obtained from the sale of the asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties. In assessing "value-in-use", the future cash flows expected to arise from the continuing use of the asset or cash-generating unit in its present form are estimated using assumptions that an independent market participant would consider appropriate, and are then discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or unit.

Where conditions that gave rise to a recognized impairment loss are subsequently reversed, the amount of such reversal is recognized into earnings immediately, though is limited such that the revised carrying amount of the asset or cash-generating unit 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 the prior period.

**Exploration and Evaluation Expenditures**

The Company records deferred exploration and acquisition costs, which consist of costs attributable to the investment in and exploration of resource property interests, at cost. All direct and indirect costs relating to the acquisition and exploration of the resource interests, net of recoveries, are capitalized on the basis of specific claim blocks until the resource interests to which they relate are placed into production, the resource interests are disposed of through sale or where management has determined there to be an impairment.

On an ongoing basis, the capitalized costs are reviewed on a property-by-property basis to consider whether there are any conditions that indicate impairment on the subject property. When such conditions are identified, an impairment loss is recognized for the difference between the fair value and carrying value.

**Restoration and Environmental Obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**2. Significant Accounting Policies – (cont'd...)**

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to net income (loss) for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to net income (loss) in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

**Per Share Information**

Basic per share amounts are calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted income/loss per share amounts are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which consist of warrants and stock options (Note 8).

**Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

**Share-based Payments**

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock options reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest. When options are cancelled or expire, the initial recorded value is left in reserves.

**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, 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. When options are cancelled or expire, the initial recorded value is left in reserves.

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**2. Significant Accounting Policies – (cont'd...)****Income Taxes**

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the income tax is also recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date 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 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 the tax rates that have been enacted or substantively enacted at the statement of financial position date.

**Foreign Currencies**

The Company's reporting currency and the functional currency of all of its operations and its subsidiaries is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of loss and comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2016 – Page 8

**2. Significant Accounting Policies – (cont'd...)****Accounting standards and interpretations adopted**

During the year ended August 31, 2016, the Company adopted certain new accounting standards, interpretations, and amendments, none of which had material impact on the consolidated financial statements.

**New Accounting Standards and Interpretations Not Yet Adopted**

At the date of authorization of these consolidated financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the year ended August 31, 2016:

- The IASB has undertaken a three-phase project to replace IAS 39 '*Financial Instruments: Recognition and Measurement*' with IFRS 9 '*Financial Instruments*'. In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard addresses classification and measurement of financial assets and liabilities, and introduces a new hedge accounting model. The amendments are effective for annual periods beginning on or after January 1, 2018.
- IAS 16 '*Property, Plant and Equipment*' is an amendment to clarify acceptable methods of depreciation and amortization. The amendment is effective for annual periods beginning on or after January 1, 2016.

The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

**3. Cash and Cash Equivalents**

	<b>As at</b> <b>August 31, 2016</b>	<b>As at</b> <b>August 31, 2015</b>
	\$	\$
Denominated in Canadian dollars	1,620,488	137,028
Denominated in US dollars	185,064	499,318
	<hr/> 1,805,552	<hr/> 636,346

**4. Amounts Receivable and Prepaid Expenses**

Amounts receivable and prepaid expenses consist of the following:

	<b>As at</b> <b>August 31, 2016</b>	<b>As at</b> <b>August 31, 2015</b>
	\$	\$
Goods and Services Tax	22,379	4,957
Prepaid insurance and consulting	81,754	44,828
	<hr/> 104,133	<hr/> 49,785

Amounts receivable are non-interest bearing, unsecured and have settlement dates within one year.

**VISCOUNT MINING CORP.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 – Page 9

**5. Exploration and Evaluation Properties**

Exploration and evaluation expenditures by project as at August 31, 2016 and August 31, 2015 are as follows:

	As at August 31, 2016	As at August 31, 2015
	\$	\$
<b>Nevada Properties</b>		
Acquisition and exploration costs	1,524,821	1,488,259
Recoveries under property agreements	(787,575)	(787,575)
<b>Colorado properties</b>		
Acquisition and exploration costs	288,819	90,399
<b>Total</b>	<b>1,026,065</b>	<b>791,083</b>

A summary of the changes in the Company's exploration and evaluation properties for the years ended August 31, 2016 and August 31, 2015 are as follows:

	Year Ended August 31, 2016	Year ended August 31, 2015
	\$	\$
<b>Balance beginning of year</b>		
791,083		990,183
Property acquisitions	41,567	248,804
Staking new claims and claim maintenance	36,622	115,152
Consulting (Note 7)	156,793	62,462
Exploration	-	7,782
Option payment received	-	(633,300)
<b>Total</b>	<b>1,026,065</b>	<b>791,083</b>

A. **Nevada Properties**, described collectively as our Cherry Creek Project, consists of more than 9,000 acres and lies within an historic silver district, where high grade silver production came from numerous mines up to the 1920's. The three largest past producing silver mines on the property were the Exchequer/New Century Mine, Ticup and the Star Mine. Viscount has entered into an exploration earn-in agreement with Summit Mining Exploration, Inc. ("Summit"), a subsidiary of Sumitomo Corporation which covers our Cherry Creek Project.

