



CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the year ended January 31, 2016 and the year ended January 31, 2015



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Independent Auditor's Report

To the Shareholders of Asante Gold Corporation

We have audited the accompanying consolidated financial statements of Asante Gold Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at January 31, 2016 and January 31, 2015, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Asante Gold Corporation and its subsidiaries as at January 31, 2016 and January 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the material uncertainties that may cast substantial doubt about the ability of Asante Gold Corporation to continue as a going concern.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, British Columbia
May 27, 2016**

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CONSOLIDATED FINANCIAL STATEMENTS
Expressed in Canadian Dollars

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | January 31, 2016 | January 31, 2015 |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 4,982 | \$ 21,449 |
| Receivables | 13,140 | 6,715 |
| Prepaid expenses and deposits | 19,760 | 10,050 |
| Total Current Assets | 37,882 | 38,214 |
| Non-current Assets | | |
| Fixed assets (Note 5) | 18,333 | 22,099 |
| Exploration and evaluation assets (Note 6) | 4,105,824 | 3,312,457 |
| Total Assets | \$ 4,162,039 | \$ 3,372,770 |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Trade and other payables | \$ 908,907 | \$ 49,266 |
| Due to related parties (Note 11) | 2,216,086 | - |
| Total Current Liabilities | 3,124,993 | 49,266 |
| Long Term Liabilities | | |
| Due to related parties (Note 11) | - | 1,449,717 |
| Other liabilities (Note 12) | - | 378,752 |
| Total Liabilities | 3,124,993 | 1,877,735 |
| Equity | | |
| Share capital (Note 7) | 4,180,129 | 4,115,129 |
| Reserve for share-based payments (Note 8) | 680,124 | 661,270 |
| Reserve for warrants (Note 7) | 111,378 | 78,878 |
| Accumulated other comprehensive income | 854,552 | 576,032 |
| Accumulated deficit | (4,789,137) | (3,936,274) |
| Total Equity | 1,037,046 | 1,495,035 |
| Total Liabilities and Equity | \$ 4,162,039 | \$ 3,372,770 |

"Douglas MacQuarrie & Alex Heath"

Signed on behalf of the Board of Directors

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

| | Year ended January 31, | |
|---|---------------------------|-------------------|
| | 2016 | 2015 |
| Expenses | | |
| Amortization | \$ 951 | \$ 1,263 |
| Directors' fees (Note 11) | 46,818 | 43,618 |
| Foreign exchange loss | 1,728 | 352 |
| Share-based payments (Note 8) | 18,854 | 55,870 |
| Management and consulting fees (Note 11) | 251,912 | 182,500 |
| Professional services (Note 11) | 237,578 | 173,894 |
| Shareholder communications (Note 11) | 95,975 | 106,309 |
| Advertising, trade shows and promotions | 61,174 | 11,821 |
| Transfer agent and regulatory fees | 25,289 | 16,803 |
| Travel | 31,078 | 20,479 |
| General office | 81,506 | 73,472 |
| Loss on disposal of assets | - | 25,089 |
| Net loss for the year | 852,863 | 711,470 |
| Other comprehensive loss/(income) | | |
| Currency translation adjustment | (278,520) | (318,512) |
| Total comprehensive loss for the year | \$ 574,343 | \$ 392,958 |
| Loss per common share, basic and diluted (Note 14) | \$ 0.04 | \$ 0.03 |

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended January 31, 2016
Expressed in Canadian Dollars

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Share capital | Accumulated deficit | Reserve for share-based payments | Reserve for warrants | Accumulated other comprehensive income | Total |
|--|---------------|---------------------|----------------------------------|----------------------|--|--------------|
| Balance - January 31, 2015 | \$ 4,115,129 | \$ (3,936,274) | \$ 661,270 | \$ 78,878 | \$ 576,032 | \$ 1,495,035 |
| Common shares and warrants issued for cash | 65,000 | - | - | 32,500 | - | 97,500 |
| Net loss for the year | - | (852,863) | - | - | - | (852,863) |
| Share-based payments | - | - | 18,854 | - | - | 18,854 |
| Currency translation adjustment | - | - | - | - | 278,520 | 278,520 |
| Balance - January 31, 2016 | \$ 4,180,129 | \$ (4,789,137) | \$ 680,124 | \$ 111,378 | \$ 854,552 | \$ 1,037,046 |

