

**BANYAN GOLD CORP.**  
**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**  
**SEPTEMBER 30, 2016 and 2015**  
**(Expressed in Canadian Funds)**





## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Banyan Gold Corp.

We have audited the accompanying financial statements of Banyan Gold Corp., which comprise the statements of financial position as at September 30, 2016 and September 30, 2015 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended September 30, 2016 and September 30, 2015, and a summary of significant accounting policies and other explanatory information.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Banyan Gold Corp. as at September 30, 2016 and September 30, 2015, and its financial performance and its cash flows for the years ended September 30, 2016 and September 30, 2015 in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company does not have an internal source of cash flows and future operations are dependent upon the continued availability of favourable trade credit and debt and equity financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Calgary, Alberta  
January 10, 2017

*Geib & Company*  
*Professional Corporation*  
Chartered Professional Accountants

**BANYAN GOLD CORP.**  
**STATEMENT OF FINANCIAL POSITION**

Expressed in Canadian Funds

	September 30	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 926,496	4,405
Accounts receivable	16,860	65,044
Prepays	<u>21,245</u>	<u>24,830</u>
	\$ 964,602	\$ 94,279
Capital Assets, net (Note 6)	5,615	8,021
Exploration and evaluation asset (Note 5)	<u>\$ 1,349,222</u>	<u>\$ 1,049,367</u>
<b>Total Assets</b>	<u>\$ 2,319,439</u>	<u>\$ 1,151,667</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 105,110	\$ 82,884
Exploration amount to be renounced	<u>95,445</u>	<u>-</u>
	<u>200,555</u>	<u>82,884</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 4)	2,730,926	1,633,762
Contributed surplus	798,611	354,845
Deficit	<u>(1,410,653)</u>	<u>(919,824)</u>
	<u>2,118,884</u>	<u>1,068,783</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 2,319,439</u>	<u>\$ 1,151,667</u>



Tara Christie  
CEO



David Rutt  
CFO



**BANYAN GOLD CORP.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
Expressed in Canadian Funds

	Year Ended 2016	September 30 2015
<b>EXPENSES</b>		
Professional fees	\$ 170,934	\$ 84,797
Stock based compensation	91,390	26,556
Future income tax for renunciation	95,445	-
General and administration	80,603	61,354
Management fees (Note 7)	42,000	44,000
Listing and filing fees	10,457	9,157
Interest income	<u>-</u>	<u>(70)</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>\$ 490,829</b>	<b>\$ 225,794</b>
<b>Loss per common share - basic &amp; diluted (Note 10)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>28,965,009</b>	<b>19,901,260</b>



**BANYAN GOLD CORP.**  
**STATEMENT OF CHANGES IN EQUITY**  
For the years ended September 30, 2016 and 2015  
Expressed in Canadian Funds

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Shareholders Equity
<b>Balance, September 30, 2014</b>	<b>14,484,000</b>	<b>1,273,604</b>	<b>197,309</b>	<b>(694,030)</b>	<b>776,883</b>
Stock based compensation on stock options (Note 4)			26,556		26,556
Expiration of Purchase Warrants March 1 (Note 4)		115,621	(115,621)		0
Shares issued for cash					
Net of costs, March 12 (Note 4)	8,700,000	212,505	219,178		431,683
Shares issued for cash					
Net of costs, April 8 (Note 4)	1,200,000	32,032	27,423		59,455
Net Loss for the year				(225,794)	(225,794)
<b>Balance, September 30, 2015</b>	<b>24,384,000</b>	<b>1,633,762</b>	<b>354,845</b>	<b>(919,824)</b>	<b>1,068,783</b>
Stock based compensation on stock options (Note 4)			91,390		91,390
Shares issued for cash					
Net of costs, January 29 (Note 4)	4,000,000	136,523	61,127		197,650
Shares issued for debt August 10 (Note 4)	700,000	45,500			45,500
Shares issued for cash					
Net of costs, August 23 (Note 4)	17,206,560	865,687	310,702		1,176,390
Shares Issued on Stock Option Exercise (Note 4)	600,000	49,453	(19,453)		30,000
Net Loss for the Year				(490,829)	(490,829)
<b>Balance, September 30, 2016</b>	<b>46,890,560</b>	<b>2,730,926</b>	<b>798,611</b>	<b>(1,410,653)</b>	<b>2,118,884</b>

Note: All shares issued have been Class A common shares. No Class B common shares or Preference shares have been issued.



