

# **Augustine Ventures Inc.**

Condensed Interim Financial Statements

For the Three and Nine Months Period Ended August 31, 2016

(Unaudited and Expressed in Canadian dollars)

# Augustine Ventures Inc.

## Condensed Interim Financial Statements For the Three and Nine Months Period Ended August 31, 2016 (Unaudited and Expressed in Canadian dollars)

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## NOTICE TO READERS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of 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 unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed interim financial statements by an entity's auditor.

**Augustine Ventures Inc.**  
Condensed Interim Statements of Financial Position  
As At August 31, 2016 and November 30, 2015  
(Expressed in Canadian Dollars)

	Note	August 31, 2016 (Unaudited)	November 30, 2015 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 364,947	\$ 89,275
Sundry receivables	5	26,443	42,611
Prepaid expenses	6	151,531	18,378
<b>Total current assets</b>		<b>542,921</b>	<b>150,264</b>
<b>Non-current assets</b>			
Restricted cash	4	10,000	10,000
Property and equipment	7	6,415	7,971
Exploration and evaluation assets	8	3,546,231	3,277,782
<b>Total non-current assets</b>		<b>3,562,646</b>	<b>3,295,753</b>
<b>Total assets</b>		<b>\$ 4,105,567</b>	<b>\$ 3,446,017</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 145,550	\$ 304,264
Due to related parties	10	69,350	247,432
<b>Total current liabilities</b>		<b>214,900</b>	<b>551,696</b>
Derivative warrant liabilities	11	194,534	194,534
<b>Total liabilities</b>		<b>409,434</b>	<b>746,230</b>
<b>Shareholders' equity</b>			
Share capital	12	5,121,287	4,361,053
Reserves for warrants	13	1,350,050	775,554
Reserves for share based payments	13	3,766,698	3,587,876
Deficit		(6,541,902)	(6,024,696)
<b>Total shareholders' equity</b>		<b>3,696,133</b>	<b>2,699,787</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 4,105,567</b>	<b>\$ 3,446,017</b>

Going concern (Note 1)

Related party transactions (Note 10)

Approved on October 20, 2016 by a committee of the Board of Directors for issuance.

“Michael Newman”  
\_\_\_\_\_  
Director

“John Sadowski”  
\_\_\_\_\_  
Director

**Augustine Ventures Inc.**

## Condensed Interim Statements of Comprehensive Loss

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

		For the three months ended August 31,		For the nine months ended August 31,	
	Note	2016	2015	2016	2015
<b>Expenses</b>					
Depreciation	7	517	768	1,556	3,207
Directors fees	10	42,000	23,000	123,000	51,250
General and administrative		17,828	24,774	42,375	86,136
Interest expense	10	-	335	820	5,010
Management fees	10	24,000	12,000	217,000	36,000
Professional fees		38,837	75,836	94,428	98,781
Rent and occupancy costs		5,025	1,594	13,400	22,819
Shareholder services and public company costs		5,134	18,471	53,190	53,409
Share based payments		-	327,163	-	327,163
<b>Loss before under noted items</b>		<u>(133,341)</u>	<u>(483,941)</u>	<u>(545,769)</u>	<u>(683,775)</u>
Gain on settlement of debt	9	-	-	25,000	-
Loss on disposal of office furniture	7	-	-	-	52,449
Foreign exchange loss/(gain)		<u>(319)</u>	<u>(16)</u>	<u>(3,563)</u>	<u>5,932</u>
<b>Total comprehensive loss for the period</b>		<u><u>(133,022)</u></u>	<u><u>(483,925)</u></u>	<u><u>(517,206)</u></u>	<u><u>(742,156)</u></u>
Weighted average number of common shares outstanding (Basic and diluted):	13	<u>105,378,273</u>	<u>66,929,856</u>	<u>91,974,378</u>	<u>61,540,969</u>
Loss per common share (basic and diluted)	13	<u><u>(0.001)</u></u>	<u><u>(0.007)</u></u>	<u><u>(0.006)</u></u>	<u><u>(0.012)</u></u>

**Augustine Ventures Inc.**

## Condensed Interim Statements of Changes in Shareholders' Equity

For the nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

	Share Capital		Reserves			Total Shareholders' equity
	Shares	Amount	Share based payments	Warrants	Deficit	
<b>Balances, December 1, 2014</b>	<b>47,276,790</b>	<b>\$ 3,536,940</b>	<b>\$ 3,144,335</b>	<b>\$ 375,018</b>	<b>\$ (5,380,947)</b>	<b>\$ 1,675,346</b>
Private placements	19,653,066	1,014,171	-	-	-	1,014,171
Warrant valuation	-	(492,744)	-	492,744	-	-
Costs of issue - cash	-	(20,784)	-	-	-	(20,784)
Costs of issue - compensation warrants	-	(9,208)	9,208	-	-	-
Share based payments	-	-	327,163	-	-	327,163
Expiry of warrants	-	-	98,400	(98,400)	-	-
Net loss for the period	-	-	-	--	(742,156)	(742,156)
<b>Balances, August 31, 2015</b>	<b>66,929,856</b>	<b>\$ 4,028,375</b>	<b>\$ 3,579,106</b>	<b>\$ 769,362</b>	<b>\$ (6,123,103)</b>	<b>\$ 2,253,740</b>
<b>Balances, December 1, 2015</b>	<b>77,325,526</b>	<b>\$ 4,361,053</b>	<b>\$ 3,587,876</b>	<b>\$ 775,554</b>	<b>\$ (6,024,696)</b>	<b>\$ 2,699,787</b>
Private placements	28,052,747	1,565,792	-	-	-	1,565,792
Warrant valuation	-	(739,496)	-	739,496	-	-
Costs of issue - cash	-	(52,240)	-	-	-	(52,240)
Costs of issue - compensation warrants	-	(13,822)	13,822	-	-	-
Expiry of warrants	-	-	165,000	(165,000)	-	-
Net loss for the period	-	-	-	-	(517,206)	(517,206)
<b>Balances, August 31, 2016</b>	<b>105,378,273</b>	<b>\$ 5,121,287</b>	<b>\$ 3,766,698</b>	<b>\$ 1,350,050</b>	<b>\$ (6,541,902)</b>	<b>3,696,133</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

**Augustine Ventures Inc.**

## Condensed Interim Statements of Cash Flows

For the nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

	2016	2015
<b>Cash provided by (used in) operating activities</b>		
Net loss for the period	\$ (517,206)	\$ (742,156)
Share based payments	-	327,163
Depreciation	1,556	3,207
Loss on disposal of assets	-	52,449
Debts settled through issuance of common shares	735,464	615,598
Changes in non-cash working capital items		
Sundry receivables	16,168	11,688
Prepaid expenses	(133,153)	(1,341)
Trade and other payables	(158,714)	(48,652)
Due to related parties	(178,082)	(496,851)
	(233,967)	(278,895)
<b>Cash provided by (used in) investing activities</b>		
Proceeds on disposal of assets	-	400
Exploration and evaluation assets	(268,449)	(97,179)
	(268,449)	(96,779)
<b>Cash provided by (used in) financing activities</b>		
Issuance of share capital	830,328	398,574
Costs of issue - cash	(52,240)	(20,784)
	778,088	377,790
Increase (decrease) in cash and cash equivalents	275,672	2,116
Cash and cash equivalents, beginning of the period	99,275	12,375
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 374,947</b>	<b>\$ 14,491</b>
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 364,947	\$ 4,491
Restricted cash (note 4)	10,000	10,000
	<b>\$ 374,947</b>	<b>\$ 14,491</b>

## **Augustine Ventures Inc.**

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

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#### **1. Nature of operations and going concern**

Augustine Ventures Inc. (“Augustine” or the “Company”) was established on May 7, 1997 as Black Mountain Minerals Inc. by statutory amalgamation of Triangle Capital Energy Corp. and Per-X Minerals Inc. pursuant to the provisions of the *Business Corporations Act* (Ontario). The Company engages in the exploration and evaluation of mining properties in Canada. To date, the Company has not earned any revenues from its mining properties and is considered to be in the exploration and evaluation stage. The Company is listed on the Canadian Securities Exchange (“CSE”) under the symbol WAW. The primary office of the Company is located at 141 Adelaide Street West, Suite 520, Toronto, Ontario, Canada, M5H 3L5.