| | Share capital | Accumulated deficit | Reserve for share-based payments | Reserve for warrants | Accumulated other comprehensive income | Total |
|-----------------------------------|---------------|---------------------|----------------------------------|----------------------|--|--------------|
| Balance - January 31, 2014 | \$ 4,115,129 | \$ (3,224,804) | \$ 605,400 | \$ 78,878 | \$ 257,520 | \$ 1,832,123 |
| Net loss for the year | - | (711,470) | - | - | - | (711,470) |
| Share-based payments | - | - | 55,870 | - | - | 55,870 |
| Currency translation adjustment | - | - | - | - | 318,512 | 318,512 |
| Balance - January 31, 2015 | \$ 4,115,129 | \$ (3,936,274) | \$ 661,270 | \$ 78,878 | \$ 576,032 | \$ 1,495,035 |

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended January 31, | |
|--|------------------------|------------------|
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Net loss for the year | \$ (852,863) | \$ (711,470) |
| Items not affecting cash: | | |
| Amortization | 951 | 1,263 |
| Foreign exchange loss | 1,728 | 352 |
| Share-based payments | 18,854 | 55,870 |
| Loss on disposal of assets | - | 25,089 |
| General office | 5,000 | 8,794 |
| Changes in non-cash working capital balances: | | |
| Prepaid expenses and deposits | (9,710) | 2,915 |
| Receivables | (6,425) | 4,027 |
| Trade and other payables | 312,378 | 41,686 |
| Due to related parties | 131,039 | 395,770 |
| Total cash (outflows) from operating activities | (399,048) | (175,704) |
| Cash flows from investing activities | | |
| Investment in exploration and evaluation assets | (270,589) | (78,999) |
| Fixed assets | (2,483) | 15,487 |
| Total cash (outflows) from investing activities | (273,072) | (63,512) |
| Cash flows from financing activities | | |
| Share capital | 97,500 | - |
| Repayment of due to related parties | (62,750) | - |
| Due to related parties | 622,631 | 246,959 |
| Total cash inflows from financing activities | 657,381 | 246,959 |
| Effect of foreign exchange on cash | (1,728) | (352) |
| Total increase (decrease) in cash during the year | (16,467) | 7,391 |
| Cash at beginning of the year | 21,449 | 14,058 |
| Cash at end of the year | \$ 4,982 | \$ 21,449 |
| | 2016 | 2015 |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

Supplemental cash flow information (Note 15)

The accompanying notes form an integral part of these consolidated financial statements

1. CORPORATE INFORMATION

Asante Gold Corporation's business activity is the exploration and evaluation of mineral properties in Ghana, West Africa. Asante Gold Corporation (the "Company" or "Asante") was incorporated under the Canada Business Corporations Act on May 4, 2011, and has continued as a company under the Business Corporations Act of British Columbia. The Company listed on the TSX Venture Exchange on February 28, 2012 under the symbol "ASE" until it listed and commenced trading on the Canadian Securities Exchange ("CSE") on May 28, 2015. The Company is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is Suite 206, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

2. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements were authorized for issue by the Board of Directors on May 27, 2016.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial assets or liabilities at fair value through profit or loss ("FVTPL") and available-for-sale financial assets which are presented at their fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The functional currency of the Company's wholly owned subsidiaries is the United States dollar. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

c) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a comprehensive loss of \$574,343 during the year ended January 31, 2016 (2015:\$392,958) and as of that date the Company's accumulated deficit was \$4,789,137 (2015: \$3,936,274). The Company intends to raise further financing through private placements and project financing.

These consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise funds to continue operations and, although it has been successful thus far in doing so, there is no assurance it will be able to do so in the future. These material uncertainties raise substantial doubt about the Company's ability to continue as a going concern. These consolidated 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 in business.

d) Basis of Consolidation

These consolidated financial statements present the results of the Company and its wholly owned subsidiaries: Asante Gold Corporation (GH) Limited, registered in Barbados, and ASG Mining Limited, registered in Ghana. All intercompany accounts and transactions have been eliminated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Foreign Currency Transactions

Items included in the consolidated financial statements of the Company and its subsidiaries (the “Group”) are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Canadian dollars. Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income/ loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group’s currency translation reserve and are recognized in profit or loss in the period in which the operation is disposed of.

b) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Currently the Company holds only cash.

c) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and amortization on plant and equipment used during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) **Mineral Exploration and Evaluation Expenditures (continued)**

Exploration and Evaluation Expenditures (continued)

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is classified as ‘mines under construction’. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Exploration and evaluation assets are classified as intangible assets.

d) **Fixed Assets**

On initial recognition, fixed assets are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Fixed assets are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not amortized. Depreciation is provided over the estimated useful lives of the assets on the following basis and rates per annum:

| | |
|--------------------------------|----------------------------------|
| Vehicles | 5 years on a straight line basis |
| Office furniture and equipment | 5 years on a straight line basis |
| Field tools and equipment | 5 years on a straight line basis |

The cost of replacing part of an item of fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss as incurred.

An item of fixed assets is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss for the period.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for fixed assets and any changes arising from the assessment are applied by the Company prospectively.

Where an item of fixed assets comprises major components with different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component of an item of fixed assets, including major inspection and overhaul expenditures, are capitalized.

e) **Impairment of Non-Financial Assets**

Impairment tests on intangible assets with indefinite useful economic lives are undertaken at each reporting date. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down to the recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) **Impairment of Non-Financial Assets (continued)**

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

f) **Financial Instruments**

Financial Assets

Financial assets are classified and subsequently measured, based on the purpose for which the asset was acquired, as presented below. All transactions related to financial instruments are recorded on a trade date basis.

| Asset | Classification | Subsequent Measurement |
|-------------|-----------------------|------------------------|
| Cash | FVTPL | FVTPL |
| Receivables | Loans and receivables | Amortised cost |

Financial assets at fair value through profit or loss ("FVTPL")

FVTPL assets are initially measured at fair value without transaction costs, and subsequent gains or losses are recognized in profit or loss.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-For-Sale Financial Assets

Non-derivative financial assets not included in the above categories are classified as available-for-sale financial assets. Available-for-sale financial assets are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale financial assets are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Held-to-Maturity Investments

Held-to-maturity investments are measured at amortized cost.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial Instruments (continued)

Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the final asset and substantially all the risks and rewards of ownership to another entity.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or as other financial liabilities, based on the purpose for which the liability was incurred.

Other Financial Liabilities

Other financial liabilities comprise of trade and other payables, due to related parties and other liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried on the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade and other payable amounts are unsecured and are usually paid within 30 days of recognition.

Financial liabilities at fair value through profit and loss ("FVTPL")

FVTPL liabilities are initially measured at fair value without transaction costs, and subsequent gains or losses are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

g) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by its exploration and evaluation activities. The Company records the present value of the estimated costs of legal or constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related provision not necessarily limited to exploration and evaluation assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Provisions (continued)

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the discounted future cash flows required to settle the obligation.

h) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

i) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, options and warrants are classified as equity instruments.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Valuation of Warrants

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the closing quoted trading price on the announcement date, and the balance, if any, to the attached warrants.

Earnings / Loss per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to re-purchase common shares of the Company at the average market price during the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in reserve for share-based payments, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserve for share-based payments is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

k) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets requiring a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense.

l) Interests in Joint Arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which we have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which we have rights to only the net assets of the arrangement.

Joint ventures are accounted for in accordance with the policy "Investments in Associates and Joint Ventures." Joint operations are accounted for by recognizing our share of the assets, liabilities, revenue, expenses and cash flows of the joint operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) New Standards Adopted in the Current Period

The following amendments are effective and have been adopted by the Company on February 1, 2015. The adoption of these amendments had no material impact on the consolidated financial statements.

Amendments to IAS 24 - 'Related Party Disclosures'

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation.

Amendments to IFRS 2 - 'Share Based Payment'

The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition.

n) Standards, Amendments and Interpretations Not Yet Effective

The International Accounting Standards Board has issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company is currently evaluating the potential impact of these standards and amendments and does not anticipate early adoption. The following is a brief summary of the new and amended standards and interpretations:

IFRS 9 - 'Financial Instruments'

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 11 - 'Joint Arrangements'

These amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRS standards, except for those principles that conflict with the guidance in IFRS 11; and (b) disclose the information required by IFRS 3 and other IFRS standards for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured). These amendments are effective for reporting periods beginning on or after January 1, 2016.