Additional information on the properties that comprise the Cherry Creek Project are as follows:

- a) On March 31, 2011, the Company entered into a Mining Lease and Agreement to Purchase for certain patented and unpatented mining claims located in White Pine County, Nevada (the "Cherry Creek 1 Property"). On March 13, 2013, April 19, 2013, May 21, 2013, and June 2014 the agreement was amended. Under the terms of the amended agreement, the Company has made payments totaling US\$551,500 in cash and shares detailed below and the owner has transferred title to the Cherry Creek 1 Property to the Company.
  - i. US\$10,000 within 15 days of signing of the agreement (paid);
  - ii. US\$10,000 on or before March 31, 2012 (paid);
  - iii. US\$75,000 and issue 375,000 common shares at a deemed price per share of \$0.20 for a total value of \$75,000 on or before March 31, 2013 (paid and issued);
  - iv. US\$181,500 on or before October 1, 2014 (paid); and
  - v. US\$200,000 on or before March 31, 2015 (paid).

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2016 – Page 10

**5. Exploration and Evaluation Properties – (cont'd...)**

The Company will pay the owner a Net Smelter Royalty (“NSR”) of 1.5% of net smelter proceeds.

On March 31, 2011, the Company granted a NSR of 1% to Kingsmere Mining Ltd. in recognition of their efforts in the acquisition of the Cherry Creek 1 Property.

- b) On June 27, 2011, the Company entered into a Mining Lease and Agreement to Purchase for certain patented and unpatented mining claims and two mill sites located in White Pine County, Nevada (the “Cherry Creek 2 Property”). On May 21, 2013 and June 23, 2014, the agreement was amended. Under the terms of the amended agreement the Company has made payments totaling US\$450,000 as detailed below and the owner has transferred title to the Cherry Creek 2 Property to the Company.
  - i. US\$30,000 within 15 days of signing the agreement (paid);
  - ii. US\$20,000 on or before June 27, 2012 (paid);
  - iii. US\$30,000 on or before October 1, 2014 (paid); and
  - iv. US\$370,000 on or before May 1, 2015 (paid).

The Company will pay the owner a NSR of 1% of net smelter proceeds.

On June 27, 2011, the Company granted a NSR of 1.5% to Kingsmere Mining Ltd. in recognition of their efforts in the acquisition of the Cherry Creek 2 Property.

- c) In August 2014, the Company acquired 139 claims from Nevada Tungsten Holdings Ltd. for US\$5,000 (CDN\$5,500) and staked an additional 155 lode claims for \$18,101 the MATS claims in the Cherry Creek area. During the year ended August 31, 2015 in accordance with the Exploration Earn-in Agreement (Note 5 f) and in cooperation with Summit, the Company added 16 claims at the Zinc Beds area, 19 claims at Flint Canyon and 38 claims to cover open fractions and dropped 48 claims in low potential areas and no mineral indicators. All costs were paid by Summit in accordance with the Exploration Earn-in Agreement.
- d) On January 29, 2013, the Company entered into a Mining Lease and Agreement to Purchase for certain unpatented mining claims located in White Pine County, Nevada (the “Ticup Property”). The terms of the agreement call for the Company to make lease payments totaling US\$32,500 detailed below. In accordance with the agreement the Company made a payment of US\$5,000 within 5 days of signing of the agreement and the owner transferred title of the Ticup Property to the Company by Quitclaim Deed.
  - i. US\$5,000 within 5 days of signing of the agreement (paid);
  - ii. US\$5,000 on or before January 29, 2014 (paid);
  - iii. US\$5,000 on or before January 29, 2015 (paid);
  - iv. US\$7,500 on or before January 29, 2016; (paid) and
  - v. US\$10,000 on or before January 29, 2017.
- e) On April 7, 2015 the Company announced that it had satisfied the various approval requirements, including receipt of the approval of its shareholders (the “Shareholder Approval”), and proceeded with the Exploration Earn-in Agreement dated February 27, 2015 (the “Earn-in Agreement”) among the Company, its two wholly-owned subsidiaries and Summit.
- f) Pursuant to the terms of the Earn-in Agreement, Summit has been granted the option to acquire a 75% undivided interest, subject to certain underlying royalties, in the Company's Nevada Properties located in White Pine County, Nevada, USA (the “Property”), and form a joint venture with the Company (the “Joint Venture”)

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2016 – Page 11

**5. Exploration and Evaluation Properties – (cont'd...)**

g) To earn its 75% interest in the Property, Summit must expend a minimum of US\$10 million (the “Aggregate Work Obligation”) in exploration and development expenses on the Property and complete a Bankable Feasibility Study (the “Feasibility Study”) by the eighth anniversary of the effective date of the Earn-in Agreement, being April 16, 2015 (the “Effective Date”).