The Company is in the exploration and evaluation stage and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for exploration and evaluation assets is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral properties, and if they are proven successful, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis; all of which are uncertain.

On December 17, 2015 the Company and Red Pine entered a non-binding letter of intent in respect of a transaction pursuant to which Red Pine will acquire all of the outstanding securities of the Company (the “Transaction”). It is expected that the Company will merge with a wholly-owned subsidiary of Red Pine pursuant to the plan of arrangement provisions of the *Business Corporations Act* (Ontario) (the “Plan of Arrangement”).

Under the terms of the non-binding letter of intent between Red Pine and the Company, each Augustine shareholder will receive approximately 0.8 common shares of Red Pine for each Augustine common share held (the “Exchange Ratio”). The Transaction will be an arm’s length transaction and will constitute a “reviewable transaction” by Red Pine pursuant to TSX Venture Exchange (“TSXVE”) Policy 5.3 – Acquisitions and Dispositions of Non-Cash Assets. Upon completion of the Transaction, it is expected that the Company will delist its securities from the Canadian Securities Exchange and apply to the applicable securities regulators in the Provinces of Alberta, Ontario and Nova Scotia to cease its status as a reporting issuer in those jurisdictions.

It is intended that the Transaction will result in the Company becoming a wholly-owned subsidiary of Red Pine or otherwise combining its corporate existence with a wholly-owned subsidiary of Red Pine, subject to the receipt of tax, corporate and securities law advice for both Red Pine and the Company.

The amount shown for exploration and evaluation assets does not necessarily represent its present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation assets. These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has a working capital surplus as at August 31, 2016 of \$328,021 (November 30, 2015 – working capital deficiency of \$401,432) and will need to raise additional capital in the near term to fund its ongoing operations and exploration activities. As a result of these circumstances, there are material uncertainties which cast significant doubts as to the appropriateness of the going concern presumption. These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and classifications in the statement of financial position that may be necessary were the Company unable to continue as a going concern and these adjustments could be material.

#### **2. Basis of preparation and summary of significant accounting policies**

##### ***Statement of compliance and basis of preparation***

These condensed interim financial statements for the three and nine months period ended August 31, 2016 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) under International Financial Reporting Standards (“IFRS”) and using the accounting policies the Company disclosed in its financial statements for the year ended November 30, 2015. These condensed interim financial statements do not include all information and disclosures required for annual financial statements, and should be read in conjunction with the Company’s annual financial statements as of November 30, 2015.



## **Augustine Ventures Inc.**

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

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#### **2. Basis of preparation and summary of significant accounting policies - continued**

These condensed interim financial statements are unaudited. Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

##### ***Basis of measurement***

These condensed interim financial statements have been prepared on a historical cost basis, with the exception of cash and cash equivalents which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

##### ***Functional currency***

These condensed interim financial statements have been prepared in Canadian dollars, which is the Company’s functional and presentation currency.

#### **3. Critical accounting estimates and judgments**

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

The areas where the estimates and judgments applied by management most significantly affect the Company’s condensed interim financial statements are impairment of assets, share-based payments and warrants valuation, provision for decommissioning liabilities, useful life of assets subject to depreciation, deferred income taxes and valuation allowances, judgement on assessing existence of impairment indicators and assessment of the Company’s going concern status.

##### ***Future accounting changes***

At the date of authorization of these condensed interim financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However the Company is currently assessing what impact, if any, the application of these new standards or amendments will have on the financial statements of the Company.

*IFRS 9 ‘Financial Instruments: Classification and Measurement’* – effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

#### **4. Restricted cash**

The Company has one credit card with a major financial institution with an aggregate credit limit of \$10,000. The financial institution holds \$10,000 in a Guaranteed Investment Certificate as collateral on the credit amount as long as the credit card is active. The restricted cash amount would change if there were any change in the credit limit on the card.

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

#### 5. Sundry receivables

	As at	
	August 31, 2016	November 30, 2015
Harmonized sales tax recoverable	\$ 15,264	\$ 33,201
Sundry receivables	11,179	9,410
	<u>\$ 26,443</u>	<u>\$ 42,611</u>

Both harmonized sales tax recoverable and sundry receivables are not past due.

#### 6. Prepaid expenses

	As at	
	August 31, 2016	November 30, 2015
Joint venture costs	\$ 19,039	\$ -
Proposed merger related costs (Note 1 & 10)	114,453	-
Other prepaid expenses	18,039	18,378
	<u>\$ 151,531</u>	<u>\$ 18,378</u>

#### 7. Property and equipment

	Furniture and equipment	Mining equipment	Computer equipment	Vehicles	Total
<u>Cost</u>					
<b>Balance, December 1, 2014</b>	\$ 65,500	\$ 5,000	\$ 33,358	\$ 25,545	\$ 129,403
Disposals	(65,500)	-	(33,358)	-	(98,858)
<b>Balance, November 30, 2015</b>	-	5,000	-	25,545	30,545
Additions	-	-	-	-	-
<b>Balance, August 31, 2016</b>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 25,545</u>	<u>\$ 30,545</u>
<u>Accumulated depreciation</u>					
<b>Balance, December 1, 2014</b>	\$ (24,628)	\$ (1,880)	\$ (20,375)	\$ (17,725)	\$ (64,608)
Depreciation for the year	(681)	(623)	(325)	(2,346)	(3,975)
Disposals <sup>1)</sup>	25,309	-	20,700	-	46,009
<b>Balance, November 30, 2015</b>	-	(2,503)	-	(20,071)	(22,574)
Depreciation for the period	-	(362)	-	(1,194)	(1,556)
<b>Balance, August 31, 2016</b>	<u>\$ -</u>	<u>\$ (2,865)</u>	<u>\$ -</u>	<u>\$ (21,265)</u>	<u>\$ (24,130)</u>
<u>Net book value, November 30, 2015</u>	<u>\$ -</u>	<u>\$ 2,497</u>	<u>\$ -</u>	<u>\$ 5,474</u>	<u>\$ 7,971</u>
<u>Net book value, August 31, 2016</u>	<u>\$ -</u>	<u>\$ 2,135</u>	<u>\$ -</u>	<u>\$ 4,280</u>	<u>\$ 6,415</u>

1) In accordance with the lease agreement, the landlord can give 90 day notice in the event that another longer term tenant desired the space. On September 29, 2014 the Company received a notice of lease termination from its prior landlord with termination effective date of January 28, 2015. In January 2015, the Company entered into a new lease agreement for a new office with much smaller space and had to leave the old office completely free of all furniture and ancillary equipment for which no buyers could be found other than \$400 proceeds received for small items. During the fiscal year ended November 30, 2015, the Company donated redundant assets and recorded net disposal loss of \$52,449.

