

**CONSOLIDATED FINANCIAL STATEMENTS**

**INTIGOLD MINES LTD.**

**(An exploration stage company)**

**For the years ended July 31, 2016 and 2015**

*(Expressed in Canadian dollars)*

# Independent auditors' report

To the Shareholders of  
**Intigold Mines Ltd.**

We have audited the accompanying consolidated financial statements of **Intigold Mines Ltd.**, which comprise the consolidated statements of financial position as at July 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in stockholders' equity and cash flows 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Intigold Mines Ltd.** as at July 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of matter**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which indicates that **Intigold Mines Ltd.** has incurred a net loss of \$596,236 for the year ended July 31, 2016 and has a cash balance and a working capital deficiency of \$4,682 and \$513,326, respectively, as at July 31, 2016. In addition, note 2 further states that the Company is dependent on additional equity funding to sustain its operations. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt on **Intigold Mines Ltd.**'s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada  
November 24, 2016

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

**INTIGOLD MINES LTD.**

(An exploration stage company)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****As at July 31, 2016 and 2015***(Expressed in Canadian dollars)*

	<b>July 31, 2016</b>	July 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,682	\$ 26,312
Accounts receivable	15,540	17,274
Interest receivable	14	17
Prepaid expense	3,654	7,459
Total current assets	<b>23,890</b>	51,062
Fixed assets (Note 6)	3,536	6,350
Exploration and evaluation assets (Note 7)	36,500	36,500
Restricted cash (Note 5)	6,000	6,000
Security deposits	8,320	-
<b>Total assets</b>	<b>\$ 78,246</b>	\$ 99,912
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9)	\$ 395,966	433,737
Obligation to issue shares (Note 14a)	132,500	27,000
Due to related parties (Note 9)	8,750	-
Total current liabilities	<b>537,216</b>	460,737
Shareholders' equity:		
Share capital (Note 10)	5,592,343	5,355,584
Reserves		
Equity settled benefits (Note 10d)	1,716,041	1,571,077
Warrants (Note 10c)	948,611	832,243
Deficit	<b>(8,547,778)</b>	<b>(7,930,252)</b>
Total shareholders' equity:	<b>(290,783)</b>	(171,348)
Non - controlling interest	<b>(168,187)</b>	(189,477)
Total shareholders' equity	<b>(458,970)</b>	(360,825)
<b>Total shareholders' equity and liabilities</b>	<b>\$ 78,246</b>	\$ 99,912

Going concern (Note 2)

Subsequent events (Note 15)

*These financial statements were approved and authorized for issue by the Board of Directors on November 24, 2016.**They were signed on its behalf by:***APPROVED BY THE DIRECTORS***"Lori McClenahan"*

Lori McClenahan, President and Director

*"Greg Kallal"*

Greg Kallal, Director

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

**INTIGOLD MINES LTD.**

(An exploration stage company)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****For the years ended July 31, 2016 and 2015***(Expressed in Canadian dollars)*

	<u>2016</u>	<u>2015</u>
<b>OPERATING EXPENSES</b>		
Consulting (Note 9)	\$ 298,411	\$ 246,421
Amortization expense	2,814	5,690
Office and general expenses	118,063	118,843
Professional fees	75,919	109,002
Stock-based compensation (Note 9c, 10d)	163,416	245,019
Transfer agent, listing and filing fees	22,970	17,621
<b>Total operating expenses</b>	<u>681,593</u>	<u>742,596</u>
<b>Operating loss</b>	<b>(681,593)</b>	<b>(742,596)</b>
<b>NON-OPERATING INCOME AND EXPENSES</b>		
Interest income	1,170	46
Scientific Research & Experimental Development tax credit	84,187	-
<b>Net loss and comprehensive loss for the year</b>	<u>(596,236)</u>	<u>(742,550)</u>
<b>Total comprehensive loss for the period attributable to:</b>		
Owners of the parent	(617,526)	(695,328)
Non-controlling interest	21,290	(47,222)
	<u>(596,236)</u>	<u>(742,550)</u>
<b>Loss per share - basic and diluted</b>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<u>41,867,477</u>	<u>35,874,354</u>

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

**INTIGOLD MINES LTD.**

(An exploration stage company)