In the first year of the Earn-in Agreement, Summit is required to make a committed minimum expenditure of US\$800,000 followed by a US\$1 million committed minimum expenditure in the second year of the Agreement and a US\$1 million minimum expenditure in each of the following agreements years until the eighth anniversary of the Effective Date. In accordance with the terms of the Earn-in Agreement, Summit has also made an initial US\$500,000 (Cdn\$633,300) payment to the Company.

In the event Summit fails to complete the Feasibility Study by the eighth anniversary, it may extend the period to do so up to the 13th anniversary of the Effective Date by continuing to expend a minimum of US\$1 million on exploration and paying to the Company the sum of US\$200,000 in each subsequent agreement year.

Upon acquisition by Summit of a 75% interest in the Property, the Company and Summit will form the Joint Venture which will be governed in accordance with the joint venture terms to be set forth in a formal joint venture agreement. The dilution provisions governing the Joint Venture will provide that if a party's interest in the Joint Venture is reduced to 10%, then such party's interest will automatically convert to a 3% net smelter returns royalty on production from the Property.

In the event Summit elects to terminate its interest in the Property at any time after it has expended the Aggregate Work Obligation and completed a Feasibility Study, Summit will be entitled to a 1.5% net smelter returns royalty on production from the Property provided however that the aggregate amount payable pursuant to such royalty will be capped at two times the amount of the total expenditures and development expenses incurred by Summit in respect of the Property. The Company has a "put right" pursuant to which it may require Summit, following acquisition by Summit of a 75% interest in the Property but before commencement of production from the Property, to acquire the Company's then remaining 25% interest at a price that the parties agree in good faith is the fair market value of such interest based on the Feasibility Study.

The TSX-V provided its conditional approval for the Earn-in Agreement on March 5, 2015. The Company has satisfied all of the conditions imposed by the Exchange including the Shareholder Approval which, in accordance with TSX-V policies, was obtained by way of a consent resolution signed by shareholders representing approximately 58.75% of the Company's issued and outstanding shares. The Company received TSX-V approval on April 16, 2015.

**B. Colorado Properties**, described collectively as Silver Cliff is comprised of 96 lode claims, covering much of the historical past producing mineral districts of Silver Cliff and Rosita Hills in Colorado.

Additional information on the Silver Cliff agreement is as follows:

On August 13, 2014, the Company entered into an Option Agreement (the “Silver Cliff Agreement”) with David C. and Debra J. Knight Living Trust (the “Owner”), whereby the Owner has agreed to grant an option to the Company to acquire an undivided 100% interest in the Silver Cliff project (the “Silver Cliff Property”), effective on the date of TSX-V approval (the “Effective Date”). On September 15, 2014, the Company received approval from the TSX-V. Pursuant to the Agreement, the Company agreed to the following:

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2016 – Page 12

**5. Exploration and Evaluation Properties – (cont'd...)**

- 1) Issuing to the Owner 200,000 shares and 200,000 warrants on the Effective Date, which shall vest and be released as follows:
  - i. 50,000 shares and warrants on the first anniversary, September 15, 2015 (issued);
  - ii. 50,000 shares and warrants on the second anniversary, September 15, 2016 (issued Note 14);
  - iii. 50,000 shares and warrants on the third anniversary, September 15, 2017;
  - iv. 50,000 shares and warrants on the fourth anniversary, September 15, 2018;
- 2) Making payments on behalf of the Owner of the claim rental fees due to the U.S. Bureau of Land Management:
  - i. For the assessment year beginning September 1, 2014 (paid);
  - ii. For 2016, prior to May 1, 2015 (paid);
- 3) Making payments to the Owner in the aggregate amount of US\$3,000,000 as follows:
  - i. US\$15,000 on the second anniversary, September 15, 2016 (paid Note 14);
  - ii. US\$20,000 on the third anniversary, September 15, 2017;
  - iii. US\$30,000 on the fourth anniversary, September 15, 2018;
  - iv. US\$50,000 on the fifth anniversary, September 15, 2019;
  - v. US\$75,000 on the sixth anniversary, September 15, 2020;
  - vi. US\$100,000 on the seventh anniversary, September 15, 2021;
  - vii. US\$100,000 on the eighth anniversary, September 15, 2022;
  - viii. US\$100,000 on the ninth anniversary, September 15, 2023;
  - ix. US\$100,000 on the tenth anniversary, September 15, 2024;
  - x. US\$150,000 on the eleventh anniversary, September 15, 2025;
  - xi. US\$200,000 on the twelfth anniversary, September 15, 2026; and
  - xii. Paying the remaining outstanding balance of the required US\$3,000,000 plus Cost of Living Increase adjustment on the thirteenth anniversary, September 15, 2027.
- 4) Royalty payments to the Owner of 2% of the NSR and issuance of an additional 550,000 shares and 550,000 warrants upon the commencement of commercial production.
- 5) The Company, agreed to issue Kingsmere Mining Ltd a finder's fee of 500,000 shares, which shall vest and be released as follows:
  - i. 10,000 shares on the effective date September 15, 2014 (issued);
  - ii. 15,000 shares on the first anniversary, September 15, 2015 (issued);
  - iii. 20,000 shares on the second anniversary, September 15, 2016 (issued);
  - iv. 25,000 shares on the third anniversary, September 15, 2017;
  - v. 35,000 shares on the fourth anniversary, September 15, 2018;
  - vi. 45,000 shares on the fifth anniversary, September 15, 2019;
  - vii. 50,000 shares on the sixth anniversary, September 15, 2020;
  - viii. 50,000 shares on the seventh anniversary, September 15, 2021;
  - ix. 75,000 shares on the eighth anniversary, September 15, 2022;
  - x. 75,000 shares on the ninth anniversary, September 15, 2023;
  - xi. 100,000 shares on the tenth anniversary, September 15, 2024;