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

#### 8. Exploration and evaluation assets

	Surluga	Oakley	Total
<b>Balance, December 1, 2014</b>	\$ 2,636,176	\$ 478,150	\$ 3,114,326
Acquisition costs	21,706	-	21,706
Exploration costs	141,750	-	141,750
<b>Balance, November 30, 2015</b>	2,799,632	478,150	3,277,782
Acquisition costs	13,477	-	13,477
Exploration costs	254,972	-	254,972
<b>Balance, August 31, 2016</b>	<u>\$ 3,068,081</u>	<u>\$ 478,150</u>	<u>\$ 3,546,231</u>

#### Wawa properties

##### *Surluga*

Pursuant to the terms of an option agreement dated September 22, 2010 (the "Option Agreement"), as amended by an amending agreement dated November 25, 2010, entered into between the Company, Delta Uranium Inc. ("Delta") and Delta Precious Metals (Ontario) Inc. ("DPMI") and also pursuant to the terms of an assignment agreement dated September 15, 2010 (the "Assignment Agreement") entered into between the Company, Delta, DPMI, Citadel Gold Mines Inc. ("Citadel") and Citabar Limited Partnership ("Citabar"), the Company acquired an option to earn a 60% interest in the Surluga Property, which encompasses 172 mineral claims in McMurray Township, southeast of the town of Wawa, Ontario.

Pursuant to the terms of the Assignment Agreement, Citabar and Citadel consented to Delta and DPMI assigning their rights under an option agreement dated April 16, 2009, as amended, (the "Delta Option Agreement") whereby Delta and DPMI granted DPMI the exclusive right to earn an undivided 60% interest in the Surluga Property. In consideration for Citabar's consent for the assignment, the Company agreed to issue an aggregate of 1,000,000 common shares to Citabar as follows:

- (1) 250,000 common shares on November 10, 2010, being the date that the Ontario Ministry of Northern Development, Mines and Forestry consented to the transfer of the Surluga Property from Citadel to Citabar (the "Consent Date"), of which the said 250,000 common shares have been issued on December 22, 2010; and
- (2) An additional 250,000 common shares on each of the first, second and third year anniversaries of the Consent Date. The 250,000 common shares pertaining to each of the first, second and third anniversaries were issued.

Pursuant to the Option Agreement, the company has agreed to pay Delta an aggregate of \$100,000 and issue an aggregate of 3,810,000 common shares of which the \$100,000 has been paid during the fiscal year ended November 30, 2010 and the 3,810,000 common shares later issued on December 22, 2010. This transaction was completed at arm's length value. However the transaction is considered a related party transaction because Delta and the Company had common officers, a director, and Delta was a significant shareholder of the Company (at the time of the transaction) after they received shares from the option agreement.

Due to the provisions of the above noted agreements and pursuant to the original agreements between the original property owner and Citadel, the Company was also committed to make an additional cash payment to the original property vendor in the amount of US\$35,000 on or before February 1, 2013, which payment was made in 2013.

Pursuant to an Amending Agreement dated October 12, 2012 with Citabar and Delta, certain terms regarding the earning of the 60% interest in the Surluga have been amended to provide that the date to have spent an additional \$1,500,000 in eligible property expenditures by November 30, 2012 (for an aggregate of \$2,000,000 in expenditures) had been extended to June 30, 2015. For consideration of Citabar entering into the Amending Agreement, the Company issued an additional 500,000 common shares in the capital of the Company to Citabar.

## **Augustine Ventures Inc.**

### **Notes to the Condensed Interim Financial Statements**

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

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#### **8. Exploration and evaluation assets - continued**

On March 18, 2013, the Company reached a further amending agreement (“Second Amending Agreement”) with Citabar to amend the Option Agreement. Under the Second Amending Agreement, the Company has an option to earn an undivided 60% interest in the Surluga Property from Citabar by expending an aggregate of \$4.0 million in eligible expenditures on or before November 30, 2013. Under the Second Amending Agreement, the Company also shall have the right to acquire an additional undivided 15% ownership interest on the Wawa Gold Project by expending an additional \$4.0 million in eligible expenditures (for an aggregate total of \$8.0 million in eligible expenditures) on or before June 30, 2015.

In consideration of amending the Option Agreement, the Company shall, upon the closing of a \$3.5 million private placement, announced on April 2, 2013, if successful, issue to Citabar such number of common shares of the Company that would result in Citabar owning, in the aggregate, 30% of the issued and outstanding common shares of the Company, excluding shares that Citabar or its affiliates own prior to the \$3.5 million private placement. The private placement was not successful.

Effective on October 21, 2013, the Company reached a Third Amending Agreement with Citabar to further amend the Option Agreement and the Second Amending agreement. Under the Third Amending Agreement, Citabar agreed to extend the date for the Company to earn the undivided 60% interest in the Wawa Gold Project from Citabar, as a result of spending an aggregate of \$4.0 million in eligible expenditures, from November 30, 2013 to June 30, 2014, subject to the Company demonstrating to the satisfaction of Citabar, in Citabar’s sole discretion, that the Company have firm commitments of sufficient financing by December 15, 2013 and having received the proceeds of such funding by January 15, 2014. Subsequent to January 15, 2014, Citabar waived the requirement for the Company on “having sufficient financing by December 15, 2013 and having received the proceeds of such funding by January 15, 2014”. In consideration for amending the Option Agreement, the Company shall, upon having spent sufficient funds so as to earn the 60% interest in the Wawa Gold Project, issue to Citabar such number of the Company’s common shares that will represent 30% of the issued and outstanding common shares of the Company, independent of the shares already owned by Citabar and any of its wholly owned subsidiaries and affiliates.

On July 14, 2014, the Company reached a Fourth Amending Agreement with Citabar to further amend the Option Agreements by Citabar and extended the date for the Company to earn the undivided 60% interest in the Wawa Gold Project from Citabar through expending by aggregation \$4.0 million in eligible expenditures from June 30, 2014 to March 31, 2015. The extension to said date is subject to the Company demonstrating to the satisfaction of Citabar, in Citabar’s sole discretion, that the Company has received the cash proceeds of a private placement financing at least \$2.6 million on or before November 30, 2014. In accordance with the Fourth Amending Agreement, upon earning in of its 30% interest in the Mineral Claims, Augustine is obligated to issue to Citabar 30% of its issued and outstanding common shares, net of common shares owned by Citabar, at the time of earn-in. These Consideration Shares will be issued as part of the merger and the shareholder will receive equivalent common shares of Red Pine.