IFRS 16 - 'Leases'

This new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The application of this standard is effective for annual periods beginning on or after January 1, 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Estimates have been applied in the following areas:

a) Rehabilitation Provisions

No rehabilitation provisions have been created based on the Company's activity to date. Based upon the prevailing economic environment, assumptions will be made which management believes are reasonable upon which to estimate the future liability. These estimates will take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

The areas in which the Company has exercised critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

a) Exploration and Evaluation Expenditures

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

b) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. Utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

d) Going concern assessment

The Company applies judgements in assessing whether material uncertainties exist that would cause significant doubt as to whether the Company could continue to exist as a going concern. Based on cash flow projections for at least the next 12 months management has determined that going concern uncertainties exist and therefore cast significant doubt as to the Company's ability to continue as a going concern (see Note 2).

5. FIXED ASSETS

| | Field tools & equipment | Office furniture & equipment | Vehicles | Total |
|------------------------------------|----------------------------|---------------------------------|-----------|------------|
| Cost | | | | |
| Balance at January 31, 2014 | \$ 20,133 | \$ 2,507 | \$ 83,896 | \$ 106,536 |
| Disposals | (17,536) | - | (53,346) | (70,882) |
| Currency translation adjustment | (347) | - | 2,858 | 2,511 |
| Balance at January 31, 2015 | 2,250 | 2,507 | 33,408 | 38,165 |
| Additions | - | 2,483 | - | 2,483 |
| Currency translation adjustment | - | - | 3,457 | 3,457 |
| Balance at January 31, 2016 | \$ 2,250 | \$ 4,990 | \$ 36,865 | \$ 44,105 |
| Amortization | | | | |
| Balance at January 31, 2014 | \$ 5,772 | \$ 844 | \$ 20,115 | \$ 26,731 |
| Amortization | 1,162 | 734 | 2,531 | 4,427 |
| Disposals | (5,698) | - | (13,973) | (19,671) |
| Currency translation adjustment | (111) | - | 4,690 | 4,579 |
| Balance at January 31, 2015 | 1,125 | 1,578 | 13,363 | 16,066 |
| Amortization | 450 | 501 | 6,810 | 7,761 |
| Currency translation adjustment | - | - | 1,945 | 1,945 |
| Balance at January 31, 2016 | \$ 1,575 | \$ 2,079 | \$ 22,118 | \$ 25,772 |
| Carrying amounts | | | | |
| at January 31, 2015 | \$ 1,125 | \$ 929 | \$ 20,045 | \$ 22,099 |
| at January 31, 2016 | \$ 675 | \$ 2,911 | \$ 14,747 | \$ 18,333 |

During the year ended January 31, 2016, the Company capitalized \$6,810 (2015 - \$3,164) of amortization in exploration and evaluation assets.

6. EXPLORATION AND EVALUATION ASSETS

| | Fahiakoba | Betanase | Total |
|--------------------------------------|--------------|------------|--------------|
| Balance at January 31, 2014 | \$ 2,724,550 | \$ - | \$ 2,724,550 |
| Geology and geophysics | 52,011 | - | 52,011 |
| Field expenses | 37,861 | - | 37,861 |
| General and administrative (Note 11) | 108,409 | - | 108,409 |
| Currency translation adjustment | 389,626 | - | 389,626 |
| Balance at January 31, 2015 | 3,312,457 | - | 3,312,457 |
| Drilling | - | 161,569 | 161,569 |
| Assaying, testing and analysis | - | 11,546 | 11,546 |
| Geology and geophysics | 36,706 | 50,432 | 87,138 |
| Field expenses | 27,164 | 39,717 | 66,881 |
| General and administrative (Note 11) | 87,905 | 24,880 | 112,785 |
| Currency translation adjustment | 347,003 | 6,445 | 353,448 |
| Balance at January 31, 2016 | \$ 3,811,235 | \$ 294,589 | \$ 4,105,824 |

On June 15, 2011, the Company entered into a Purchase Agreement with Goknet Mining Company Limited (“Goknet”), a company with a common director, to acquire the Fahiakoba Concession, in the Ashanti and Central Regions in the Republic of Ghana, whereby the Company acquired a 100% interest in the Fahiakoba Concession (subject to a royalty interest) by paying Goknet the sum of US\$51,976 (C\$50,630) (paid July 12, 2011) and by agreeing to expend US\$1,000,000 over a five year period. This commitment has been met in full. The Company also granted Goknet a 3% net smelter return royalty on production from the Fahiakoba Concession.