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

For the years ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Common Shares		Equity Settled Benefits	Warrants	Deficit	Non-controlling Interest	Total Shareholders' Equity
	Shares	Amount					
<b>Balance, July 31, 2014</b>	<b>31,502,282</b>	<b>\$ 4,798,841</b>	<b>\$ 1,359,836</b>	<b>\$ 769,548</b>	<b>\$ (7,234,924)</b>	<b>\$ (142,255)</b>	<b>\$ (448,954)</b>
Issuance of common shares for cash pursuant to private placement	6,480,000	324,000	-	-	-	-	324,000
Issuance of common shares for cash pursuant to exercise of options	475,000	47,500	-	-	-	-	47,500
Issuance of common shares for cash pursuant to exercise of warrants	1,652,596	230,540	-	-	-	-	230,540
Issuance of common shares for consulting fee	13,000	650	-	(280)	-	-	370
Issuance of common shares for finders' fee	45,000	2,250	-	-	-	-	2,250
Issuance of warrants	-	(138,270)	-	138,270	-	-	-
Transfer share capital on exercise options	-	33,778	(33,778)	-	-	-	-
Transfer share capital on exercise warrants	-	68,040	-	(68,040)	-	-	-
Share issue costs and finders' fee	-	(11,745)	-	(7,255)	-	-	(19,000)
Stock-based compensation	-	-	245,019	-	-	-	245,019
Loss for the year	-	-	-	-	(695,328)	(47,222)	(742,550)
<b>Balance, July 31, 2015</b>	<b>40,167,878</b>	<b>\$ 5,355,584</b>	<b>\$ 1,571,077</b>	<b>\$ 832,243</b>	<b>\$ (7,930,252)</b>	<b>\$ (189,477)</b>	<b>\$ (360,825)</b>
Issuance of common shares for cash pursuant to private placement	2,000,000	300,000	-	-	-	-	300,000
Issuance of common shares for cash pursuant to exercise of options	410,000	41,000	-	-	-	-	41,000
Issuance of common shares for finders' fee	100,000	15,000	-	-	-	-	15,000
Issuance of warrants	-	(126,179)	-	126,179	-	-	-
Issuance of warrants for finders' fee	-	(6,309)	-	6,309	-	-	-
Transfer share capital on exercise options	-	18,452	(18,452)	-	-	-	-
Share issue costs and finders' fee	-	(11,514)	-	(9,811)	-	-	(21,325)
Stock-based compensation	-	-	163,416	-	-	-	163,416
Loss for the year	-	-	-	-	(617,526)	21,290	(596,236)
<b>Balance, July 31, 2016</b>	<b>42,677,878</b>	<b>\$ 5,586,034</b>	<b>\$ 1,716,041</b>	<b>\$ 954,920</b>	<b>\$ (8,547,778)</b>	<b>\$ (168,187)</b>	<b>\$ (458,970)</b>

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

**INTIGOLD MINES LTD.**

(An exploration stage company)

**CONSOLIDATED STATEMENTS OF CASH FLOWS****For the years ended July 31, 2016 and 2015***(Expressed in Canadian dollars)*

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	<b>\$ (596,236)</b>	\$ (742,550)
Items not involving cash:		
Amortization	<b>2,814</b>	5,690
Stock-based compensation (Note 10d)	<b>163,416</b>	245,019
Share issued for services	-	370
Changes in non-cash working capital:		
(Increase) / Decrease in accounts receivables and prepaid expenses	<b>5,539</b>	(8,128)
Decrease in interest receivables	<b>3</b>	-
Decrease in security deposits	<b>(8,320)</b>	-
Increase / (Decrease) in due to related parties	<b>8,750</b>	(91,414)
Decrease in accounts payable and accrued liabilities	<b>(37,771)</b>	37,230
Cash used in operating activities	<b>(461,805)</b>	(553,783)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(6,460)
Cash generated used in investing activities	-	(6,460)
<b>FINANCING ACTIVITIES</b>		
Share subscriptions received	<b>105,500</b>	(1,000)
Common shares and warrants issued for cash, net of share issuance cost	<b>293,675</b>	307,250
Exercise of warrants for cash	-	230,540
Exercise of options for cash (Note 10b)	<b>41,000</b>	47,500
Cash generated from financing activities	<b>440,175</b>	584,290
Increase / (Decrease) in cash and cash equivalents	<b>(21,630)</b>	24,047
Cash and cash equivalents, beginning of the year	<b>26,312</b>	2,265
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 4,682</b>	\$ 26,312

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

## **INTIGOLD MINES LTD.**

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended July 31, 2016 and 2015

(Expressed in Canadian dollars)

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#### **1. GENERAL INFORMATION**

Intigold Mines Ltd., (“the Company”) is a development stage enterprise that has incurred significant losses to date and currently does not earn revenues. The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of precious metals on mineral properties located in British Columbia, Canada. The Company is also engaged in non-mining activities in the social media sector as a result of acquiring control over TTAGIT Social Networks Inc., (“TTAGIT”) on November 14, 2012. TTAGIT’s location of business is in Vancouver, British Columbia, Canada. The Company was incorporated under the Canada Business Corporations Act on April 18, 2008, and has continued business under the Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange, having the symbol IGD-V, as a tier 2 mining issuer. The address of the Company’s corporate office and principal base of business is 304 – 700 West Pender Street, Vancouver, British Columbia, Canada.

#### **2. BASIS OF PRESENTATION AND GOING CONCERN**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Corporation’s reporting for the year ended July 31, 2016.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available for sale which are stated at their fair value. These financial statements are presented in Canadian dollars.

These consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of \$596,236 during the year ended July 31, 2016 and has a cash balance and a working capital deficiency of \$4,682 and \$513,326, respectively, as at July 31, 2016. The Company’s ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent on the continued financial support of the creditors and the shareholders. In the past, the Company has relied on sales of equity securities to meet its cash requirements. There can be no assurance that funding from this or other sources will be sufficient in the future to continue and develop its mineral properties and provide funding to TTAGIT.

Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to it. Failure to obtain such financing on a timely basis or extensions on the option agreements could cause the Company to reduce or terminate its operations. The above indicates the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

##### **2.1 Upcoming Changes in Accounting Standards**

The following standards and amendments to existing standards have been published and are mandatory for the Company’s annual accounting periods beginning August 1, 2016, or later periods:



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## **2. BASIS OF PRESENTATION AND GOING CONCERN (continued)**

### **2.1 Upcoming Changes in Accounting Standards (continued)**

#### *IFRS 9 Financial Instruments*

IFRS 9, “Financial Instruments” is intended to replace IAS 39 – *Financial Instruments: Recognition and Measurement* in the three main phases. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. In July 2014, the IASB issued the final version of *IFRS 9 – Financial Instruments*, which reflects all phases of the financial instruments project and replaces *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 [2009, 2010 and 2013] is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but no impact on the classification and measurement of the Company’s financial liabilities.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15, “Revenue from Contracts with Customers” was issued in May 2014 to replace IAS 18 and IAS 11 Contracts, and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard.

#### *IFRS 16 Leases*

IFRS 16 “Leases” was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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(Expressed in Canadian dollars)

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

The principal accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company's entities.

#### **3.1 Principles of Consolidation**

##### **Subsidiaries**

The consolidated financial statements comprise the financial statements of the parent company and its subsidiary, Ttagit Social Networks Inc. ("Ttagit"), as at July 31, 2016. Ttagit is consolidated from the date of acquisition, being the date on which the Company obtained control, and continues to be consolidated until the date when such control ceases. All intra-group balances, transactions, and unrealised gains and losses resulting from intra-group transactions are eliminated in full. The net assets and net profit attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated statement of financial position and consolidated statement of comprehensive loss.

#### **3.2 Fixed assets**

##### **(i) Cost and Valuation**

Fixed assets are carried at cost less accumulated depreciation and any impairment losses. When an asset is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is recognized as a gain or loss in the statement of comprehensive loss.

Fixed assets include expenditures incurred on computer hardware, furniture and equipment which are recorded at cost on initial acquisition. Cost includes the purchase price and the directly attributable costs of acquisition or construction required to bring an asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

##### **(ii) Depreciation**

Furniture and equipment is depreciated over a declining balance basis over the estimated useful life of the assets and computer hardware is depreciated on a straight line basis over the life of the assets. Where components of an asset have a different useful life and cost that is significant to the total cost of the asset, depreciation is calculated on each separate component. Depreciation methods, useful lives and residual values are reviewed at the end of each year.

Computer hardware	Straight – line method	33%
Furniture and equipment	Declining balance	20% to 30%

#### **3.3 Exploration and Evaluation Assets**

Exploration expenditures reflect the capitalised costs related to the initial search for mineral deposits with economic potential or obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with acquisition of rights to explore, prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. Evaluation expenditures reflect costs incurred at exploration projects related to establishing the technical and commercial viability of mineral deposits identified through exploration or acquired through a business combination or asset acquisition. Evaluation expenditures include the cost of:

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended July 31, 2016 and 2015

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.3 Exploration and Evaluation Assets (continued)**

- i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve,
- ii) determining the optimal methods of extraction and metallurgical and treatment processes,
- iii) studies related to surveying, transportation and infrastructure requirements,
- iv) permitting activities, and
- v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received. The Company does not accrue the estimated costs of maintaining its interests in good standing.

From time to time the Company may issue shares for option-in agreements in respect of acquisition of mineral interests. These equity-settled share-based payment transactions are measured by reference to the fair value of the entity instruments granted and the corresponding increase in equity.

The Company capitalises its acquisition costs and expenses all of the exploration and evaluation costs.

#### **3.4 Research and Development**

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in profit or loss as incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

#### **3.5 Impairment of Non-Financial Assets**

Other long-lived assets are reviewed for impairment at each date of the consolidated statement of financial position to determine whether circumstances indicate that the carrying amount may not be recoverable. An impairment test is performed when the impairment indicators demonstrate that the carrying amount may not be recoverable.

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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## **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **3.5 Impairment of Non-Financial Assets (continued)**

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less cost to sell and 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.

### **3.6 Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **3.7 Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Due to related parties are amounts due to Directors and Officers of the Company which are incurred in the carrying out their respective duties as Directors and Officers of the Company. Due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **3.8 Share Capital**

Common shares and warrants are classified as equity. Incremental 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 held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The fair value of the common shares is determined as the value of the share price on date of issuance. The fair value of the warrants is determined using the Black-Scholes model, which is dependent on the terms and conditions of the warrants. The fair values are then allocated to the common shares and warrants on a pro-rata basis.

### **3.9 Share-Based Payment Transactions**

The Company applies the fair value method of accounting for all stock option awards. Under this method the Company recognizes a compensation expense for all stock options awarded to employees, based on the fair value of the options on the date of grant which is determined by using the Black-Scholes option pricing model for stock option awards, and the quoted market value of the shares for restricted share units. The fair value of the options is expensed over the vesting period of the options. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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(Expressed in Canadian dollars)

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## **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **3.9 Share-Based Payment Transactions (continued)**

All share-based payments are reflected in equity settled benefits, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity settled benefits is credited to share capital, adjusted for any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period. Any payment made to the employee on cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognised as an expense.