**BANYAN GOLD CORP.**  
**STATEMENTS OF CASH FLOWS**

For the years ended September 30, 2016 and 2015  
Expressed in Canadian Funds

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Net loss for the year	\$ (490,829)	\$ (225,794)
Adjustments for items not involving cash:		
Amortization	2,406	1,415
Stock based compensation	91,390	26,556
Future income tax for renunciation	95,445	-
	<u>(301,588)</u>	<u>(197,823)</u>
Changes in non-cash working capital items:		
Decrease (increase) in receivables and accrued interest	48,185	(54,741)
Decrease (increase) in prepaids	3,585	(27,753)
Increase in payables and accrued liabilities	22,225	47,392
	<u>(227,593)</u>	<u>(229,925)</u>
Net cash used in operating activities	<u>(227,593)</u>	<u>(229,925)</u>
<b>Cash Flows from Investing Activities</b>		
Government grant for exploration and evaluation asset	0	87,965
Acquisition of Capital Assets	0	(9,436)
Exploration and evaluation asset	(299,855)	(423,156)
Net cash from investing activities	<u>(299,855)</u>	<u>(344,627)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from share issuance	1,400,000	495,000
Proceeds shares for debt	45,500	0
Proceeds from stock option exercise	30,000	0
Share issuance costs (excluding warrant costs)	(25,961)	(3,862)
	<u>1,449,539</u>	<u>491,138</u>
Net cash from financing activities	<u>1,449,539</u>	<u>491,138</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	922,091	(83,414)
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<u>4,405</u>	<u>87,819</u>
<b>Cash &amp; Cash Equivalents - End of the Year</b>	<b>\$ 926,496</b>	<b>\$ 4,405</b>

**Supplemental Disclosures**

Interest paid	\$ -	\$ -
Interest received	\$ -	\$ 70
Income tax paid	\$ -	\$ -



## **BANYAN GOLD CORP.**

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

For the years ended September 30, 2016 and 2015

Expressed in Canadian Funds

#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Banyan Gold Corp. (the "Company"), was incorporated as Banyan Coast Capital Corp. by a Certificate of Incorporation issued pursuant to the provisions of the Alberta Business Corporations Act ("ABCA") on July 26, 2010. The address of the Company's registered office is 166 Cougarstone Crescent SW, Calgary, Alberta, T3H 4Z5. These financial statements were approved and authorized for issuance by the Board of Directors on January 10, 2016.

The Company commenced trading on January 27, 2011, and trades under the symbol BYN.

These financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations.

The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company.

If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

#### **2. BASIS OF PRESENTATION**

These financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

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

- i) the recoverability of receivables which are included in the statements of financial position;
- ii) the inputs used in accounting for stock-based compensation expense, which are included in the statement of operations;
- iii) recoverability of future income tax asset;
- iv) recoverability of exploration and evaluation expense asset;
- v) the valuation of the rehabilitation provision; and
- vi) the valuation of share-based payments transactions.



## **BANYAN GOLD CORP.**

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

For the years ended September 30, 2016 and 2015

Expressed in Canadian Funds

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

#### **Foreign exchange**

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expense are translated at the exchange approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statements of loss and comprehensive loss.

#### **Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on deposit and highly liquid short-term interest bearing variable rate investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

#### **Financial instruments**

##### *Financial assets*

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

- Fair value through profit or loss - this category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. These assets are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.
- Loans and receivables - these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.
- Held-to-maturity investments - these assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.





