
MONTERO MINING AND EXPLORATION LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2017 and 2016
Expressed in Canadian Dollars

The accompanying unaudited interim consolidated financial statements of Montero Mining and Exploration Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars – unaudited)

	Notes	June 30, 2017	December 31, 2016
ASSETS		\$	\$
Current assets			
Cash		590,667	4,589
Other receivables		6,082	1,426
Prepaid expenses and deposits		9,791	6,240
Total current assets		606,540	12,255
Non-current assets			
Reclamation bonds	4	9,393	9,393
Plant and equipment		9,777	14,950
Exploration and evaluation assets	4	2,502,406	2,493,536
Total non-current assets		2,521,576	2,517,879
TOTAL ASSETS		3,128,116	2,530,134
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	10	392,068	311,138
Loans payable	5,10	625,959	625,959
Total current liabilities		1,018,027	937,097
SHAREHOLDERS' EQUITY			
Equity attributable to the owners of the Company			
Share capital	6	14,385,363	14,448,342
Subscriptions for special warrants	6	735,000	-
Share-based payment reserve	7	6,871,179	6,871,179
Foreign currency translation reserve		1,033,846	1,072,992
Accumulated deficit		(20,915,299)	(20,799,476)
Total shareholders' equity		2,110,089	1,593,037
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,128,116	2,530,134

Subsequent events

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On behalf of the Board:

"Antony Harwood"

Antony Harwood, Director

"Antonia J Chapman"

Antonia J Chapman, Director

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars - unaudited)

	Notes	Three months ended		Six months ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
		\$	\$	\$	\$
EXPENSES					
Consulting, directors', administrative and management fees	10	20,510	40,413	67,715	89,877
Depreciation		2,380	3,373	4,816	6,940
General and administrative	10	6,326	6,520	13,304	13,562
Other expenses		2,733	1,878	7,399	6,532
Professional fees		(878)	6,937	10,291	14,177
Project investigation costs		-	16,308	-	16,308
Shareholder and regulatory		7,160	7,458	13,833	14,366
OPERATING LOSS		(38,231)	(82,887)	(117,358)	(161,762)
OTHER ITEMS					
Finance costs	5,10	15,310	(13,309)	-	(24,991)
Foreign exchange gain (loss)		1,289	6,905	1,535	12,627
Interest and other income		-	-	-	-
		16,599	(6,404)	1,535	(12,364)
NET LOSS		(21,632)	(89,291)	(115,823)	(174,126)
OTHER COMPREHENSIVE INCOME (LOSS)					
Exchange difference on translating foreign operations		(29,268)	1,777	(39,146)	(64,078)
COMPREHENSIVE INCOME (LOSS)		(50,900)	(87,514)	(154,969)	(238,204)
LOSS PER SHARE – BASIC AND DILUTED	8	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars - unaudited)

	Note	Share Capital	Subscriptions for Special Warrants	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	TOTAL EQUITY	
		Number of Shares	\$	\$	\$	\$	\$	
Balance, December 31, 2015		71,031,679	13,906,274	—	6,871,179	1,105,310	(20,897,182)	985,581
Net loss and comprehensive loss		—	—	—	—	(64,078)	(174,126)	(238,204)
Balance, June 30, 2016		71,031,679	13,906,274	—	6,871,179	1,041,232	(21,071,308)	747,377
Shares issued for debt settlement		13,720,495	548,820	—	—	—	—	548,820
Share issue costs		—	(6,752)	—	—	—	—	(6,752)
Net income and comprehensive income		—	—	—	—	31,760	271,832	303,592
Balance, December 31, 2016		84,752,174	14,448,342	—	6,871,179	1,072,992	(20,799,476)	1,593,037
Subscriptions for special warrants	6,15	—	—	735,000	—	—	—	735,000
Share issue costs	6	—	(62,979)	—	—	—	—	(62,979)
Net loss and comprehensive loss		—	—	—	—	(39,146)	(115,823)	(154,969)
Balance, June 30, 2017		84,752,174	14,385,363	735,000	6,871,179	1,033,846	(20,915,299)	2,110,089