### **3.10 Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### **3.11 Earnings per Share**

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is 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 comprise warrants and share options granted to employees.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed at each period end. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas requiring the use of management estimates include assumptions and estimates relating to fair values for purposes of purchase price allocations for asset acquisitions, asset impairment analysis, share-based payments and warrants, valuation allowances for deferred income tax assets and assessing and evaluating contingencies. Actual results could differ from these estimates.

## **5. RESTRICTED CASH**

Restricted cash consists of security of deposits for the Ministry of Energy Mines and Petroleum. As at July 31, 2016, the security deposits balance for the Ministry of Energy Mines and Petroleum was \$6,000 (July 31, 2015: \$6,000).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**6. FIXED ASSETS**

	<b>Computer hardware</b>	<b>Furniture and equipment</b>	<b>Total</b>
<b>Cost</b>			
Balance at July 31, 2014	\$ 15,675	\$ 681	\$ 16,356
Additions	6,460	-	6,460
<b>Balance at July 31, 2015</b>	<b>\$ 22,135</b>	<b>\$ 681</b>	<b>\$ 22,816</b>
<b>Depreciation</b>			
Balance at July 31, 2014	\$ 10,392	\$ 384	\$ 10,776
Depreciation for the year	5,630	60	5,690
<b>Balance at July 31, 2015</b>	<b>\$ 16,022</b>	<b>\$ 444</b>	<b>\$ 16,466</b>
<b>Carrying amounts</b>			
Balance at July 31, 2014	\$ 5,283	\$ 297	\$ 5,580
<b>Balance at July 31, 2015</b>	<b>\$ 6,113</b>	<b>\$ 237</b>	<b>\$ 6,350</b>

	<b>Computer hardware</b>	<b>Furniture and equipment</b>	<b>Total</b>
<b>Cost</b>			
Balance at July 31, 2015	\$ 22,135	\$ 681	\$ 22,816
Additions	-	-	-
<b>Balance at July 31, 2016</b>	<b>\$ 22,135</b>	<b>\$ 681</b>	<b>\$ 22,816</b>
<b>Depreciation</b>			
Balance at July 31, 2015	\$ 16,022	\$ 444	\$ 16,466
Depreciation for the year	2,766	48	2,814
<b>Balance at July 31, 2016</b>	<b>\$ 18,788</b>	<b>\$ 492</b>	<b>\$ 19,280</b>
<b>Carrying amounts</b>			
Balance at July 31, 2015	\$ 6,113	\$ 237	\$ 6,350
<b>Balance at July 31, 2016</b>	<b>\$ 3,347</b>	<b>\$ 189</b>	<b>\$ 3,536</b>

## INTIGOLD MINES LTD.

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## 7. EXPLORATION AND EVALUATION ASSETS

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claims of title.

The Company's mineral properties include the following:

	<b>July 31, 2016</b>	July 31, 2015
Scandie, Canada	\$ <b>31,500</b>	\$ 31,500
Donnamore, Canada	<b>5,000</b>	5,000
	<b>\$ 36,500</b>	\$ 36,500

The Company's exploration expenditures that were not capitalised are:

	<b>2016</b>					<b>2015</b>
	<b>Cueva Blanca</b>	<b>Beaverdell</b>	<b>Donnamore</b>	<b>Gold Post</b>	<b>Other</b>	
	<b>Total</b>	<b>Peru</b>	<b>Canada</b>	<b>Canada</b>	<b>Canada</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
General (other)	-	-	-	-	-	-
Professional fees and wages	-	-	-	-	-	-
Exploration and development expenditures, beginning of the period	<b>453,993</b>	<b>3,000</b>	<b>370,668</b>	<b>30,411</b>	<b>25,000</b>	<b>4,394</b>
Exploration and development expenditures, cumulative to date	<b>453,993</b>	<b>3,000</b>	<b>370,668</b>	<b>30,411</b>	<b>25,000</b>	<b>4,394</b>

### (a) Scandie Property, British Columbia, Canada

On February 22, 2011, the Company entered into an agreement to acquire a 100% interest in certain mining claims located in the Greenwood Mining Division, British Columbia for total consideration of \$31,500.

### (b) Donnamore Property, British Columbia, Canada

On February 24, 2011, the Company entered into an agreement to acquire a 100% interest in certain mining claims located in the Kamloops Mining Division, British Columbia for total consideration of \$5,000.

## 8. SOCIAL MEDIA TECHNOLOGY

### Acquisition of TTAGIT

On May 8, 2012, the Company entered into a Letter Agreement detailing the investment in TTAGIT Social Networking Inc., ("TTAGIT"), a private company. Pursuant to a Letter Agreement, the Company agreed to purchase 51% interest, subject to a 2.5% royalty, in TTAGIT in consideration of the Company paying to TTAGIT the aggregate sum of \$300,000 in cash, and financing \$500,000 for the development and marketing of TTAGIT over a 12-month period.