**VISCOUNT MINING CORP.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 – Page 13

**6. Trade Payables and Accrued Liabilities**

Trade payables and accrued liabilities are non-interest bearing, unsecured and have settlement dates within one year.

**7. Related Party Transactions**

As at August 31, 2016, the balance due to related parties, who are officers, directors and/or shareholders, consists of \$51,006 (August 31, 2015 - \$10,323). Amounts owing relate to consulting services provided by the related parties or by companies controlled by the related parties and for expense reimbursements. The following table summarizes the amounts owed to related parties at August 31, 2016 and August 31, 2015:

	<b>As at</b> <b>August 31, 2016</b>	<b>As at</b> <b>August 31, 2015</b>
	\$	\$
Chairman	5,250	5,250
Chief Geologist	5,750	5,000
Director for consulting services	17,082	-
Officers and Directors for expenses	22,924	73
	<b>51,006</b>	<b>10,323</b>

The key management personnel compensation for the year ended August 31, 2016 and 2015 are summarized as follows:

		<b>Year ended</b> <b>August 31, 2016</b>	<b>Year ended</b> <b>August 31, 2015</b>
		\$	\$
Derick Sinclair	CFO/Accounting services	70,000	71,035
Jim MacKenzie	CEO/Director	200,000	344,490
Kaare Foy	Chairman/Director	60,000	54,465
Andrew Gertler	Director/Consulting	90,000	125,175
Grant Devine	Director	-	21,506
Mathew Hughes	Director/Consulting	23,129	12,796
Bill Macdonald	Director/Legal fees	41,113	13,785
Howard Lahti	VP Exploration	60,000	82,070
		<b>544,242</b>	<b>725,322</b>

During the year ended August 31, 2016 \$83,129 (2015 - \$60,000) related to consulting fees are capitalized in exploration and evaluation properties (Note 5) and \$35,526 (2015 - \$nil) were included as Share issuance costs.

Included in total compensation above, were the fair values of options granted to related parties of \$Nil (2015 - \$296,671). The fair values were calculated using the Black-Scholes Option Pricing Model as described in Note 8.

**8. Share Capital****A. Authorized**

At August 31, 2016, the authorized share capital consists of an unlimited number of common shares without par value and without special rights or restrictions attached and an unlimited number of preferred shares without par value and with special rights or restrictions.

**B. Issued and Outstanding**

As at August 31, 2016, the total issued and outstanding share capital was 40,264,094 common shares with no par value (August 31, 2015 – 33,466,672)

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2016 – Page 14

**8. Share Capital – (cont'd...)**

Share capital transactions of the Company during the years ended August 31, 2016 and August 31, 2015 are summarized as follows:

- a) On August 22, 2016, the Company issued 130,000 shares for warrants exercised at \$0.25 for total proceeds of \$32,500.
- b) On July 25, 2016, the Company issued 152,168 shares for warrants exercised at \$0.25 for total proceeds of \$38,042. On exercise the Company transferred the fair value of 135,168 of the warrants exercised, \$24,800, from warrant reserve to share capital.
- c) Between May 31, 2016 and June 23, 2016 the Company issued 4,600,000 units for gross proceeds of \$2,300,000 as part of a brokered private placement. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant will entitle the holder to acquire one common share at an exercise price of \$0.70 for a period of 24 months from the closing date of the private placement. In the event that the Company's common shares trade at a closing price on the exchange at greater than \$0.85 per share for a period of 20 consecutive trading days at any time after the closing date, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof, and in such case, the warrants will expire on the 30th day after the date hereafter, referred to as the eligible acceleration date, on which such notice is given by the Company. These common shares and warrants issued under the private placement will be subject to a four-month-and-one-day resale restriction expiring October 1, 2016, for the first tranche. Gravitas Securities Inc. acted as agent for and on behalf of the Company and is entitled to an agency fee of 7% of the cash received from the sale of the units to certain subscribers, and compensation warrants equal to 7% of the aggregate number of units issued to certain subscribers, exercisable into common shares at an exercise price of \$0.70 for 24 months. The Company paid share issue costs of \$377,199 in Agent commissions, Finders fees and legal fees. Included in the \$377,199 were the issuance of two sets of warrants 1) 150,000 warrants exercisable into common shares at an exercise price of \$0.70 for 24 months and with an estimated value of \$66,569 using the Black Scholes valuation methodology with the Warrants having the terms described above and assuming a risk free interest rates of 1.15% per annum, an expected life of 24 months, an expected volatility of 106.18%, and no expected dividend. and 2) 158,900 warrants exercisable into common shares at an exercise price of \$0.70 for 24 months and with an estimated value of \$55,078 using the Black Scholes valuation methodology with the Warrants having the terms described above and assuming a risk free interest rates of 1.15% per annum, an expected life of 24 months, an expected volatility of 114.02%, and no expected dividend. The securities issued are subject to a four month hold period from the date of closing.
- d) On June 9, 2016, the Company issued 36,000 shares for warrants exercised at \$0.25 for total proceeds of \$9,000.
- e) On May 25, 2016, the Company issued 62,360 shares for warrants exercised at \$0.25 for total proceeds of \$15,590. On exercise the Company transferred the fair value of the warrants exercised, \$11,441, from warrant reserve to share capital.
- f) On April 11, 2016, the Company issued 50,000 shares for warrants exercised at \$0.25 for total proceeds of \$12,500.
- g) On February 11, 2016, the Company issued 22,893 shares for warrants exercised at \$0.25 for total proceeds of \$5,723. On exercise the Company transferred the fair value of 9,560 of the warrants exercised, \$1,754, from warrant reserve to share capital.
- h) On January 28, 2016, the Company issued 50,000 shares for warrants exercised at \$0.25 for total proceeds of \$12,500.
- i) On January 14, 2016, the Company issued 50,000 shares for warrants exercised at \$0.25 for total proceeds of \$12,500.

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2016 – Page 15

**8. Share Capital – (cont'd...)**

- j) On December 14, 2015, the Company issued 50,000 shares for warrants exercised at \$0.25 for total proceeds of \$12,500.
- k) On December 8, 2015, the Company issued 125,000 shares for warrants exercised at \$0.25 for total proceeds of \$31,250.
- l) On December 2, 2015, the Company issued 75,000 shares for warrants exercised at \$0.25 for total proceeds of \$18,750.
- m) On November 30, 2015, the Company issued 347,000 shares for warrants exercised at \$0.25 for total proceeds of \$86,750. On exercise the Company transferred the fair value of 24,000 of the warrants exercised, \$4,403, from warrant reserve to share capital.
- n) On November 10, 2015, the Company issued 311,001 shares for warrants exercised at \$0.25 for total proceeds of \$77,750. On exercise the Company transferred the fair value of 13,334 of the warrants exercised, \$2,446, from warrant reserve to share capital.
- o) On November 6, 2015, the Company issued 50,000 shares for options exercised at \$0.20 for total proceeds of \$10,000 and 24,000 shares for warrants exercised at \$0.25 for total proceeds of \$6,000. On exercise the Company transferred the fair value of the warrants exercised, \$1,957, from warrant reserve to share capital.
- p) On October 19, 2015, the Company issued 167,000 shares for warrants exercised at \$0.25 for total proceeds of \$41,750.
- q) On October 7, 2015, the Company issued 25,000 shares for options exercised at \$0.20 for total proceeds of \$5,000. On exercise the Company transferred the fair value of the options exercised, \$4,392, from option reserve to share capital.
- r) On September 28, 2015, the Company issued 70,000 shares for warrants exercised at \$0.25 for total proceeds of \$17,500.
- s) On September 28, 2015, the Company issued 75,000 shares at a fair value of \$0.37 per share for a total value of \$27,750. The shares were issued in accordance with the terms of the agreements related to the Company's Colorado properties (Note 5).
- t) On September 15, 2015 the Company issued 50,000 warrants exercisable into one common share of the Company for a period of 3 years from closing at an exercise price of \$0.40 in accordance with the Silver Cliff Agreement (Note 5). The warrants are exercisable into common shares at an exercise price of \$0.40 for 3 years and with an estimated value of \$13,817 using the Black Scholes valuation methodology with the Warrants having the terms described above and assuming a risk free interest rates of 1.5% per annum, an expected life of 3 years, an expected volatility of 115.73%, and no expected dividend.
- u) On September 14, 2015, the Company issued 325,000 shares for warrants exercised at \$0.25 for total proceeds of \$81,250.