## **BANYAN GOLD CORP.**

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

For the years ended September 30, 2016 and 2015

Expressed in Canadian Funds

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

##### **Financial instruments (continued)**

###### *Financial assets (continued)*

• Available-for-sale - non-derivative financial assets not included in the above categories are classified as available-for-sale. These assets are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of operations. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

###### *Financial liabilities*

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

Fair value through profit or loss - this category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. These liabilities are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Other financial liabilities include amounts due to related parties and accounts payables and accrued liabilities. This category is measured in the statement of financial position at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables are classified as loans and receivables.

##### **Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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



## **BANYAN GOLD CORP.**

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

For the years ended September 30, 2016 and 2015

Expressed in Canadian Funds

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

##### **Property Plant & Equipment**

At acquisition, the Company records property and equipment at cost, including all expenditures incurred to prepare an asset for its intended use. These expenditures consist of: the purchase price; broker's commissions; and installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges.

The Company capitalizes cost that meet the asset recognition criteria. Costs incurred that do not extend the productive capacity or useful economic life of an asset are considered repairs and maintenance expenses and are accounted for in the profit and loss in the period.

The Company provides for amortization using the declining balance method at rates designed to amortize the cost of the property over their estimated useful lives. The annual amortization rates are as follows:

Automotive	30%
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Depreciation of property and equipment utilized in the exploration of assets, including mine exploration, is recapitalized as exploration and evaluation costs attributable to the related asset.

##### **Interest Income**

Interest income is recognized as it accrues in the statement of loss and comprehensive loss, using the effective interest method.

##### **Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

##### **Share-based payments**

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.



## **BANYAN GOLD CORP.**

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

For the years ended September 30, 2016 and 2015

Expressed in Canadian Funds

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

##### **Income taxes**

The income tax expense or benefit for the period consists of two components: current and deferred. Income tax expense is recognized in the statements of comprehensive loss except to the extent it relates to an item recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recovery in respect of prior periods.

Deferred tax is recognized using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

##### **Mineral exploration and evaluation expenditures**

Costs that are directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such cost as: materials used, surveying costs, geological costs, drilling costs, travel to and from the site, and payments made to contractors. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead, are expensed in the year in which they occur.

##### **Rehabilitation provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of restoration obligation in the year in which the obligation is incurred. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. The discounted liability is increased for the changes in present value based on current market discount rates and liabilities specific risks.

##### **Segment reporting**

The Company determined that it had only one operating segment.



## **BANYAN GOLD CORP.**

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

For the years ended September 30, 2016 and 2015

Expressed in Canadian Funds

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

##### **New standards and interpretations**

The following new standards have been adopted and are applicable to the Company:

*i) IFRS 7 Statement of Cash Flows*

IFRS 7 has been amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective for annual periods beginning on or after January 1, 2015. The application of this IFRS did not have a material impact on the amounts reported in the current or prior years.

The following new standards have been issued but are not yet applicable to the Company:

*ii) IFRS 9 Financial Instruments*

As part of the project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- Deals with classification and measurement of financial assets;
- Establishes two primary measurement categories for financial assets: amortized cost and fair value;
- Prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset;
- Eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

This standard is effective for annual periods beginning on or after January 1, 2018. The Company will adopt this standard when it becomes effective. The Company has currently not assessed the impact of adopting this standard.

*iii) IFRS 15 Revenue from Contracts with Customers*

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

This standard is effective for annual periods beginning on or after January 1, 2018. The Company will adopt this standard when it becomes effective. The Company has currently not assessed the impact of adopting this standard.

*iv) IFRS 16 Leases*

IFRS 16, Leases will replace existing guidance on accounting for leases. The accounting treatment of leases by lessee will change fundamentally.



## **BANYAN GOLD CORP.**

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

For the years ended September 30, 2016 and 2015

Expressed in Canadian Funds

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

##### **New standards and interpretations (continued)**

IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

This standard is effective for annual periods beginning January 1, 2019. The Company will adopt this standard when it becomes effective. The Company has currently not assessed the impact of adopting this standard.