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**8. SOCIAL MEDIA TECHNOLOGY (continued)**

In addition, the Company shall have the right to purchase 1.5% of the 2.5% royalty from TTAGIT for the sum of \$10-million thereby reducing the royalty payable to TTAGIT from 2.5% to 1%.

As at July 31, 2016, there was \$333,436 (July 31, 2015, \$343,033) due from Ttagit Social Networks Inc., which was eliminated upon consolidation. This balance represents TTAGIT operating expenditure, funded by the Company.

**9. RELATED PARTY TRANSACTIONS**

The expenditures charged by related parties to the Company and not disclosed elsewhere in these financial statements consist of the following:

- (a) Paid or accrued \$60,000 (2015 - \$60,000) as management and consulting fees, and paid \$15,000 (2015 - \$nil) as legal consulting fee to the President and to the CEO of the Company.
- (b) Paid or accrued \$60,000 (2015 - \$60,000) as consulting fees to the CFO of the Company. The Company also paid \$36,000 (2015 - \$36,000) as accounting fees to a company controlled by the CFO.
- (c) Stock based compensation was \$57,680 for the related parties (2015 – \$49,594).

As at July 31, 2016, there was \$93,481 (July 31, 2015 - \$92,600) due to the related parties in accounts payable and accrued liabilities, and \$8,750 was loaned by the President and CEO of the Company; it is non-interest bearing with no fixed maturity and is classified as a current liability.

**10. SHARE CAPITAL**

- (a) Authorized

Unlimited number of common shares without par value.

- (b) Issued

Issued and outstanding: 42,677,878 common shares (July 31, 2015 – 40,167,878).



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**10. SHARE CAPITAL (continued)**

(b) Issued (continued)

	July 31, 2016		July 31, 2015	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of the year	40,167,878	\$ 5,355,584	31,502,282	\$ 4,798,841
Shares issued for:				
Cash				
Exercise of stock options	410,000	\$ 41,000	475,000	\$ 47,500
Exercise of warrants	-	\$ -	1,652,596	\$ 230,540
Private placements	2,000,000	\$ 300,000	6,480,000	\$ 324,000
Shares issued for consulting services	-	\$ -	13,000	\$ 650
Share issue costs and finders' fee	-	\$ (11,515)	-	\$ (11,745)
Issuance of warrants	-	\$ (126,178)	-	\$ (138,270)
Issuance of shares for finders' fee	100,000	\$ 15,000	45,000	\$ 2,250
Issuance of warrants for finders' fee	-	\$ (6,309)	-	\$ -
Transfer of reserves on exercise of options	-	\$ 18,452	-	\$ 33,778
Transfer of reserves on exercise of warrants	-	\$ -	-	\$ 68,040
<b>Balance, end of the year</b>	<b>42,677,878</b>	<b>\$ 5,586,034</b>	<b>40,167,878</b>	<b>\$ 5,355,584</b>

On August 4, 2015, the Company issued 50,000 common shares for exercise of stock options at a price of \$0.10 per common share.

On August 10, 2015, the Company issued 10,000 common shares for exercise of stock options at a price of \$0.10 per common share.

On September 18, 2015, the Company issued 50,000 common shares for exercise of stock options at a price of \$0.10 per common share.

On November 16, 2015, and pursuant to the news release dated July 22, 2015, the TSX Venture Exchange has accepted for filing documentation with respect to a non-brokered private placement announced July 22, 2015, and September 25, 2015. The Company issued 2,000,000 units at a price of \$0.15 per unit resulting in gross proceeds of \$300,000. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of \$0.20 per share for a period of two years, totaling 2,000,000 warrants to purchase 2,000,000 additional shares. In connection with the private placement, finders' fees of \$6,000 were paid in cash and 100,000 units were issued. The value of the 2,100,000 warrants issued was determined to be \$132,487 based on a Black-Scholes valuation model.

On March 11, 2016, the Company issued 150,000 common shares for exercise of stock options at a price of \$0.10 per common share.

On May 2, 2016, the Company issued 150,000 common shares for exercise of stock options at a price of \$0.10 per common share.

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**10. SHARE CAPITAL (continued)**

## (c) Warrants

As of July 31, 2016, the Company had outstanding warrants for the purchase of 8,291,000 common shares, as follows:

	<b>July 31, 2016</b>		
	<b>Number of</b>		
	<b>shares</b>	<b>Exercise price</b>	<b>Expiry date</b>
Warrants outstanding beginning of the year	6,191,000	\$0.10	December 30, 2016
Issued	2,100,000	\$0.20	November 16, 2017
Exercised	-	-	
Expired	-	-	
<b>Warrants outstanding end of the year</b>	<b>8,291,000</b>		

## (d) Share Purchase Options

The following table reflects the continuity of stock options for the year ended July 31, 2016 and 2015:

	<b>July 31, 2016</b>		<b>July 31, 2015</b>	
	<b>Number of</b>	<b>Weighted</b>	<b>Number of</b>	<b>Weighted</b>
	<b>options</b>	<b>average</b>	<b>options</b>	<b>average</b>
		<b>exercise</b>		<b>exercise</b>
		<b>price</b>		<b>price</b>
Options outstanding beginning of the year	<b>3,865,000</b>	<b>\$ 0.11</b>	2,915,000	\$ 0.11
Options cancelled during the year	<b>(1,425,000)</b>	<b>\$ 0.10</b>	(300,000)	\$ 0.10
	<b>(150,000)</b>	<b>\$ 0.11</b>		
	<b>(300,000)</b>	<b>\$ 0.14</b>	-	\$ -
Options exercised during the year	<b>(410,000)</b>	<b>\$ 0.10</b>	(475,000)	\$ 0.10
Options expired during the year	<b>(605,000)</b>	<b>\$ 0.10</b>	(315,000)	\$ 0.18
	-	\$ -	(150,000)	\$ 0.30
	-	\$ -	(1,010,000)	\$ 0.10
	-	\$ -	(150,000)	\$ 0.11
Options granted during the year	<b>275,000</b>	<b>\$ 0.11</b>	1,000,000	\$ 0.10
	<b>1,600,000</b>	<b>\$ 0.10</b>	250,000	\$ 0.10
	-	\$ -	500,000	\$ 0.10
	-	\$ -	900,000	\$ 0.10
	-	\$ -	300,000	\$ 0.14
	-	\$ -	400,000	\$ 0.17
<b>Options outstanding end of the year</b>	<b>2,850,000</b>	<b>\$ 0.11</b>	3,865,000	\$ 0.11
<b>Options exercisable end of the year (fully vested)</b>	<b>2,850,000</b>		3,565,000	

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**10. SHARE CAPITAL (continued)****(d) Share Purchase Options (continued)**

The Company has adopted a stock option plan (“the Plan”) whereby it can grant options to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 7,900,000 of the issued common shares of the Company at any time

The 2,850,000 stock options outstanding at July 31, 2016 expire as follows:

<b>Number of shares</b>	<b>Price per share</b>	<b>Expiry date</b>
450,000	\$ 0.10	December 30, 2016
200,000	\$ 0.10	February 18, 2017
325,000	\$ 0.10	April 2, 2017
400,000	\$ 0.17	July 13, 2017
125,000	\$ 0.11	September 2, 2017
400,000	\$ 0.10	February 1, 2018
950,000	\$ 0.10	March 7, 2018
<b>2,850,000</b>		

On September 2, 2015, the Company issued 275,000 incentive stock options to certain of the Company’s directors and consultants to purchase up to 275,000 common shares of the Company, exercisable at \$0.11 per share until September 2, 2017. The options granted vested immediately and had a fair value of \$26,436 which has been recognized as stock-based compensation during the year ended July 31, 2016.

On September 18, 2015, 350,000 stock options expired.

On October 4, 2015, 75,000 stock options expired.

On February 1, 2016, the Company issued 400,000 incentive stock options to certain of the Company’s consultants to purchase up to 400,000 common shares of the Company, exercisable at \$0.10 per share until February 1, 2018. The options granted vested immediately and had a fair value of \$39,655 which has been recognized as stock-based compensation during the year ended July 31, 2016.

On March 3, 2016, 180,000 stock options expired.

On March 7, 2016, the Company issued 1,200,000 incentive stock options to certain of the Company’s directors, officers and consultants to purchase up to 1,200,000 common shares of the Company, exercisable at \$0.10 per share until March 7, 2018. 1,000,000 options granted vested immediately, 200,000 options granted have a vesting period of 25% each three months over 12 months. Total fair value of \$97,325 has been recognized as stock-based compensation during the year ended July 31, 2016.

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**10. SHARE CAPITAL (continued)**

## (d) Share Purchase Options (continued)

The fair value of warrants and stock options has been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model were as follows:

	<b>2016</b>	2015
Risk-free interest rate	<b>0.42% - 0.68%</b>	0.39% - 1.02%
Annual dividends	-	-
Expected stock price volatility	<b>177.66% - 184.56%</b>	176.38% - 190.61%
Expected life of stock options	<b>2 years</b>	2 years
Expected life of warrants	<b>2 years</b>	2 years

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Change in the underlying assumptions can materially affect the fair value estimates and, therefore, in management's opinion existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

The weighted average remaining contractual life of these outstanding options is 0.97 years. The weighted average exercise price of these options is \$0.11 per option (July 31, 2015: \$0.11).