On December 10, 2014 the Company entered into an Assumption Assignment and a restated Joint Venture Agreement with Red Pine Exploration (RPX on the TSX-V) or “Red Pine” and Citabar with the following terms and conditions:

- 1) Red Pine is required to incur \$2.1 million in eligible exploration expenditures on Surluga property by June 30, 2015 in order to earn in a 30% interest in the Wawa Gold Project (collectively the Surluga and Oakley Lake Properties), upon which Augustine and Citabar would hold 30% and 40%, respectively (spent in 2015);
- 2) Red Pine has the right to earn one-half of an additional 15% interest ( or 7.5%) in the Wawa Gold Project by incurring a further \$2.0 million in eligible exploration expenditures on Surluga property by June 30, 2016, so long as a total of \$4.0 million is spent in the aggregate by Red Pine and Augustine, which could be increased up to the entire 15% interest if all of such additional \$4.0 million is incurred by Red Pine;
- 3) Red Pine also has the right to earn a pro rata interest in Augustine’s existing interests in all mineral properties acquired by Augustine, including any future acquisitions, within an area of influence defined as a 5 kilometer radius from the perimeter of the Wawa Gold Project by satisfying certain criteria;
- 4) Upon earning in 30% interest, Red Pine will be the Manager under the terms of the JVA, which constitutes part of the Option Agreement, as amended by the Assumption Agreement;

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

#### 8. Exploration and evaluation assets - continued

The following table summarizes the Company's obligations upon signing of the Assumption Agreement to earn its 30% interest in the Surluga property:

	Cash payments	Issuance of common shares	Exploration expenditures
Cash payment on signing	\$ 100,000	\$ -	\$ -
Consent date (issued December 22, 2010)	-	250,000	-
November 10, 2011 (completed)	-	250,000	500,000
February 1, 2012 (\$35,000 US - paid)	35,534	-	-
November 10, 2012 (issued)	-	250,000	-
February 1, 2013 (\$35,000 US - paid)	36,413	-	-
November 10, 2013 (issued)	-	250,000	-
June 30, 2015 (spent by Red Pine in 2015)	-	-	2,100,000
June 30, 2016 (to be spent in aggregate by Red Pine and the Company in order to earn an additional 15% interest) *	-	-	4,000,000
Total required	\$ 171,947	\$ 1,000,000	\$ 6,600,000

\* This option was waived automatically upon the signing of the Letter of Intent on December 17, 2015 (see Note 1.)

In March 2011 and April 2012 the Company staked an additional 10 mining claims.

#### *Oakley Lake*

On September 27, 2011, the Company purchased 22 mining claims comprising 161 claim units located in McMurray and Naveau Townships southeast of Wawa, Ontario, (the "Oakley Lake Property").

Under the terms of the agreement, the Company acquired a 100% undivided interest in and to the Oakley Lake Property subject to a royalty of 2% of Net Smelter Returns ("Net Smelter Royalty") for and in consideration for \$30,000 cash (paid during fiscal 2011) and the issuance of 2,000,000 shares in the capital stock of the Company, which shares were issued at a value of \$0.22 per common share (being \$440,000 in the aggregate), based on the average closing price of the Company's common shares as traded on the Canadian National Stock Exchange at that time. The Company also has the option to purchase one-half of the Net Smelter Royalty (i.e. 1% of Net Smelter Returns) at any time up to the commencement of commercial production from the Oakley Lake Property for the price of \$1,000,000. This transaction was at arm's length to the Company.

In 2011 the Company staked an additional 3 mining claims comprising 21 claims units located in the McMurray Township. An additional claim was staked in 2015 comprising 1 claim unit located in the McMurray Township.

On August 7, 2015, the Company entered into an earn in agreement with Red Pine Exploration Inc. (RPX on the TSX-V, or "Red Pine"), and Citabar ("JVA"), pursuant to which it is acknowledged and agreed that the Company and Red Pine have each earned in a 30% interest in the Mineral Claims agreed by all parties in the agreement and Citabar has earned in a 40% interest in the claims owned by the Company in Surluga and Oakley Lake mining properties and a 40% interest in the claims owned by Red Pine as described in the agreement; Red Pine has earned in 30% interest in the claims owned by the Company in Surluga and Oakley Lake mining properties as described in the agreement; and the Company earned in 30% interest in the claims owned by Red Pine as described in the agreement. The ownership of the claims as described in the agreement will be registered on titles to the claims, such registrations to be carried out by the Manager of the JVA. The date of the agreement becomes the "Effective Date" of the executed JVA.

As at August 31, 2016, the Company had expended a total of \$2,345,820 (November 30, 2015: \$2,090,848) in eligible exploration expenditures.

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

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#### 8. Exploration and evaluation assets - continued

As at August 31, 2016, the Company owes Red Pine \$115,649 related to the exploration work they carried out up to August 31, 2016 (November 30, 2015: \$203,227). As at August 31, 2016, the Company has an amount due from Citabar of \$Nil (November 30, 2015: \$4,032) and an amount due from Red Pine of \$Nil (November 30, 2015: \$5,377).

On June 30, 2016, the Company filed an updated National Instrument 43-101 Technical Report for its Wawa Gold Project. The updated technical report was independently prepared by a qualified third party with an effective date of June 30, 2016.

#### 9. Gain on settlement of debt

In April 2016, the Company settled its obligation of \$200,000 owing to its former CEO by making a lump sum payment of \$175,000 for full and final settlement, resulted in \$25,000 gain on settlement of debt.

#### 10. Related party transactions

The Company's key management includes CEO, CFO, Directors and the Secretary of the Board. For disclosure purposes, Citabar and its key management are considered as the Company's related parties as well due to their significant shareholdings and/or abilities to contribute to the Company's decision making process. Transactions with related parties include:

- 1) Management fees to CEO, CFO, Secretary ;
- 2) Director fees to the directors of the Company;
- 3) Promissory notes with interest rate of 8% - 9% per annum issued to CEO, Citabar and key management of Citabar for the purpose of maintenance of the Company's operating cash requirements;

The amounts due to related parties are recorded at the exchange amounts as agreed upon by the related parties under contracts signed with them, non-interest bearing (except promissory notes), unsecured and with no fixed repayment terms.

The balances outstanding are as follows:

	As at	
	August 31, 2016	November 30, 2015
Management fees due to officers	\$ -	\$ 216,250
Directors fees due to directors	69 350	31,182
	<u>\$ 69,350</u>	<u>\$ 247,432</u>

On February 19, 2016, the Company issued \$25,000 promissory note to one of its related parties. \$820 interest on promissory notes accrued in the nine months ended August 31, 2016 (nine months period ended August 31, 2015 - \$5,010). The promissory note and interests were settled through issuance of the Company's common shares in May 2016 (see Note 12).

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

#### 10. Related party transactions - continued

For the three and nine months periods ended August 31, 2016 and 2015, total remuneration paid to key management personnel is as follows:

	For the three months ended August 31,		For the nine months ended August 31,	
	2016	2015	2016	2015
Management fee <sup>1) &amp; 2)</sup>	38,179	19,500	332,116	58,500
Directors fee <sup>1)</sup>	42,000	23,000	123,000	51,250
Share based payments	-	290,126	-	290,126
	<u>80,179</u>	<u>332,626</u>	<u>455,116</u>	<u>399,876</u>

##### 1) Reinstatement of management fees and grant of performance bonus

On June 1, 2013, an agreement signed by the key management of the Company, pursuant which the key management of the Company agreed to a reduction of one half on their regular compensation package since June 1, 2013. According to the agreement, the management fee would be resumed to its regular level and the forgone fees became payable once the Company receives sufficient fund to meet the criteria of earning 60% interest in the Wawa Gold Project, which was achieved through an JV agreement signed on August 7, 2015.