#### **4. SHARE CAPITAL**

##### **Authorized:**

Unlimited number of:

Unlimited Class A voting common shares

Unlimited Class B non-voting, common shares

Unlimited Preferred Shares

All issued shares are fully paid

##### **Transactions**

##### **Current Year**

On January 29, 2016, the Company completed a non-brokered private placement for \$200,000 by issuing 4,000,000 Units at a price of \$0.05 per Unit. Each Unit consists of one common share and one full common share purchase warrant exercisable at \$0.07 for 36 months from the date of issuance. The warrants, which form part of the units, may have their expiry time accelerated at any time prior to the expiry of the warrants if the volume-weighted average trading price of the corporation's shares on the TSX Venture Exchange is greater than 10 cents for 15 consecutive trading days, at which time the corporation may give notice in writing to the warrant holders within 10 days of such an occurrence that the warrants shall expire on the 30th day following the giving of such notice. A total share issuance costs incurred equaled \$63,477, of which \$61,127 was assigned to the value of the share purchase warrants based on the Black Scholes pricing model.

On August 10, 2016, the Company issued 700,000 Common Shares at a deemed value of \$0.065 to a company controlled by a Director of the Company to extinguish \$45,500 in debt.

On August 23, 2016, the Company completed a non-brokered private placement for \$1,200,000. The financing consists of 8,157,349 flow-through shares at a price of \$0.075 per flow-through share for gross proceeds of \$611,801. A further 9,049,211 hard units at \$0.065 per Unit for gross proceeds of \$588,198 were issued.

Each Unit consists of one common share and one-half of a common share purchase warrant, each full warrant being exercisable for a period of 24 months from closing into one common share at a price of \$0.085. A total share issuance costs incurred equaled \$333,563, of which \$310,703 was assigned to the value of the share purchase warrants based on the Black Scholes pricing model. Furthermore, since all of the flow thru funds were not expended during the current fiscal year, a future income tax liability of \$95,445 has been established.



## **BANYAN GOLD CORP.**

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

For the years ended September 30, 2016 and 2015

Expressed in Canadian Funds

#### **4. SHARE CAPITAL (continued)**

##### **Transactions (continued)**

During the year, 600,000 stock options held by a former officer were exercised at \$0.05 for total gross proceeds of \$30,000. \$19,453 was reallocated between contributed surplus and the common share account.

##### ***Prior Year***

On March 12, 2015, the Company completed a first tranche non-brokered private placement for \$435,000 by issuing 8,700,000 Units at a price of \$0.05 per unit. Each unit consists of one common share and one-half of a non-transferable common share purchase warrant, with each full warrant exercisable into one common share of the company at an exercise price of \$0.075 for a period of 24 months from the date of issuance.

The warrants, which form part of the units, may have their expiry time accelerated at any time prior to the expiry of the warrants if the volume-weighted average trading price of the corporation's shares on the TSX Venture Exchange is greater than \$0.12 for 15 consecutive trading days, at which time the corporation may give notice in writing to the warrant holders within 10 days of such an occurrence that the warrants shall expire on the 30th day following the giving of such notice. A total share issuance costs incurred equaled \$222,494, of which \$219,178 was assigned to the value of the share purchase warrants based on the Black Scholes pricing model.

On April 8<sup>th</sup> 2015, the Company completed a second tranche non-brokered private placement for \$60,000 by issuing 1,200,000 Units at a price of \$0.05 per unit. Each unit consists of one common share and one-half of a non-transferable common share purchase warrant, with each full warrant exercisable into one common share of the company at an exercise price of \$0.075 for a period of 24 months from the date of issuance.

The warrants, which form part of the units, may have their expiry time accelerated at any time prior to the expiry of the warrants if the volume-weighted average trading price of the corporation's shares on the TSX Venture Exchange is greater than \$0.12 for 15 consecutive trading days, at which time the corporation may give notice in writing to the warrant holders within 10 days of such an occurrence that the warrants shall expire on the 30th day following the giving of such notice. A total share issuance costs incurred equaled \$27,968, of which \$27,423 was assigned to the value of the share purchase warrants based on the Black Scholes pricing model.