**Equity settled benefits**

	<u>July 31, 2016</u>	<u>July 31, 2015</u>
Balance, beginning of the year	\$ <b>1,571,077</b>	\$ 1,359,836
Stock-based compensation	\$ <b>163,416</b>	\$ 245,019
Transfer of contributed surplus on exercise of options	\$ <b>(18,452)</b>	\$ (33,778)
Balance, end of the year	<u>\$ <b>1,716,041</b></u>	<u>\$ 1,571,077</u>

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**11. INCOME TAXES**

- a. Provision for income taxes is different from the amount that would have resulted from applying the combined federal and provincial income tax rates as a result of the following:

	<b>2016</b>	2015
Net Loss	\$ (596,236)	\$ (742,550)
Statutory tax rate	<b>26.00%</b>	26.00%
Income taxes at statutory rates	<b>(155,021)</b>	(193,063)
Permanent difference	<b>42,694</b>	72,282
Change in estimate	<b>(7,951)</b>	(67,662)
Tax effect of tax losses and temporary difference not recognized	<b>120,883</b>	188,443
Other	<b>(605)</b>	-
	<b>\$ -</b>	<b>\$ -</b>

- b. Deferred income tax assets have been recognized in respect of the following items:

	<b>2016</b>	2015
Deferred income tax assets (liabilities)	\$ -	\$ -
Investments	-	-
Non-capital losses carried forward	<b>\$ -</b>	<b>\$ -</b>

- c. Deductible temporary differences have not been recognized in respect of the following items:

As at July 31, 2016, the Company had the following deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which these temporary differences may be applied.

	<b>2016</b>	2015
Non-capital losses carried forward	<b>\$ 5,001,000</b>	\$ 4,433,000
Exploration and evaluation assets	<b>505,000</b>	602,000
Share issuance costs	<b>18,000</b>	20,000
Fixed assets	<b>1,000</b>	7,000
	<b>\$ 5,527,000</b>	<b>\$ 5,062,000</b>

As of July 31, 2016, the Company has Canadian non-capital losses carry forwards of \$5,001,000 (2015 - \$4,433,000) which expire 2028 through to 2036. In addition, the Company had an income tax credit of \$42,000 (2015 - \$42,000) which expire from 2030 to 2033.

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**11. INCOME TAXES (continued)**

<b>Expiry of Losses</b>	<b>2016</b>	<b>2015</b>
2028	\$ 4,000	\$ 4,000
2029	91,000	91,000
2030	152,000	152,000
2031	518,000	518,000
2032	1,096,000	1,126,000
2033	994,000	976,000
2034	1,083,000	1,083,000
2035	621,000	483,000
2036	442,000	-
	<b>\$ 5,001,000</b>	<b>\$ 4,433,000</b>

**12. CAPITAL MANAGEMENT**

The Company's primary objective when managing capital is to maintain sufficient resources and raise funding to support current and long term operating needs. The ability to continue as a going concern is essential to the Company's goal of providing returns for shareholders and other stakeholders. The capital of the Company consists of shareholders' equity. The Company manages its capital and makes adjustments to it, based on the level of funds available to the Company to manage its operations. The Company balances its overall capital through new share issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to internally imposed capital requirements. There have been no significant changes in the Company's approach to capital management during the year ended July 31, 2016. The non-compliance of property option agreements may require the Company to raise additional capital through the issuance of new shares.

**13. FINANCIAL INSTRUMENTS***Categories of Financial Assets and Financial Liabilities*

The Company's financial instruments consist of cash and cash equivalents, restricted cash, trade and other receivables, and trade and other payables. For cash and cash equivalents, restricted cash, trade and other receivables, and trade and other payables, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. The fair value of financial instruments at the reporting date was calculated on the basis of available market data.

The Company's financial instruments that are measured at fair value on a recurring basis in periods subsequent to initial recognition and the fair value hierarchy used to measure them are presented in the table below. The Company classifies its other financial assets and other financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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**13. FINANCIAL INSTRUMENTS (continued)***Categories of Financial Assets and Financial Liabilities (continued)*

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The carrying values of the Company's financial instruments, which are the same as their fair values, are classified into the following categories:

<u>Financial Instrument</u>	<u>Category</u>	<u>July 31, 2016</u>	<u>July 31, 2015</u>
Cash and cash equivalents	Designated held for trading	\$ 4,682	\$ 26,312
Restricted cash	Designated held for trading	\$ 6,000	\$ 6,000
GST recoverable, interest receivable	Loans and receivables	\$ 15,554	\$ 17,291
Accounts payable and accrued liabilities	Other liabilities	\$ 395,966	\$ 433,737

The Company's carrying value and fair value of cash and cash equivalents under the fair value hierarchy is measured using Level 1 inputs. There are no financial instruments measured using Level 2 or Level 3 inputs.

a) Market risk

The Company does not hold certain marketable securities that will fluctuate in value as a result of trading on global financial markets.

b) Interest rate risk

Included in the loss for the year in these consolidated financial statements is investment income on the Company's cash and cash equivalent. The Company does not have any debt obligations which expose it to interest rate risk.

c) Credit risk

The Company considers that the following financial assets are exposed to credit risk: cash and cash equivalents and accounts receivable. Credit risk is the risk that one party will fail to discharge an obligation and cause the other parties to incur a significant financial loss. At July 31, 2016, the Company's cash and cash equivalents were invested in major financial institutions. Deposits are insured up to \$100,000, the amount that may be subject to credit risk for the year ended July 31, 2016 was \$nil (July 31, 2015 - \$ nil).