Pursuant to a resolution of the Committee of Compensation of the Company's Board of Directors dated March 24, 2016 and the secured final commitment on a private placement to be closed in early April 2016, the Company decided to resume the management fee to its regular level start from April 1, 2016 and at the mean time paid forgone management fees of \$221,000 from June 1, 2013 to March 31, 2016 to the key management through issuance of the common shares of the Company and cash payment.

Pursuant to a resolution of the Compensation Committee of the Company's Board of Directors, \$20,000 bonus was granted to the Company's CEO and recorded as management fees in the nine months ended August 31, 2016; a \$15,000 bonus to one of the directors of the Company and \$50,000 fees approved as compensation to the directors that formed the Special Committee of the Company with the purpose to assist for the potential proposed merger (see Note 1), which are recorded as prepaid expenses (see Note 6.).

- 2) \$115,116 of the regular and reinstatement of management fee paid/settled for the CEO in the nine months period ended August 31, 2016 (nine months period ended August 31, 2015 - \$22,500) were related to the managing activities of the exploration and evaluation activities and recorded as exploration costs.

In the nine months period ended August 31, 2016 \$61,791 of director fees and \$220,000 regular and reinstated management fees was settled through issuance of the Company's common shares. During the nine months period ended August 31, 2015, \$57,629 of director fees and \$161,250 of management fees were settled through issuance of the Company's common shares. (Note 12 – 1, 2, 3, 4, 5, 6).

#### 11. Derivative warrant liabilities

In the year ended November 30, 2015, the Company has completed three private placements raising funds to support the exploration work of its mining properties and corporate administrative activities. Some warrants attached to the financing units issued through those private placements contains embedded derivatives due to the variable conversion price that expected to be fluctuated along with future movements of foreign exchange rates.

The derivative warrant liabilities were recorded at November 30, 2015 using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate (%)	0.73
Grant date share price (\$)	0.04
Expected volatility (%)	183
Expected life (years)	3.0
Expected dividend yield (%)	-

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

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#### 11. Derivative warrant liabilities - continued

The following summarizes the change in derivative warrant liabilities:

	As at	
	August 31, 2016	November 30, 2015
Balance, beginning of period	\$ 194,534	\$ -
Warrants issued on February 9, 2015 (note 12 – 1)	-	93,867
Warrants issued on February 25, 2015 (note 12 – 2)	-	24,000
Warrants issued on September 2 2015 (note 12 – 3)	-	78,333
Gain on revaluation of derivative warrant liabilities (note 11 – 1,2,3)	-	(1,666)
Balance, end of period	\$ 194,534	\$ 194,534

#### 12. Share capital

The Company is authorized to issue an unlimited number of common shares without par value.

	Number of Common Shares	Amount
Balance as at December 1, 2015	47,276,790	\$ 3,536,940
Private placement closed on February 9, 2015 <sup>1)</sup>	13,350,538	366,790
Private placement closed on February 25, 2015 <sup>2)</sup>	6,302,528	159,480
Private placement closed on September 2, 2015 <sup>3)</sup>	10,395,670	297,843
Balance as at November 30, 2015	77,325,526	\$ 4,361,053
Private placement closed on April 7&8, 2016 <sup>4),5)</sup>	25,231,535	688,362
Private placement closed on May 3, 2016 <sup>6)</sup>	2,821,212	71,872
Balance as at August 31, 2016	105,378,273	\$ 5,121,287

- 1) On February 9, 2015, the Company issued 1,500,000 flow through units and 930,000 non-flow through units at the price of \$0.05 per unit for a gross proceeds of \$121,500. Each flow through unit and non-flow through unit both consisted of one common share and one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of the Company at a price of \$0.05 expiring on February 9, 2019. The value of the attached warrants was estimated as \$47,562 with reference to the Black-Scholes option pricing model (see Note 13). Cash commissions of \$6,891 has been allocated to issuance of this FT Units, and the Company also issued 194,400 broker warrants with an estimated value of \$9,030 assigned to these broker warrants, Each broker warrant allows the holder to acquire one NFT Unit of the Company at an exercise price of \$0.05 per NFT Unit at any time on or before February 9, 2019 (see Note 13). Cash commissions of \$6,423 were allocated to the warrants and \$4,334 of the fair value of the broker warrants were allocated to the warrants.

In addition, the Company issued an aggregate of 3,911,110 units (“USD Units”) at the price of US\$0.045 per unit for gross proceeds of US\$176,000 (equivalent of Cdn\$220,394). Each USD Unit consisted of one common share and one common share purchase warrant. Cash commissions of \$3,056 has been allocated to the issuance of these USD Units. Each whole warrant entitled the holder to purchase one common share of the Company at a price of US\$0.045 or Cdn\$0.05 expiring on February 9, 2019. The value of the attached warrants was estimated as \$93,867 with reference to the Black-Scholes option pricing model (see Note 13). These warrants have been classified as derivative warrant liabilities. \$2,829 of share issue cost have been allocated to these warrants and have been expensed through the statement of comprehensive loss. The fair value of the derivative warrant liabilities at year end was \$93,867 and no revaluation gain or loss was recognized.



## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

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#### 12. Share capital - continued

The Company also issued 7,009,428 units (“the Debt Units”) to certain creditors of the Company in exchange for the cancellation of an aggregate of \$350,472 debt owing to the creditors. The Debt Units were issued at a deemed price of \$0.05 per Debt Unit. Some of the creditors or officers and /or directors of the Company. Each Debt Unit consists of one common shares and one common share purchase warrant (the “Debt Warrant”). Each Debt Warrant allows the holder thereof to acquire one common share at an exercise price of \$0.10 per common share expiring on February 9, 2019. The value of the attached warrants was estimated as \$168,226 with reference to the Black-Scholes option pricing model (see Note 13). No gain or loss was recognized on settlement of debt (see Note 9).

- 2) On February 25, 2015, the Company issued 1,000,000 units (“Units”) at a price of US\$0.045 per Unit for gross proceeds of US\$45,000 (equivalent to Cdn\$56,680). Each Unit consisted of one common share and one common share purchase warrant (a “Warrant”). Cash commissions of \$784 has been allocated to the issuance of these units. Each Warrant entitles the holders to acquire one common share of the Company (a “Warrant Share”) at an exercise price of Cdn\$0.05 or US\$0.045 per Warrant Share expiring on February 25, 2019. The value of the attached warrants was estimated as \$24,000 with reference to the Black-Scholes option pricing model (see Note 11). These warrants have been classified as derivative warrant liabilities. \$723 of share issuance costs have been allocated to these warrants and have been expensed through the statement of comprehensive loss. The fair value of the derivative warrant liabilities at year end was \$24,000 and no revaluation gain or loss was recognized.

In addition, the Company also issued 5,302,528 non flow through units (“Debt Units”) in exchange for the cancellation of an aggregate of \$265,126 in debt owed to several creditors. Each Debt Unit consisted of one common shares and one common share purchase warrant (a “Debt Warrant”). 5,062,258 Debt Warrants entitled the holders to acquire one common share in the capital of the Company at an exercise price of \$0.05 per Debt Warrant Share and 240,000 Debt Warrant entitled the holders to acquire one common share in the capital of the Company at an exercise price of \$0.10 per Debt Warrant Share expiring on February 25, 2019. The value of the attached warrants was estimated as \$127,261 with reference to the Black-Scholes option pricing model (see Note 13). No gain or loss was recognized on settlement of debt (see Note 9).