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars – unaudited)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	(21,632)	(89,291)	(115,823)	(174,126)
Adjustments to loss for non-cash items:				
Depreciation	2,380	3,373	4,816	6,940
Net changes in non-cash working capital items:				
Trade and other receivables	(3,467)	(882)	(4,656)	7,862
Prepaid expenses and deposits	767	1,211	(3,551)	(1,614)
Trade and other payables	(47,707)	14,762	81,836	139,220
Net cash flows (used in) operating activities	(69,659)	(70,827)	(37,378)	(21,718)
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on exploration and evaluation assets	1,632	4,179	(48,565)	(91,288)
Net cash flows from (used in) investing activities	1,632	4,179	(48,565)	(91,288)
CASH FLOWS FROM FINANCING ACTIVITIES				
Subscriptions for special warrants	735,000	-	735,000	-
Share issue costs	(62,979)	-	(62,979)	-
Loans payable	(15,310)	72,257	-	118,938
Net cash flows from financing activities	656,711	72,257	672,021	118,938
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	588,684	5,609	586,078	5,932
CASH AND CASH EQUIVALENTS, BEGINNING	1,983	9,201	4,589	8,878
CASH AND CASH EQUIVALENTS, ENDING	590,667	14,810	590,667	14,810

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(Expressed in Canadian dollars - unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd (“Montero” or the “Company”) was incorporated on October 5, 2006, under the laws of British Columbia, Canada. Montero and its subsidiaries (collectively, the “Company”) are engaged in the acquisition and exploration of mineral properties in Tanzania and South Africa.

Montero is a publicly listed company with its shares listed on the TSX Venture Exchange (“TSX-V”). The Company’s registered office is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office address is Suite 1128, 789 West Pender Street, Vancouver, BC V6C 1H2.

Going Concern

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2017 the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to substantial doubt about the Company’s ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments. During the quarter, the Company raised \$735,000 pursuant to an Offering of Special Warrants (as herein defined) which closed subsequent to the quarter-end (Note 15).

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements of the Company, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements comply with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required of a complete set of consolidated financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and the performance of the Company since the end of its last annual reporting period. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2016, which were prepared in accordance with IFRS as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue on August 29, 2017 by the Audit Committee of the Company.

3. BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual consolidated financial statements of the Company for the year ended December 31, 2016. The condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise indicated.

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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4. EXPLORATION AND EVALUATION ASSETS

A summary of the Company's exploration and evaluation assets by property area is as follows:

	June 30, 2017	December 31, 2016
	\$	\$
South Africa - Phosco	1,337,281	1,333,501
Tanzania - Wigu Hill	1,165,125	1,160,035
	2,502,406	2,493,536

a) South Africa
Phosco Project

On November 18, 2011, the Company's subsidiary, Montero Projects Limited ("Montero Projects") acquired the shares in Eurozone which holds interests in subsidiary companies that hold phosphate exploration projects in South Africa (hereafter, "Phosco"). Montero Projects paid \$101,700 (United States dollars "USD" \$100,000) and issued 2,500,000 common shares of Montero, valued at \$750,000, and completed the acquisition of Eurozone. The Company now holds two licences covering the Duyker Eiland and Phillips Kraal areas.

On August 19, 2014, the Company entered into a letter agreement, which was subject to legal and technical due diligence, with Ovation Capital ("Ovation", a South Africa based investment firm) to develop the Phosco Project. A definitive Exploration and Co-development Agreement ("Agreement") was signed on March 2, 2015 between Montero Projects and Mellosat Proprietary Limited, Montero's subsidiaries, and Business Venture Investments No. 1709 Proprietary Limited ("BVI"), an Ovation company whereby BVI would finance a Pre-feasibility Study (to be completed within 12 months of signing of the Agreement) to earn 10% of Phosco and would further finance a Bankable Feasibility Study (to be completed within 24 months of signing the Agreement) to earn an additional 20% of Phosco, for a total potential ownership of 30% of Phosco.