**C. Escrow Shares**

As at August 31, 2016, no common shares of the Company are held in escrow (2015 – 1,620,000). Pursuant to the terms of the escrow agreement dated February 13, 2013, 10% of the escrowed common shares were released from escrow on the issuance of the Final Exchange Bulletin and an additional 15% were released every six months following the Initial Release.

**VISCOUNT MINING CORP.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 – Page 16

**8. Share Capital (cont'd...)****D. Warrants**

The following is a summary of the changes in the Company's share purchase warrants for the years ended August 31, 2016 and August 31, 2015:

	<b>August 31, 2016</b>		<b>August 31, 2015</b>	
	Number of Warrants Outstanding	Weighted average exercise price	Number of Warrants Outstanding	Weighted average exercise price
Outstanding, beginning of year	12,197,048	0.25	100,000	0.20
Exercised warrants (Note B)	(2,047,422)	0.25	-	-
Expired warrants	-	-	(100,000)	0.20
Warrants issued (Note B)	4,650,000	0.70	11,666,672	0.25
Finders warrants issued (Note B)	308,900	-	530,376	0.25
Outstanding, end of year	<b>15,108,526</b>	0.40	<b>12,197,048</b>	0.25

The following table summarizes information regarding share purchase warrants outstanding as at August 31, 2016 and 2015:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>August 31, 2016</b>	<b>August 31, 2015</b>
		Number of Warrants Outstanding and Exercisable	Number of Warrants Outstanding and Exercisable
November 25, 2017	0.25	5,706,090	7,103,592
December 2, 2017	0.25	1,398,000	1,430,000
January 6, 2018	0.25	3,045,536	3,663,456
September 15, 2018	0.40	50,000	-
May 31, 2018	0.70	2,608,900	-
June 23, 2018	0.70	2,300,000	-
	<b>0.40</b>	<b>15,108,526</b>	<b>12,197,048</b>

**E. Stock Option Plan**

On April 4, 2012, the Company adopted a stock option plan (the "Plan") that allows the Company to issue options to certain directors, officers, employees and consultants of the Company. Options issued under the Plan shall not exceed 10% of the shares issued and outstanding at the time of granting of the options. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the market price of the shares (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date), less the applicable discount permitted by the TSXV rules. Stock options granted under the Plan vest immediately subject to vesting terms, which may be imposed at the discretion of the directors.

On August 8, 2016, the Company granted 255,000 five-year stock options at a purchase price of \$0.62 per share to consultants of the Company. The fair value of the 255,000 options granted was estimated at \$126,449 at the grant date using the Black-Scholes Option Pricing Model.

**VISCOUNT MINING CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2016 – Page 17

**8. Share Capital - (cont'd...)**

On April 27, 2016, the Company granted 50,000 five-year stock options at a purchase price of \$0.51 per share to a consultant of the Company. The fair value of the 50,000 options granted was estimated at \$20,263 at the grant date using the Black-Scholes Option Pricing Model.

On February 9, 2016, the Company granted 100,000 five-year stock options at a purchase price of \$0.53 per share to a consultant of the Company. The fair value of the 100,000 options granted was estimated at \$41,865 at the grant date using the Black-Scholes Option Pricing Model.

On December 12, 2015, the Company granted 75,000 five-year stock options at a purchase price of \$0.50 per share to a consultant of the Company. The fair value of the 75,000 options granted was estimated at \$29,175 at the grant date using the Black-Scholes Option Pricing Model.

On November 12, 2015, the Company granted 40,000 five-year stock options at a purchase price of \$0.50 per share to a consultant of the Company. The fair value of the 45,000 options granted was estimated at \$16,662 at the grant date using the Black-Scholes Option Pricing Model.

On July 21, 2015, the Company granted 45,000 five-year stock options at a purchase price of \$0.20 per share to a consultant of the Company. The fair value of the 45,000 options granted was estimated at \$7,909 at the grant date using the Black-Scholes Option Pricing Model.

On July 7, 2015, the Company granted 100,000 five-year stock options at a purchase price of \$0.20 per share to a director of the Company. The fair value of the 100,000 options granted was estimated at \$21,506 at the grant date using the Black-Scholes Option Pricing Model.

On April 1, 2015, the Company granted 200,000 five-year stock options at a purchase price of \$0.22 per share to a consultant of the Company. The fair value of the 200,000 options granted was estimated at \$48,262 at the grant date using the Black-Scholes Option Pricing Model.

On January 5, 2015, the Company granted 1,175,000 five-year stock options at a purchase price of \$0.20 per share to its directors and officers. The fair value of the 1,175,000 options granted was estimated at \$259,323 at the grant date using the Black-Scholes Option Pricing Model.