The Company paid legal fee of \$11,064 out of the net proceeds to close the private placement on February 9, 2015 and February 25, 2015.

- 3) On September 2, 2015, the Company issued 3,333,333 non-flow-through units (“NFT Units A”) at the price of US\$0.045 per NFT Unit A and an aggregate of 2,000,000 non-flow-through units (“NFT Units B”) at the price of \$0.05 per NFT Unit B for gross proceeds of US\$150,000 (equivalent of Cdn\$199,663) and \$100,000 respectively. Each NFT Unit A and NFT Unit B consists one non-flow-through common shares and one non-flow-through common share purchase warrant (“Warrant”). One full Warrant allows the holder to acquire one non-flow-through (NFT) common share of the Company (a “Warrant Share”) for a period of 36 months at an exercise price of US\$0.070 or Cdn\$0.075 (for NFT Unit A warrants) and Cdn\$0.075 (for NFT Unit B) per Warrant Share at any time until close of business on September 2, 2018. The value of the warrants attached to the NFT Units A was initially estimated as \$78,333 and revalued as at November 30, 2015 as \$76,667 with reference to the Black-Scholes option pricing model, with \$1,666 warrants revaluation gain recorded into profit and loss for the year ended November 30, 2015 (see Note 11). These warrants have been classified as derivative warrant liabilities. The value of the warrants attached to the NFT Unit B was initially estimated as \$44,146 with reference to the Black-Scholes option pricing model.

In addition, creditors, including Management and Directors, subscribed for 5,062,337 non-flow-through units (“Debt Units”) in settlement of total \$253,117 debts owed by the Company. Each Creditor Units consist of one non-flow-through common share and one non-flow-through common share purchase warrant (a “Warrant”). One full Warrant allows the holder to acquire one non-flow-through common share of the Company (a “Warrant Share”) in a period of 36 months since closing date of the private placement, at an exercise price \$0.075 per Warrant Share at any time until close of business on September 2, 2018. The value of the warrants attached to the Debt Units was initially estimated as \$111,741 with reference to the Black-Scholes option pricing model. No gain or loss was recognized on settlement of debt.

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

(Unaudited and Expressed in Canadian Dollars)

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#### 12. Share capital - continued

In connection with the financing, the Company paid a cash commission of 8% of the funds raised and broker warrants of 8% of the NFT Units B, excluding the NFT Units A, through this offering with an estimated value of \$8,949 assigned to these broker warrants. Each broker warrant allows the holder to acquire one NFT Unit of the Company at an exercise price of \$0.05 per NFT Unit at any time until close of business on September 2, 2019. The Company paid legal fees of \$12,493 out of the net proceeds to close the private placement, \$6,621 of these fees were allocated to the units and \$5,872 were allocated to the warrants. \$4,743 of the fair value of the broker warrants were allocated to the warrants.

- 4) On April 7, 2016, the Company completed a brokered private placement of 909,091 flow-through units ("FT Units") at a price of CDN\$0.055 per FT Unit and 2,354,548 non-flow-through units ("NFT Units") at a price of CDN\$0.055 per NFT Unit, together for gross proceeds of CDN\$179,500. Each FT Unit consists of one common share of Augustine issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) and one half of a non-flow-through common share purchase warrant of Augustine ("Half-Warrant"). Holders of Half-Warrants can acquire one non-flow-through common share of Augustine ("Common Share") by using two (2) Half-Warrants for a period of 36 months from the date of issue at an exercise price of CDN\$0.08 per Common Share. Each NFT Unit consists of one Common Share and one non-flow-through common share purchase warrant of Augustine ("Warrant"). One Warrant allows the holder to acquire one Common Share for a period of 36 months from the date of issue at an exercise price of CDN\$0.08 per Common Share. The value of the warrants attached to both the FT and the NFT was initially estimated as \$10,838 and \$56,142, respectively with reference to the Black-Scholes option pricing model.

In connection with the brokered offering, the Company has paid it broker a cash commission of 8% of the funds raised and broker warrants in the aggregate amount of 8% of the number of FT Units and NFT Units issued. Each broker warrant entitles the holder thereof to acquire one NFT Unit for a period of 48 months from the date of issue at an exercise price of \$0.055 per NFT Unit, with an estimated value of \$13,260 assigned to these broker warrants with reference to the Black-Scholes option pricing model. The Company paid legal fees of \$4,527 out of the net proceeds to close the private placement, \$2,469 of these fees were allocated to the units and \$2,058 were allocated to the warrants. \$6,027 of the fair value of the broker warrants were allocated to the warrants.

- 5) On April 8, 2016, through a non-brokered private placement the Company issued of 5,222,221 units ("WAW Units") at a price of US\$0.045 for gross proceeds of US\$235,000 and 3,652,727 NFT WAW Units at a price of CDN\$0.055 for gross proceeds of \$200,900. The value of the warrants attached to the WAW Units and the NFT WAW Units were initially estimated as \$139,364 and \$97,480 with reference to the Black-Scholes option pricing model.

In addition, the Company issued in aggregate of 13,092,948 WAW Units to certain creditors of the Company in exchange for the cancellation of an aggregate \$720,112 in debt owing to the creditors. Some of the creditors are directors and/or officers of Augustine. Each WAW Unit consists of one Common Share and one Warrant. Each Warrant entitles the holder thereof to acquire one Common Share for a period of 36 months from the date of issue at an exercise price of CDN\$0.08 CDN per Common Share. The value of the warrants attached to the Debt Units was initially estimated as \$349,409 with reference to the Black-Scholes option pricing model. No gain or loss was recognized on settlement of debt.

The Company paid legal fees of \$32,153 out of the net proceeds to close the private placement, \$16,369 of these fees were allocated to the units and \$15,784 were allocated to the warrants.

- 6) On May 3, 2016, the Company completed a brokered private placement of 100,000 non-flow-through units ("NFT Units") at a price of CDN\$0.055 per NFT Unit, for gross proceeds of CDN\$5,500. Each NFT Unit consists of one Common Share and one non-flow-through common share purchase warrant of Augustine ("Warrant"). One Warrant allows the holder to acquire one Common Share for a period of 36 months from the date of issue at an exercise price of CDN\$0.08 per Common Share. The value of the warrants attached to the NFT Units was initially estimated as \$3,058 with reference to the Black-Scholes option pricing model.

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

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#### 12. Share capital - continued

In connection with the brokered offering, the Company has paid it broker a cash commission of 8% of the funds raised and broker warrants in the aggregate amount of 8% of the number of NFT Units issued. Each broker warrant entitles the holder thereof to acquire one NFT Unit for a period of 48 months from the date of issue at an exercise price of \$0.055 per NFT Unit, with an estimated value of \$562 assigned to these broker warrants with reference to the Black-Scholes option pricing model.

The Company also completed a non-brokered private placement (“WAW Offering”) of 2,085,334 units (“WAW Units”) at a price of US\$0.045 for gross proceeds of US\$93,840 and 363,636 NFT WAW Units at a price of CDN\$0.055 for gross proceeds of \$20,000. The value of the warrants attached to the NFT WAW Units was initially estimated as \$74,880 with reference to the Black-Scholes option pricing model.