Based on the work undertaken by BVI, they indicated that they will forgo the initial one year milestone and proceed directly to conducting work on the Bankable Feasibility Study to be completed by March 2, 2017, which would then entitle them to earn 30% of the Phosco. On March 24, 2017, BVI requested, and Montero granted an extension to June 12, 2017 to give them additional time to complete the work required. BVI requested and Montero has granted a further extension for their reports to September 12, 2017.

The Company has a total of \$9,393 (December 31, 2016 - \$9,393) in reclamation bonds and deposits lodged with local governments in regards to any potential reclamation costs that may arise regarding its Phosco Project.

b) Tanzania
Wigu Hill Project

On May 26, 2008 (amended June 30, 2009 and April 27, 2010) the Company and RSR (Tanzania) Limited ("RSR") entered into an agreement whereby RSR granted the Company an exclusive option to earn an initial 60% interest in the Wigu Hill Project (the "First Option"), and an additional 10% interest in the Wigu Hill Project (the "Second Option"). The terms and conditions of the final amended agreement on April 27, 2010 are outlined as follows. In order to exercise the First Option, the Company must pay United States dollars ("USD") \$150,000 on or before April 30, 2010 (paid). After the exercise of the First Option, RSR will transfer the prospecting licences comprising the Wigu Hill Project (the "Wigu Hill Licences") to a newly-formed company (established and called - Wigu Hill Mining Company Limited "WHMC") and the Company will concurrently pay RSR a further USD \$50,000 (paid). The Company is further obligated to incur exploration expenditures of USD \$3.5 million (incurred) (or alternatively complete a prefeasibility study) on or before November 28, 2012. Once completed, the Company may at its sole discretion, within 60 days after November 28, 2012, elect to acquire a further 10% interest in the Wigu Hill Licences by paying RSR a further USD \$2,000,000 to complete the requirements to execute the Second Option (amended as outlined below).

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4. EXPLORATION AND EVALUATION ASSETS – *Continued*

b) Tanzania – *Continued*
Wigu Hill Project – *Continued*

On September 22, 2011, the Company and RSR executed a shareholders' agreement, which outlines the following:

- amended the payment of USD \$2,000,000 to an initial Second Option payment of \$800,000 (paid) and a final Second Option payment of USD \$700,000, which is to be paid subject to receipt of mining and retention licences granted by the Government of Tanzania, as well as a development agreement executed by the Government of Tanzania and the Company. By mutual agreement between the Company and RSR, the USD \$700,000 payment may be satisfied by the issuance of common shares of Montero at the prevailing market price of such shares at the date of payment.
- agreement that the Company has now duly and validly exercised the First Option and the Second Option, and owns a 70% interest in the Wigu Hill Licences.
- RSR has transferred the Wigu Hill Licences to WHMC which was originally owned 70% by the Company and 30% by RSR. Further funding of exploration on the Wigu Hill Licences shall be provided by the Company and RSR in proportion to their ownership of WHMC.
- dilution provisions are provided subject to a deemed expenditure formula and, and where a party's interest is diluted to less than 10%, conversion of such interest to a 2.5% net smelter returns royalty ("NSR") will be done. The Company has the right to purchase all or part of the NSR for USD \$1 million per each 0.5%.

After the establishment of WHMC, further exploration costs were incurred by the Company and RSR has not yet paid their share of these costs which at June 30, 2017 were determined to be \$1,567,739 (USD \$1,208,090) and have been included in exploration and evaluation assets. Management has not recorded RSR's share as a receivable due to the uncertainty of payment. RSR was put on notice for its contribution required and advised that dilution will occur if payment is not received. The notice period for receipt of payment has expired and therefore Montero increased its ownership of the WHMC to 82.25%.