On December 1, 2014, the Company granted 300,000 five-year stock options at a purchase price of \$0.20 per share a director and officer. The fair value of the 255,200 options granted was estimated at \$54,465 at the grant date using the Black-Scholes Option Pricing Model.

The fair value of the stock options granted in the year ended August 31, 2016 has been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rates between 0.70% and 1.38% (2015 – rates of 0.70% to 1.38%) per annum, an expected life of 5 years (2015 - 5 years), an expected volatility between 111.67 % and 203.75% (2015 – volatility of 179.42% to 203.75%), and no expected dividends.

The following is a summary of the changes in the Company's stock options for the year ended August 31, 2016 and August 31, 2015:

	<b>August 31, 2016</b>		<b>August 31, 2015</b>	
	<b>Number of Options</b>	<b>Weighted average exercise price</b>	<b>Number of Options</b>	<b>Weighted average exercise price</b>
	<b>Outstanding</b>		<b>Outstanding</b>	
Outstanding, beginning of year	3,196,000	\$ 0.20	1,700,000	\$ 0.20
Cancelled/Expired options	-	0.20	(299,000)	0.20
Exercised (Note 8 B)	(75,000)	0.20	(25,000)	0.20
Granted	520,000	0.57	1,820,000	0.20
Outstanding, end of year	3,641,000	0.25	3,196,000	\$ 0.20

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**8. Share Capital - (cont'd...)**

The following table summarizes information regarding stock options outstanding and exercisable as at August 31, 2016 and as at August 31, 2015:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Options Outstanding and Exercisable</b>	<b>Number of Options Outstanding and Exercisable</b>
		<b>Outstanding and Exercisable</b>	<b>Outstanding and Exercisable</b>
October 26, 2022	\$ 0.20	19,800	19,800
August 21, 2018	\$ 0.20	1,076,000	1,076,000
February 27, 2016	\$ 0.20	-	75,000
July 11, 2019	\$ 0.20	255,200	255,200
December 1 2019	\$ 0.20	300,000	300,000
January 5, 2020	\$ 0.20	1,125,000	1,125,000
April 1, 2018	\$ 0.22	200,000	200,000
July 7, 2020	\$ 0.20	100,000	100,000
July 21, 2020	\$ 0.20	45,000	45,000
November 12, 2020	\$ 0.50	40,000	-
December 15, 2020	\$ 0.50	75,000	-
February 9, 2021	\$ 0.53	100,000	-
April 27, 2021	\$ 0.51	50,000	-
August 8, 2021	\$ 0.62	255,000	-
<b>Outstanding and exercisable options</b>		<b>3,641,000</b>	<b>3,196,000</b>

**F. Reserves**Warrant reserve

The warrants reserve represents the fair value of warrants issued on their issue date until such time that they are exercised, at which time the corresponding amount will be transferred to share capital. If warrants expire unexercised, the amount recorded remains in the account. During the year ended August 31, 2016, 308,900 finders warrants were issued (2015 – 530,376) with a value of \$121,647 (2015 - \$97,310; 244,422 finders warrants were exercised (2015 - Nil) and \$44,844 was transferred from Reserves to Share Capital (2015 - \$Nil).

Option reserve

The options reserve records the fair value of items recognized as share-based payment expense on their issuance date until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If options expire unexercised, the amount recorded remains in the reserve.

During the year ended August 31, 2016, 520,000 (2015 – 1,820,000) options were granted and \$234,141 (2015, \$397,325) was recorded as option reserves and 75,000 (2015 - 25,000) options were exercised and \$13,175 (2015 - \$4,391) was transferred from Reserves to Share Capital.

**9. Supplemental Cash Flow Information**

Included in trade payables and accrued liabilities at August 31, 2016 is \$36,008 (2015 - \$5,000) incurred on exploration and evaluation property expenditures.

During the year ended August 31, 2016, the Company issued 75,000 common shares (2015 – Nil) valued at \$27,750 (2015 - \$Nil) pursuant to the Silver Cliff agreement (Note 5).

During the year ended August 31, 2016, the Company issued 50,000 warrants (2015 – Nil) valued at \$13,817 (2015 - \$Nil) pursuant to the Silver Cliff agreement (Note 5).

## **10. Commitments and Contingency**

The Company is committed to making cash payments, incurring exploration expenditures and/or issuing common shares pursuant to its exploration and evaluation property agreements (Note 5).

## **11. Financial Risk Management**

### **(a) Overview**

The Company has exposure to credit risk, liquidity risk, foreign currency risk, and market risk from its use of financial instruments.

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

### **(b) Credit Risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. The Company limits its exposure to credit risk on liquid financial assets through investing its cash and cash equivalents with high-credit quality financial institutions.