In addition, the Company has issued an aggregate of 272,242 WAW units to certain creditors of the Company in exchange for the cancellation of an aggregate \$15,352 in debt owing to the creditors. One of the creditors is an officer of the Company. Each WAW Unit consists of one Common Share and one Warrant. Each Warrant entitles the holder thereof to acquire one Common Share for a period of 36 months from the date of issue at an exercise price of CDN\$0.080 CDN per Common Share. The value of the warrants attached to the WAW Units was initially estimated as \$8,324 with reference to the Black-Scholes option pricing model.

The Company paid legal fees of \$760 out of the net proceeds to close the private placement, \$345 of these fees were allocated to the units and \$415 were allocated to the warrants.

#### 13. Reserves

##### Reserve for warrants

The reserve for warrants represent share purchase warrants the Company issued in connection with private placements.

The following summarized warrants transactions and the number of warrants outstanding:

	Number of outstanding warrants	Value of warrants	Weighted average life	Weighted average exercise price
Balance as at December 1, 2014	13,350,000	\$ 375,018	1.3	\$ 0.10
Warrants issued (Note 12 – 1,2,3))	30,048,736	498,936	3.1	0.07
Warrants expired	(7,100,000)	(98,400)	-	0.12
Balance as at November 30, 2015	36,298,736	775,554	2.7	0.08
Warrants issued (Note 12 – 4,5,6))	27,598,201	739,496	2.6	0.08
Warrants expired	(1,000,000)	(165,000)	-	0.025
Balance as at August 31, 2016	62,896,937	\$ 1,350,050	2.3	\$ 0.073

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted or expired during the nine months period ended August 31, 2016 and the year ended November 30, 2015:

	Nine months ended August 31, 2016	Year ended November 30, 2015
Risk-free interest rate	0.59	0.54
Grant date share price	0.06	0.05
Expected volatility	176	184
Expected life	3.0	3.6
Expected dividend yield	0	0

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

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#### 13. Reserves – continued

The Company has determined its expected volatility based on the historical market price of its issued outstanding common shares.

The following share purchase warrants were outstanding as at August 31, 2016:

	Number of warrants	Expiry date	Exercise price (\$)
Warrants issued on March 6, 2014	5,250,000	06-Mar-17	\$0.05
Warrants issued on February 9, 2015	6,341,110	09-Feb-19	\$0.05 <sup>(1)</sup>
Warrants issued on February 9, 2015	7,009,428	09-Feb-19	\$0.10
Warrants issued on February 25, 2015	6,062,528	25-Feb-19	\$0.05 <sup>(2)</sup>
Warrants issued on February 25, 2015	240,000	25-Feb-19	\$0.10
Warrants issued on September 2, 2015	10,395,670	2-Sept-18	\$0.075 <sup>(3)</sup>
Warrants issued on April 7, 2016	2,809,093	7-Apr-19	\$0.08
Warrants issued on April 8, 2016	21,967,896	7-Apr-19	\$0.08
Warrants issued on May 3, 2016	2,821,212	3-May-19	\$0.08
Total	62,896,937		\$0.073

(1) 3,911,110 warrants are exercisable at \$0.05 or US\$0.045.

(2) 1,000,000 warrants are exercisable at \$0.05 or US\$0.045.

(3) 3,333,333 warrants are exercisable at \$0.075 or US\$0.070.

#### Reserve for share based payments

Reserve for share based payments relates to stock options and compensation warrants that have been issued by the Company and for expired warrants issued in private placements. The following summarized transactions in share-based payments reserve during the nine months period ended August 31, 2016 and the year ended November 30, 2015:

	For the nine months ended August 31, 2016	For the year ended November 30, 2015
Balance, beginning of the period/year	\$ 3,587,876	\$ 3,144,335
Share based payments <sup>1)</sup>	-	327,164
Fair value of compensation warrants (note 12-1,2,3,4,5,6)	13,822	17,977
Reallocation of value from expired warrants	165,000	98,400
Balance, end of the period/year	\$ 3,766,698	\$ 3,587,876

#### 1) Stock options

The Company has an incentive stock options plan (the “Plan”) under which it is authorized to grant stock options to the Company’s employees, directors and officers and persons providing ongoing services to the Company, with a fixed number of maximum options available to be granted that approved at the discretion of the Company’s Board of Directors. As at August 31, 2016 the approved maximum number of common shares which may be set aside for issuance under the Plan was 13,319,041 common shares.

The Plan allows for the option price at the time each option is granted to be not less than the closing marketed price of the Company’s common shares on the day immediately preceding the day upon which the option is granted. Options granted under the Plan will have a term not to exceed ten years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the CSE.

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

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(Unaudited and Expressed in Canadian Dollars)

### 13. Reserves – continued

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Nine months ended August 31, 2016			Year ended November 30, 2015		
	Number of options	Weighted average exercise price (\$)	Weighted average expected life (years)	Number of options	Weighted average exercise price (\$)	Weighted average expected life (years)
Outstanding - beginning of period	13,225,000	\$ 0.07	3.53	8,855,000	\$ 0.08	3.66
Granted	-	-	-	5,300,000	0.065	4.63
Expired	(2,325,000)	-	-	(330,000)	0.10	-
Forfeited	-	-	-	(600,000)	0.08	-
Outstanding - end of period	<u>10,900,000</u>	<u>\$ 0.07</u>	<u>3.44</u>	<u>13,225,000</u>	<u>\$ 0.07</u>	<u>3.53</u>
Exercisable - end of period	<u>10,900,000</u>	<u>\$ 0.07</u>	<u>3.44</u>	<u>13,225,000</u>	<u>\$ 0.07</u>	<u>3.53</u>

As at August 31, 2016 and November 30, 2015, the Company's outstanding stock options consists the following:

As at August 31, 2016			As at November 30, 2015		
Options issued	Exercise price	Expiry date	Options issued	Exercise price	Expiry date
-	-	-	2,325,000	0.10	Apr. 30, 2016
5,600,000	0.065	Sept.10, 2019	5,600,000	0.065	Sept.10, 2019
<u>5,300,000</u>	<u>0.065</u>	<u>Jul.16, 2020</u>	<u>5,300,000</u>	<u>0.065</u>	<u>Jul. 16, 2020</u>
<u>10,900,000</u>			<u>13,225,000</u>		

No stock options were granted in the nine months period ended August 31, 2016. During the year ended November 30, 2015 the Company granted 5,300,000 stock options to directors, officers, employees and consultants resulting in share based compensation expenses using the Black-Scholes option pricing model of \$327,164. This amount was also recorded as reserves on the statement of financial position. The weighted average fair value of the stock options granted during 2015 was \$0.062.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during 2015:

Risk-free interest rate (%)	1.63
Grant date share price (\$)	0.065
Expected volatility (%)	173.5
Expected life (years)	5
Expected dividend yield (%)	-

## Augustine Ventures Inc.

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

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#### 13. Reserves – continued