In common with all mining companies, licences are required to be renewed in order to maintain ownership. Montero regularly reviews its licences and meets the local governmental requirements on the licences it plans to renew. In particular, Montero has been granted a Retention Licence on its Wigu Hill Project which is valid until February 13, 2020.

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4. EXPLORATION AND EVALUATION ASSETS – Continued

Details of the Company's exploration and evaluation assets are as follows:

	South Africa	Tanzania	Six Months ended June 30, 2017	Year ended December 31, 2016
	Phosco	Wigu Hill		
	\$	\$	\$	\$
Property acquisition costs				
Balance, beginning of period	784,351	403,352	1,187,703	1,155,669
Foreign currency translation	-	(14,308)	(14,308)	(11,684)
Additions	-	40,085	40,085	55,399
Impairment	-	-	-	(11,681)
Balance, end of period	784,351	429,129	1,213,480	1,187,703
Exploration and evaluation costs				
Balance, beginning of period	549,150	756,683	1,305,833	1,374,927
Foreign currency translation	-	(25,387)	(25,387)	(26,514)
Costs incurred during the period:				
Field and camp costs	-	729	729	11,849
Geochemical and metallurgical	-	-	-	3,766
Geological consulting	-	-	-	(44,482)
Geophysical and maps	2,315	-	2,315	-
Maintenance and environmental	1,465	-	1,465	(32,339)
Project administration costs	-	3,971	3,971	17,232
Travel and accommodation	-	-	-	1,394
	552,930	735,996	1,288,926	1,305,833
Balance, end of period	552,930	735,996	1,288,926	1,305,833
Total	1,337,281	1,165,125	2,502,406	2,493,536

MONTERO MINING AND EXPLORATION LTD.
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5. LOANS PAYABLE

These amounts represent loans and accrued interest payable and are due to companies that have a director in common with the Company totalling \$591,688 (December 31, 2016 - \$591,688) and to a third party totalling \$34,271 (December 31, 2016 - \$34,271). The loans are unsecured, bear interest at 12% and were originally due on May 31, 2014 and have now been extended to a revised due date of July 31, 2017. The loans payable amounts include \$108,546 of accrued interest (December 31, 2016 - \$108,546).

On June 8, 2017, the loan holders and the Company agreed to settle these loans payable (along with other payables) pursuant to an Offering of Special Warrants (as herein defined) which closed subsequent to the quarter-end (Note 15). In accordance with this, the loan holders agreed to waive all interest from December 31, 2016.

6. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

At June 30, 2017 there were 84,752,174 issued and fully paid common shares outstanding (December 31, 2016 – 84,752,174).

Details of changes to share capital

None during the period.

As at June 30, 2017, the company received cash of \$735,000 for subscriptions for special warrants pursuant to an Offering of Special Warrants (as herein defined). Subsequent to June 30, 2017 the Company completed an Offering of Special warrants (as herein defined) by issuing 29,400,000 Special Warrants and settling loans payables and trade and other payables of \$820,270 by issuing 32,810,800 Special Warrants as fully described in Note 15.

Stock options

The Company has established a Stock Option Plan (the “Plan”) for directors, officers, employees and consultants. The number of common shares that are available for grants of options under the Plan shall not at any time exceed 10% of the number of outstanding common shares, calculated at the time of grant. Options granted under the Plan generally have a term of five years and vest on the date of the grant.

A summary of the continuity of the Company’s stock options is as follows:

	June 30, 2017		December 31, 2016	
	Number of Shares Issuable	Weighted Average Exercise Price \$	Number of Shares Issuable	Weighted Average Exercise Price \$
Options outstanding, beginning of period	1,405,000	0.125	3,270,000	0.32
Granted	-	-	-	-
Expired	-	-	(1,865,000)	0.46
Options outstanding and exercisable, end of period	1,405,000	0.125	1,405,000	0.125

The stock options expire in 2018. The weighted average remaining contractual life of the outstanding stock options is less than 1 year.