The Company measured these transactions indirectly, by reference to the fair value of the equity instruments granted.

##### **Stock Options**

The Company has established a stock option plan (the "Plan") for the directors, officers, employees and consultants of the Company. The Plan is administered by the Board of Directors of the Company who establish the exercise prices, vesting conditions and expiry date of the options in accordance with the requirements imposed by the Exchange.

The aggregate number of shares assumable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding shares reserved for the issuance to (a) any individual director or officer which will not exceed 5% of the issued and outstanding common shares, and (b) all consultants which will not exceed 2% of the issued and outstanding common shares.



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**4. SHARE CAPITAL (continued)**

**Stock Options (continued)**

**Current Year**

At the end of the year ended September 30, 2016, the following share options were outstanding to directors, officers and advisors:

250,050 stock options exercisable at \$0.15 with an expiry of January 25, 2021  
650,000 stock options exercisable at \$0.05 with an expiry of January 31, 2019  
75,000 stock options exercisable at \$0.05 with an expiry of April 22, 2019  
675,000 stock options exercisable at \$0.05 with an expiry of August 20, 2020  
500,000 stock options exercisable at \$0.065 with an expiry of August 4, 2021  
500,000 stock options exercisable at \$0.085 with an expiry of August 26, 2021

During the year ended 2016, the Company granted the following stock options:

On December 31, 2015, 600,000 stock options were issued, exercisable at \$0.05. These options expire on December 31, 2020. The fair value of stock options granted is estimated on this date, using the Black-Scholes option pricing model, with the following assumptions:

Risk-free interest rate	0.73%
Estimated volatility	166%
Expected Life	5 years
Expected dividend yield	0%

The fair value of all stock options granted was \$0.0324

On February 1, 2016, 115,000 stock options were issued, exercisable at \$0.05. These options expire on February 1, 2021. On the same day, 115,000 stock options issued on December 31, 2015 were cancelled.

On August 5, 2016, 500,000 stock options were issued, exercisable at \$0.065. These options expire on August 6, 2021. The fair value of stock options granted is estimated on this date, using the Black-Scholes option pricing model, with the following assumptions:

Risk-free interest rate	0.61%
Estimated volatility	180%
Expected Life	5 years
Expected dividend yield	0%

The fair value of all stock options granted was \$0.0622



**BANYAN GOLD CORP.**

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**4. SHARE CAPITAL (continued)**

**Stock Options (continued)**

On August 25, 2016, 500,000 stock options were issued, exercisable at \$0.085. These options expire on August 26, 2021. The fair value of stock options granted is estimated on this date, using the Black-Scholes option pricing model, with the following assumptions:

Risk-free interest rate	0.69%
Estimated volatility	184%
Expected Life	5 years
Expected dividend yield	0%

The fair value of all stock options granted was \$0.817

**Prior Year**

During the year ended 2015, the Company granted the following stock options:

On August 11, 2015, 675,000 stock options were issued, exercisable at \$0.05. These options expire on August 10, 2020. The fair value of stock options granted is estimated on this date, using the Black-Scholes option pricing model, with the following assumptions:

Risk-free interest rate	0.73%
Estimated volatility	217%
Expected Life	5 years
Expected dividend yield	0%

The fair value of all stock options granted was \$0.0393

On September 6, 2015, 100,000 options exercisable at \$0.05 expired under the rules of the stock option plan.

**Warrants**

**Current Year**

At the end of the year ended September 30, 2016, the following share purchase warrants were outstanding:

- 4,350,000 warrants exercisable at \$0.075 with an expiry of March 17, 2017\*
- 600,000 warrants exercisable at \$0.075 with an expiry of April 10, 2017 \*
- 4,000,000 warrants exercisable at \$0.07 with an expiry of Jan 29, 2019\*
- 4,524,604 warrants exercisable at \$0.085 with an expiry of August 4, 2018

\*Subject to an acceleration clause.

In conjunction with the Company's non-brokered private placement of January 29, 2016, a total of 4 million warrants were issued with an exercise price of \$0.07 for a period of three years subject to an acceleration clause.