The carrying value of the Company's cash and cash equivalents represent the maximum exposure to credit risk.

### **(c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company's cash and cash equivalents are currently invested in business and savings accounts with high-credit quality financial institutions which are available on demand by the Company for its programs. As at August 31, 2016, the Company had cash and cash equivalents balance of \$1,805,552 to settle current liabilities of \$141,363. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### **(d) Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### **(e) Interest Rate Risk**

The Company is subject to interest rate risk with respect to its investments in cash. However, the Company does not hold any interest-bearing debt. The Company's current policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when cash balances mature impact interest income earned.

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**11. Financial Risk Management - (cont'd...)****(f) Foreign Currency Risk**

As at August 31, 2016, the Company's expenditures are in Canadian dollars and US dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company foreign currency risk relates to commitments payable in US dollars on its properties in Nevada and Colorado (Note 5).

**(g) Capital Management**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. The Company manages its capital structure through the issuance of new shares, acquisition or disposition of assets or adjustment of cash. The Company does not have any major capital expenditures committed for the coming year. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements other than disclosed in Note 1.

**(h) Fair Value**

The Company considers that the carrying amount of all its financial assets and financial liabilities in the consolidated financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

<b>August 31, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets at fair value</b>				
Cash and cash equivalents	1,805,552	-	-	1,805,552
Total	1,805,552	-	-	1,805,552
<b>August 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets at fair value</b>				
Cash and cash equivalents	636,346	-	-	636,346
Total	636,346	-	-	636,346

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**12. Segmented Information**

The Company's only business activity is exploration and development of exploration and evaluation properties. This activity is carried out in the USA.

The breakdown of geographic area for the years ended August 31, 2016 and August 31, 2015 is as follows:

<b>Year ended May 31, 2016</b>	<b>Canada</b>	<b>USA</b>	<b>Total</b>
	\$	\$	\$
Total expenses	1,448,803	-	1,448,803
Current assets	1,909,685	-	1,909,685
Exploration and evaluation properties	-	1,026,065	1,026,065
<b>Total assets</b>	<b>1,909,685</b>	<b>1,026,065</b>	<b>2,935,750</b>

  

<b>Year ended August 31, 2015</b>	<b>Canada</b>	<b>USA</b>	<b>Total</b>
	\$	\$	\$
Total expenses	1,504,307	-	1,504,307
Current assets	686,131	-	686,131
Exploration and evaluation properties	-	791,083	791,083
<b>Total assets</b>	<b>686,131</b>	<b>791,083</b>	<b>1,477,214</b>

**13. Income Taxes**

## (a) Provision for current tax

No provision has been made for current income taxes, as the Company has no taxable income for the years ended August 31, 2016 and 2015.

## (b) Provision for deferred tax

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	<b>Year ended August 31, 2016</b>	<b>Year ended August 31, 2015</b>
	\$	\$
Loss for the year	1,448,803	1,504,307
Expected income tax recovery	377,000	391,000
Effect of change in statutory rate and other	9,000	4,000
Change in prior year provision to actual	69,000	-
Permanent differences	(64,000)	(103,000)
Change in unrecognized deferred tax assets	(391,000)	(292,000)
Deferred tax expense (recovery)	-	-

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**13. Income Taxes – (cont'd...)****Deferred Tax Assets and Liabilities**

The significant components of the Company's deferred tax assets and liabilities are as follows:

	<b>August 31, 2016</b>	<b>August 31, 2015</b>
	\$	\$
Tax losses carried forward	1,231,000	566,000
Canadian eligible capital	1,000	-
Exploration and evaluation properties	120,000	-
Share issue costs	71,000	-
<b>Unrecognized deferred tax assets</b>	<b>1,423,000</b>	<b>566,000</b>

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax to be recovered.

As at August 31, 2016, the Company has estimated foreign exploration and development expenses of \$1,026,065 and non-capital losses for Canadian tax purposes of \$1,231,000 that may be carried forward to reduce taxable income derived in future years, as summarized below:

Non-capital Canadian tax losses expiring are as follows:

<b>Year of Expiry</b>	<b>Amounts</b>
	\$
2032	423,969
2033	837,068
2034	817,175
2035	1,120,773
2036	1,312,907
	<b>4,511,892</b>

**14. Events Occurring after the Reporting Date**

On September 15, 2016, the Company paid \$15,000 and issued 50,000 shares and 50,000 warrants exercisable into one common share of the Company for a period of 3 years from closing at an exercise price of \$0.59 in accordance with the Silver Cliff Agreement (Note 5). The warrants had an estimated value of \$19,434 using the Black Scholes valuation methodology with the Warrants having the terms described above and assuming a risk free interest rates of 1.15% per annum, an expected life of 3 years, an expected volatility of 108.55%, and no expected dividend. The securities issued are subject to a four month hold period from the date of closing.