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7. SHARE-BASED PAYMENT RESERVE

The Company's share-based payment reserve is comprised of the following:

	\$
Expired warrants	5,086,472
Expired stock options	1,730,797
Unexpired stock options	53,910
Balance, June 30, 2017	6,871,179

The share-based payment reserve records items recognized as stock-based compensation expense, the fair value of expired warrants associated with private placements and the fair value of agent's warrants. If the stock options are exercised prior to expiry, the corresponding amount will be transferred to share capital.

8. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year. The basic and diluted loss per share are the same since the Company reported a loss for the period and therefore the effect would be antidilutive.

	June 30, 2017	June 30, 2016
Net loss attributable to owners of the parent company	\$ (115,823)	\$ (174,126)
Weighted average number of ordinary shares outstanding	10,594,022	8,878,960
Basic and diluted loss per ordinary share	\$ (0.02)	\$ (0.02)

The weighted average shares in the loss per share calculation for June 30, 2017 and June 30, 2016, has been adjusted for the share consolidation on an 8 to 1 basis as fully described in Note 15. Other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these condensed consolidated interim financial statements are fully described in Note 15.

9. COMMITMENTS AND CONTINGENCIES

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in Note 4.

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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10. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Six months ended June 30,	
	2017	2016
	\$	\$
<i>Compensation of directors</i>		
Short-term benefits	(16,000)	-
Share-based payments	-	-
	(16,000)	-
<i>Compensation of key management personnel</i>		
Short-term benefits	40,370	39,693
Share-based payments	-	-
	40,370	39,693
Total remuneration of directors and key management personnel	24,370	39,693

Related party transactions

The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

	Six months ended June 30,	
	2017	2016
	\$	\$
<i>Exploration and evaluation asset transactions</i>		
Geological consulting	-	24,455
Total exploration and evaluation asset transactions	-	24,455
<i>Operating expense transactions</i>		
Consulting, directors', administrative and management fees	13,200	16,800
General and administrative	6,000	6,000
Property investigation costs	-	16,308
Finance costs	-	23,496
	19,200	62,604
Total trading transactions with related parties	19,200	87,059

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10. RELATED PARTY TRANSACTIONS – Continued

Related party balances

The following amounts due to related parties are included in trade and other payables:

	June 30, 2017	December 31, 2016
	\$	\$
Due to related parties	191,355	135,246
Loans payable (Note 5)	591,688	591,688

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts are included in trade and other payables and are unsecured, non-interest bearing and are due within twelve months. The terms of the loans payable are outlined in Note 5 and subsequent to the quarter-end, were settled with common shares as outlined in Note 15.

11. SEGMENTED INFORMATION

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable operating segments are located in Canada, Tanzania and South Africa.

Information regarding the Company's geographic segments is as follows:

As at June 30, 2017				
	Canada	South Africa	Tanzania	Total
	\$	\$	\$	\$
Reclamation bonds	-	9,393	-	9,393
Plant and equipment	-	-	9,777	9,777
Exploration and evaluation assets	-	1,337,281	1,165,125	2,502,406
Total non-current assets	-	1,346,674	1,174,902	2,521,576

As at December 31, 2016				
	Canada	South Africa	Tanzania	Total
	\$	\$	\$	\$
Reclamation bonds	-	9,393	-	9,393
Plant and equipment	-	-	14,950	14,950
Exploration and evaluation assets	-	1,333,501	1,160,035	2,493,536
Total non-current assets	-	1,342,894	1,174,985	2,517,879

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12. NON-CASH TRANSACTIONS

There were no non-cash transactions during the six months ended June 30, 2017 or the six months ended June 30, 2016 that are not reflected in the statement of cash flows.

13. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principle assets are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through borrowings from related parties.

The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold excess cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

14. RISK MANAGEMENT

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Industry Risk

The Company is engaged in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

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14. RISK MANAGEMENT – Continued

Credit Risk

Credit risk is the risk of loss associated with a counter-party's ability to fulfill its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as trade and other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The other receivables primarily comprise local sales tax refunds due from governmental agencies and, as such, management considers the risk with their collection minimal. The cash and cash equivalents are invested in short-term investment certificates for periods less than 90 days and the trade and other receivables are due in less than 90 days.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. The Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's trade and other payables are generally due within 90 days, with all amounts due within twelve months. The Company's loans payable are due on July 31, 2017 and were settled with common shares subsequent to the quarter-end (Note 15).