## BANYAN GOLD CORP.

### NOTES TO THE FINANCIAL STATEMENTS

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#### 4. SHARE CAPITAL (continued)

##### Warrants (continued)

The fair value of warrants issued is estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.43%
Estimated volatility	173%
Expected life	3 years
Expected dividend yield	0%

In conjunction with the Company's non-brokered private placement of August 23, 2016, a total of 4,524,604 warrants were issued with an exercise price of \$0.085 for a period of two years subject to an acceleration clause.

The fair value of warrants issued is estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.54%
Estimated volatility	184%
Expected life	2 years
Expected dividend yield	0%

##### Prior Year

In conjunction with the Company's non-brokered private placement of March 12, 2015, a total of 4.35 million warrants were issued with an exercise price of \$0.075 for a period of two years subject to an acceleration clause.

The fair value of warrants issued is estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.56%
Estimated volatility	254%
Expected life	2 years
Expected dividend yield	0%

In conjunction with the Company's second tranche non-brokered private placement of April 8, 2015, a total of 600,000 warrants were issued with an exercise price of \$0.075 for a period of two years subject to an acceleration clause.

The fair value of warrants issued is estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.50%
Estimated volatility	256%
Expected life	2 years
Expected dividend yield	0%

The weighted average fair value of all private placement warrants were \$0.0499.



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**4. SHARE CAPITAL (continued)**

**Warrants (continued)**

On March 1, 2015, 3.5 million warrants exercisable at \$0.15 and originally issued in 2013 expired. There were no warrants granted during the prior year period.

Option and warrant pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options and warrants.

**5. RESOURCE PROPERTIES**

***Hyland Gold Project***

Closing balance – September 30, 2014	\$ 714,176
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Government grant and accrual for work completed	(87,965)
Exploration and evaluation expenses capitalized	423,156

Closing balance - September 30, 2015	\$ 1,049,367
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Exploration and evaluation expenses capitalized	299,855
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Closing balance - September 30, 2016	\$ 1,349,222
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**BANYAN GOLD CORP.****NOTES TO THE FINANCIAL STATEMENTS**

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**6. PROPERTY AND EQUIPMENT****Field & Automotive Equipment**

<b>Cost at Sept 30, 2014</b>	\$ 0
Current year additions	9,436
Current year disposals	<u>0</u>
<b>Cost at Sept 30, 2015</b>	<b><u>\$ 9,436</u></b>
<b>Accumulated amortization at Sept 30, 2014</b>	\$ 0
Current year amortization	<u>1,415</u>
<b>Accumulated amortization at Sept 30, 2015</b>	<b><u>\$ 1,415</u></b>
<b>September 30, 2015 Net book Value</b>	<b><u>\$ 8,021</u></b>
Current year amortization	2,406
<b>Accumulated amortization at Sept 30, 2016</b>	<b>3,821</b>
<b>September 30, 2016 Net Book Value</b>	<b><u>\$ 5,615</u></b>

**7. RELATED PARTY TRANSACTIONS**

During the year, \$179,500 (2015 - \$84,000) was billed to the corporation by officers and directors of the Company. \$42,000 (2015 - \$42,000) has been billed to management fees by 1195472 Ontario Ltd., \$38,500 (2015 - \$38,500) to professional fees by Paul D. Gray Geological Consulting, and a further \$3,500 (2015 - \$3,500) has been capitalized against the Hyland Project by Paul D.Gray Geological Consulting. A further \$50,000 (2015 - Nil) in professional fees was incurred by the previous CEO and \$45,500 (2015 - Nil) was invoiced for professional services by KECM Services, a Company controlled by a director. As of September 30, 2016 there were balances in accounts payable of \$17,500 (2015 - Nil) related to these expenses.

In connection with the shares issued during the year, the Company paid \$11,729 in share issuance costs to officers of the Company.

**8. FINANCIAL AND CAPITAL RISK MANAGEMENT**

Fair value estimates are made at the reporting date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.



## **BANYAN GOLD CORP.**

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

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#### **8. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

All of the Company's cash and cash equivalents are assessed to be in Level 1.