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**14. SEGMENT INFORMATION**

The Company operates within the mining activities and non-mining activities in the social media sector. The following summary presents segmented financial information for the Company's principal areas of business by industry. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. All of the Company's operating segments operate in Canada.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

## a) General business segments

1. Mining activities – this segment involves the acquisition, exploration and development of natural resource properties.
2. Non-mining activities – this segment involves in the social media sector.

b) The following presents financial information for these segments:

<b>Year ended July 31, 2016</b>	<b>Mining</b>	<b>Non-mining</b>	<b>Total</b>
<b>OPERATING EXPENSES</b>			
Consulting	\$ 258,411	\$ 40,000	\$ 298,411
Amortization expense	2,814	-	2,814
Office and general expenses	113,025	5,038	118,063
Professional fees	79,094	(3,175)	75,919
Stock-based compensation	163,416	-	163,416
Transfer agent, listing and filing fees	22,970	-	22,970
<b>Total operating expenses</b>	<b>639,730</b>	<b>41,863</b>	<b>681,593</b>
<b>Operating loss</b>	<b>(639,730)</b>	<b>(41,863)</b>	<b>(681,593)</b>
<b>NON-OPERATING INCOME AND EXPENSES</b>			
Interest income	44	1,126	1,170
Scientific Research & Experimental Development tax credit	-	84,187	84,187
<b>Net loss and comprehensive loss for the year</b>	<b>(639,686)</b>	<b>43,450</b>	<b>(596,236)</b>



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**14. SEGMENT INFORMATION (continued)**

<b>Year ended July 31, 2015</b>	<b>Mining</b>	<b>Non-mining</b>	<b>Total</b>
<b>OPERATING EXPENSES</b>			
Consulting (Note 9)	214,421	32,000	\$ 246,421
Amortization expense	1,219	4,471	5,690
Office and general expenses	97,006	21,837	118,843
Professional fees	70,939	38,063	109,002
Stock-based compensation (Note 9c, 10d)	245,019	-	245,019
Transfer agent, listing and filing fees	17,621	-	17,621
<b>Total operating expenses</b>	<b>646,225</b>	<b>96,371</b>	<b>742,596</b>
<b>Operating loss</b>	<b>(646,225)</b>	<b>(96,371)</b>	<b>(742,596)</b>
<b>NON-OPERATING INCOME AND EXPENSES</b>			
Interest income	46	-	46
Scientific Research & Experimental Development tax credit	-	-	-
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (646,179)</b>	<b>\$ (96,371)</b>	<b>\$ (742,550)</b>

**15. SUBSEQUENT EVENT**

- (a) On August 30, 2016, the Company closed 700,000 units of the private placement at a price of \$0.075 per unit for gross proceeds of \$52,500 as previously announced on August 17, 2016. Each unit consists of one common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share for a period of 24 months from closing. The proceeds will be used for general working capital.

The obligation to issue shares of \$132,500 as at July 31, 2016 was subsequently reduced by \$32,500 following the August 30, 2016 private placement. The remaining \$100,000 obligation to issue shares will be issued on December 1, 2016.

- (b) On September 22, 2016, the Company arranged a \$200,000 convertible debenture private placement (the "Financing"), the proceeds of which will be used for general working capital purposes. The Financing is subject to acceptance by the TSX Venture Exchange (the "Exchange"). Under the Financing, the Company proposed to issue up to \$200,000 in total principal of unsecured transferable convertible debentures (the "Debentures") of the Company. The Debentures will mature two years from the date of issuance and bear interest at a rate of 12% per annum paid annually in arrears.

Pursuant to the terms of the Debentures, and subject to adjustment, the subscribers may, for a period of two years after the date the Debenture is issued, convert all or any part of: (i) the principal amount outstanding under the Debentures into units of the Issuer (each a "Unit") at a price of \$0.05 per Unit; and/or (ii) subject to Exchange acceptance, the interest that has accrued on the principal amount outstanding under the Debentures into Units at a price per Unit which equals the 'Market Price', but not less than \$0.15, at the time the accrued interest becomes payable; and/or (iii) if the Market Price of the Issuers share trade above \$0.25 for ten consecutive days, then the Issuer may force the holder of the Debentures to convert its principle and accrued interest into Units at a price of \$0.25 per Unit.

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**15. SUBSEQUENT EVENT (continued)**

Each Unit will be comprised of one common share in the capital of the Issuer (a “Unit Share”) and one half transferable common share purchase warrant of the Issuer (a “Warrant”). Each whole Warrant will entitle the holder thereof to purchase one additional post-consolidated common share of the Issuer (a “Warrant Share”) for two years from the date of issuance of the Debenture at an exercise price of \$0.15 per Warrant Share, subject to adjustment in certain events.

- (c) On October 19, 2016, the TSX Venture Exchange has consented to the extension in the expiry date of the 6,168,000 warrants with an original expiry date of December 30, 2016 to a new expiry date of December 30, 2018. The exercise price of warrants remains at \$0.10. These warrants were issued pursuant to a private placement of 6.48 million shares, with 6.48 million share purchase warrants attached, which was accepted for filing by the exchange effective Feb. 2, 2015. A total of 312,000 warrants have been exercised to date.