Interest Rate Risk

Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The Company has a fixed interest rate on its loans payable. The effect of interest rate changes on the Company is insignificant.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, South Africa and Tanzania and portions of its expenditures are incurred in US dollars, South African Rand and Tanzanian Shillings. The Company's presentation currency is the Canadian dollar, the Tanzanian subsidiaries' functional currency is the United States dollar and the South African subsidiaries' functional currency is the Canadian dollar. At June 30, 2017 and 2016, the value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily rare earth elements and phosphates) to determine the appropriate course of action to be taken by the Company.

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15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to June 30, 2017 the following events took place:

- a) On July 7, 2017, the Company announced that it completed a debt settlement transaction (the "Debt Settlement") with certain creditors ("Creditors"), including Creditors who are related parties of the Company, providing for the settlement of all of the loans payable of \$625,959 and trade and other payables of \$194,311 totalling \$820,270 of its outstanding debts, which will be settled through the issuance of an aggregate of 32,810,000 Special Warrants of the Company at a deemed issue price of \$0.025 per Special Warrant. The Debt Settlement was subject to the completion of the Consolidation Condition (as herein defined) and final TSX-V approval, both of which were satisfied effective July 13, 2017 as described below.
- b) On July 13, 2017, the Company announced that it completed a non-brokered private placement of 29,400,000 special warrants (the "Special Warrants") at a price of \$0.025 per Special Warrant (the "Subscription Price") for gross proceeds of \$735,000 (the "Offering"). Each eight Special Warrants are exercisable into one common share if the Consolidation Condition (as herein defined) is satisfied on or before September 30, 2017.

The Offering was made pursuant to the grant of a "discretionary waiver" of the TSX-V's minimum \$0.05 pricing requirement (the "Waiver") and is subject to acceptance by the TSX-V. With respect to the Waiver, the Company intends to conduct a share consolidation of its outstanding common shares on the basis of one post-consolidation common share for each eight pre-consolidation common shares (the "Share Consolidation"), or such other ratio as may be agreed in writing by the Company and the subscribers to the Offering (the "Consolidation Condition") which would result in a post-consolidation conversion price equal to or greater than \$0.05 per common share on or before September 30, 2017 (the "Consolidation Deadline").

If the Consolidation Condition is satisfied on or before the Consolidation Deadline, the Special Warrants shall be deemed to be exercised for no further consideration (without any further action on the part of the Special Warrant holders) on the date of the Consolidation Condition. However, if the Consolidation Condition is not satisfied on or before the Consolidation Deadline, the Special Warrants shall be redeemed at the Subscription Price with interest payable at the rate of 10% per annum.

The Company received shareholder approval of the Share Consolidation at the annual and special meeting of shareholders held on June 30, 2017 and received final TSX-V approval on July 13, 2017, thereby satisfying the Consolidation Condition by the Consolidation Deadline.

Effective July 13, 2017, the 32,810,000 Special Warrants issued pursuant to the Debt Settlement noted above and the 29,400,000 Special Warrants issued pursuant to the Offering noted above were converted into common shares on the basis of eight Special Warrants for one post-consolidated common share.

The Company's share capital position on July 13, 2017 after the Consolidation Condition was satisfied and the Special Warrants were exercised, is as follows:

	Number of shares	Amount \$
Balance, June 30, 2017	84,752,174	14,385,363
Share consolidation on basis of eight to one	10,594,022	-
Issued pursuant to Debt Settlement	4,101,347*	820,270
Issued pursuant to Offering	3,675,000	735,000
Share issue costs	-	(3,601)
Balance July 13, 2017	18,370,369	15,937,032

**(rounded due to fractional shares)*