The fair market value of the Company's receivables, payables and accruals approximate their carrying amount due to their short-term nature.

##### **a) Credit Risk**

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada. Management believes that the credit risk with respect to receivables is remote.

##### **b) Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash that might be raised from equity financings. As at September 30, 2016, the Company had a cash balance of \$926,496 (2015 - \$4,405) and current liabilities of \$200,555 (2014 - \$82,884). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. Current cash balances will allow the Company to carry out a work program in 2017 while maintaining reserves to continue to operate without requiring a financing in the September 30, 2017 fiscal year.

##### **c) Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not believe a change by 1% in interest rate will have a significant impact on the fair value of its cash equivalents.

##### **d) Foreign Currency Risk**

The Company's reporting currency is in Canadian dollars and major transactions are denominated in Canadian dollars. Therefore the Company's currency risk is not significant.

#### **Capital Disclosures**

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.



**BANYAN GOLD CORP.****NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2016 and 2015

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**8. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)****Capital Disclosures (continued)**

The Company's objectives when managing capital are:

- a) to safeguard the Company's ability to continue as a going concern; and
- b) to facilitate potential acquisitions.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results. As disclosed previously, there are restrictions on the use of cash.

There were no changes in the Company's approach to capital management during the period ended September 30, 2016.

**9. INCOME TAX**

The income tax recovery reported differs from the amount of the tax recovery computed by applying the statutory rates to the net loss. The reasons for the differences and the related tax effects are as follows:

	September 30, 2016	September 30, 2015
Loss before income tax	\$ (490,829)	\$ (225,794)
Combined basic federal and provincial tax at 27% (2015 - 25%)	(132,524)	(56,448)
Increase (decrease) resulting from:		
Non-deductible items	51,029	6,796
Deductible items	(3,037)	(6,251)
Unrecorded future income tax benefit	84,532	55,904
	\$ -	\$ -

The components of the future income tax asset for the Company are as follows:

	September 30, 2016	September 30, 2015
Non-capital loss carry forwards	\$ 1,228,273	\$ 915,192
Share issue costs	28,370	13,659
	1,256,643	928,851
Approximate tax rate	27%	25%
	339,294	232,213
Valuation allowance	(339,294)	(232,213)
	\$ -	\$ -



## BANYAN GOLD CORP.

### NOTES TO THE FINANCIAL STATEMENTS

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#### 9. Income Tax (continued)

##### Non-capital loss schedule

The company has non-capital losses which may be carried forward and applied against taxable income of future periods. These losses expire as follows:

Year of loss	Expire		Amount
2016	2036	\$	313,081
2015	2035		223,615
2014	2034		274,288
2013	2033		259,445
2012	2032		96,253
2011	2031		49,561
2010	2030		12,030
		\$	1,228,273

The benefits resulting from these tax losses have not been recognized. As it is not more likely than not that the Company will realize the benefit of the income tax losses and temporary timing differences, no current or future income tax recovery has been recorded by the Company.

#### 10. LOSS PER SHARE

Diluted loss per share for the years ended September 30, 2016 and 2015 is the same as basic loss per share as the impact of the exercise of the outstanding share options and warrants in the money does not change the loss per share on a rounded basis.

#### 11. SUBSEQUENT EVENTS

Subsequent to year end Banyan Gold Corp. has appointed Sean Harvey to Banyan's advisory board. T. Sean Harvey, MBA, LLB, has a depth of experience in the mining industry, having spent 10 years in investment and merchant banking, primarily focused on the mining sector. More recently, he has held senior executive and board positions with a number of mining companies, including TVX Gold Inc., Atlantico Gold Inc. and Orvana Minerals Corp. He also serves as a director of Victoria Gold Corp., Abacus Minerals, Perseus Mining Ltd., Serabi Gold PLC and Sarama Resources Ltd. He has an MBA in finance and an LLB specializing in tax and corporate law, an honours BA in economics and geography, and an MA in economics. He is a member of the Law Society of Upper Canada.