##### 2) Compensation warrants

	Nine months period ended August 31, 2016			Year ended November 30, 2015		
	Number of warrants	Weighted average exercise price (\$)	Weighted average expected life (years)	Number of warrants	Weighted average exercise price (\$)	Weighted average expected life (years)
Outstanding - beginning of period <sup>1)</sup>	1,874,400	\$ 0.14	2.27	2,096,000	\$ 0.13	1.26
Granted <sup>2)</sup>	269,091	0.055	3.60	354,400	0.05	3.45
Expired	(80,000)	0.20	-	(576,000)	0.06	-
Outstanding - end of period	<u>2,063,491</u>	<u>\$ 0.12</u>	<u>2.05</u>	<u>1,874,400</u>	<u>\$ 0.14</u>	<u>2.27</u>
Exercisable - end of period	<u>2,063,491</u>	<u>\$ 0.12</u>	<u>2.05</u>	<u>1,874,400</u>	<u>\$ 0.14</u>	<u>2.27</u>

- 1) As a result of a private placement of the Company closed in 2011, the Company issued at arm's length an aggregate of 1,020,000 compensation warrants where each compensation warrant entitles the holder thereof to purchase one Unit of the Company's securities at an exercise price of \$0.20 per unit (the "Unit") for a period of two years from the date that the Company completes either: (i) a distribution to the public of common shares in Canada pursuant to a prospectus and the concurrent listing of the common shares for trading on a recognized stock exchange, or (ii) another transaction as a result of which all outstanding common shares, or the securities of another issuer issued in exchange for all such outstanding common shares, are traded on a recognized stock exchange and are freely tradable (subject to control block restrictions) (the "Liquidity Event").

Each Unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.40 expiring two years from the date of the Liquidity Event.

As at August 31, 2016 and November 30, 2015, such Liquidity Event has not incurred, and hence the total 1,020,000 broker warrants were included in the number of warrants outstanding at the beginning of both period/years, and not included into the calculation of weighted average life for the warrants as no specific expiry date is applicable.

- 2) In the nine months period ended August 31, 2016, the Company granted 269,091 compensation warrants to agents as commissions to close private placements and resulting in compensation warrants expenses recorded as share issuance cost using the Black-Scholes options pricing model of \$13,822. This amount was recorded as reserves on the statement of financial position. The weighted average fair value of the compensation granted during the nine months period ended August 31, 2015 was \$0.051.

During the year ended November 30, 2015 the Company granted 354,400 compensation warrants to agents as commissions to close private placements, and resulting in compensation warrants expenses recorded as share issuance cost using the Black-Scholes option pricing model of \$17,977. This amount was also recorded as reserves on the statement of financial position. The weighted average fair value of the compensation granted during the current year was \$0.051.

The following weighted average assumptions were used for the Black-Scholes valuation of compensation warrants granted during the nine months period ended August 31, 2016 and the year ended November 30, 2015:

## Augustine Ventures Inc.

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#### 13. Reserves – continued

	Nine months August 31, 2016	Year ended November 30, 2014
Risk-free interest rate	0.61	0.61
Grant date share price	0.06	0.050
Expected volatility	176.6	179.0
Expected life	4	4.0
Expected dividend yield	0	0

#### 14. Basic loss per share

	Three months ended August 31,		Nine months ended August 31,	
	2016	2015	2016	2015
Basic loss per share (\$)	0.0013	0.0072	0.0056	0.0121

The calculation of basic loss per shares for the three months period ended August 31, 2016 and 2015 was based on the loss attributable to common shareholders of \$133,022 (2015 - \$483,925) and the weighted average number of common shares outstanding of 105,378,273 (2015 – 66,929,856).

The calculation of basic loss per shares for the nine months period ended August 31, 2016 and 2015 was based on the loss attributable to common shareholders of \$517,206 (2015 - \$742,156) and the weighted average number of common shares outstanding of 91,974,378 (2015 – 61,540,969).

Diluted loss per share did not include the effect of 10,090,000 (2015 – 13,225,000) stock options, 2,063,491 (2015 – 1,714,400) compensation warrants and 62,896,937 (2015 – 25,903,066) warrants issued attached to common shares, as the effect would be anti-dilutive.

#### 15. Financial instruments and risk exposures

The Company's financial instruments consist of cash and cash equivalents, restricted cash and sundry receivables, accounts payable and accrued liabilities, amount due to related parties and derivative warrant liabilities.

Financial assets and financial liabilities as at August 31, 2016 and November 30, 2015 are as follows:

	As at August 31, 2016				As at November 30, 2015			
	Other liabilities (S)	Loans and receivables (\$)	Assets/(liabili- ties) at fair value through profit/loss (\$)	Total	Other liabilities (S)	Loans and receivable s (\$)	Assets/(liabili- ties) at fair value through profit/loss (\$)	Total
Cash and cash equivalents	-	-	364,947	364,947	-	-	89,275	89,275
Sundry receivables	-	26,443	-	26,443	-	42,611	-	42,611
Trade and other payables	145,550	-	-	145,550	304,264	-	-	304,264
Restricted cash	-	-	10,000	10,000	-	-	10,000	10,000
Due to related parties	69,350	-	-	69,350	247,432	-	-	247,432
Derivative warrant liabilities	-	-	194,534	194,534	-	-	194,534	194,534

## **Augustine Ventures Inc.**

### Notes to the Condensed Interim Financial Statements

For the three and nine months periods ended August 31, 2016 and 2015

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#### **15. Financial instruments and risk exposures - continued**

The fair values of sundry receivables and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity of these instruments. The due to related parties amounts bear no interest, have no specific terms of repayment and are due on demand. The fair values of these amounts have not been disclosed because the cash flow streams of the related party amounts are not determinable. Derivative warrant liabilities represents the fair value of warrants issued with embedded derivatives and revalued as at August 31, 2016 and November 30, 2015. A gain of \$Nil on revaluation of the warrants issued with embedded derivatives was recorded into profit and loss for the nine months period ended August 31, 2016 (year ended November 30, 2015: \$1,666).

The Company's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk, interest rate risk and market risk, which includes commodity and equity price risks. Risk management is carried out by the Company's management with guidance from the Audit Committee.

##### *Financial risks*

The Company has exposure to the following risks from its use of financial instruments:

##### *Currency risk*

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

##### *Credit risk*

Credit risk is the risk of an unexpected loss if a financial instrument fails to meet its contractual obligations. The Company's cash is mainly held through a chartered Canadian financial institution.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. As at August 31, 2016 the Company has working capital surplus of \$328,021 (November 30, 2015 – working capital deficiency of \$401,432). It is management's opinion that the Company is exposed to liquidity risk in that it had a working capital deficiency; however, it continues its discussions with its creditors to delay formal demands for payment of their receivables.

##### *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 is not exposed to interest rate risk due to the short-term nature of its financial instruments.

##### *Sensitivity analysis*

The Company believes the sensitivity to a plus or minus 1% change in interest rates would not have a significant impact on the reported net loss for the nine months period ended August 31, 2016 because none of the Company's assets or liabilities bears interest at variable rates.



## **Augustine Ventures Inc.**

### Notes to the Condensed Interim Financial Statements

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#### **16. Capital management**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserves and deficit which at August 31, 2016 totaled \$3,696,133 (November 30, 2015 - \$2,699,787)

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its exploration and evaluation activities.

The Company's capital management objectives, policies and processes have remained unchanged during the nine months period ended August 31, 2016 from the year ended November 30, 2015.

The Company is not subject to any externally imposed capital requirements.

The Company's operations comprise a single reporting operating segment engaged in resource exploration through investing in resource properties. As the operations comprise a single reporting segment, amounts disclosed in the financial statements for loss for the period also represent segment results. All of the Company's operations and assets are situated in Ontario, Canada.