The Company has executed an Option Agreement between the Company, Goknet Mining Company Limited (“Goknet”), Kubi Gold (Barbados) Limited (“Kubi”) and Asante Gold Corporation (GH) Limited to formalize the letter agreement of September 29, 2014 as amended December 29, 2014 and January 29, 2015, to earn a 50% interest in Kubi with the right to increase such interest to 75% and ultimately 100% upon completion of certain conditions.

In terms of the agreement, Asante shall issue 2,000,000 common shares to Goknet on the closing date, and within four months of the closing date shall contribute not less than US\$2,000,000 to Kubi, and thereafter within two years of closing date shall contribute a further US\$13,000,000 to earn a 50% interest. The Company has not issued these shares to Goknet. Closing of the option agreement is pending financing.

The Company has entered into an Option and Sale Agreement with Perseus Mining (Ghana) Limited (“Perseus”) to acquire up to a 100% interest in their Betanase Permit in Ghana.

The Company may exercise the option to earn 100% interest in Betanase (subject to 10% reserved for the Government of Ghana, and 1% underlying NSR royalties) by completing US\$1million in exploration within four years and by paying US\$1million to Perseus. In the event the option is fully exercised it will also be subject to and included in the area of influence of the definitive Kubi Option Agreement between the Company and Goknet.

To date, assessment of exploration and evaluation assets has not resulted in any impairment of the Company’s properties.

7. SHARE CAPITAL AND RESERVES

a) Common Shares

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

The holders of common shares will be entitled to receive dividends which will be declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of changes in common share capital:

| | Number of shares | Amount |
|---|------------------|--------------|
| Balance at January 31, 2014 and 2015 | 22,481,000 | \$ 4,115,129 |
| Common shares issued for cash | 650,000 | 65,000 |
| Balance at January 31, 2016 | 23,131,000 | \$ 4,180,129 |

From January 31, 2014 to January 31, 2016 the following stock transactions occurred:

Pursuant to TSX-V requirements, shares and warrants held by insiders prior to the IPO became subject to escrow. A total of 5,285,000 shares and 2,700,000 warrants were initially placed into escrow, of which 1,430,000 warrants expired unexercised on June 10, 2013. The final release from escrow took place on February 28, 2015.

On January 5, 2016, pursuant to a private placement, the Company issued 650,000 units for proceeds of \$97,500, of which \$65,000 was allocated to share capital using the residual value method.

Each unit consists of one common share and one half of one transferable share purchase warrant. Each full share purchase warrant entitles the holder to purchase one common share at a price of \$0.30 per share at any time until January 5, 2018.

b) Share Purchase Warrants

The expiry date of 2,000,000 warrants originally due to expire on February 28, 2014 has been extended to February 28, 2017 and the exercise price has been reduced from \$0.70 to \$0.15 per common share.

The following is a summary of warrant activity from January 31, 2014 to January 31, 2016 together with warrants outstanding and exercise conditions:

| | Number of Warrants | | |
|------------------------------------|--------------------|--|--|
| Balance at January 31, 2014 | 2,300,000 | | |
| Expired warrants | (300,000) | | |
| Balance at January 31, 2015 | 2,000,000 | | |
| Issued | 325,000 | | |
| Balance at January 31, 2016 | 2,325,000 | | |

| | Number of warrants | Exercise price | Expiry date |
|--|--------------------|----------------|-------------------|
| | 2,000,000 | \$ 0.15 | February 28, 2017 |
| | 325,000 | \$ 0.30 | January 5, 2018 |
| | 2,325,000 | | |

7. SHARE CAPITAL AND RESERVES (CONTINUED)

c) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's statement of financial position reflect the value of stock option grants and share warrants. 'Reserve for Share-Based Payments' and 'Reserve for Warrants' are used to recognize the value of stock option grants and share warrants respectively, prior to exercise. 'Accumulated Deficit' is used to record the Company's change in deficit from profit or loss from period to period.

8. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has an incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day of the grant less any discount allowable under CSE rules, at terms of up to five years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. In accordance with the Plan, options vest immediately upon grant unless otherwise specified by the Directors, with the exception of personnel working in Investor Relations whose options vest 25% every three months until all options are fully vested. Under the plan, the maximum number of shares which may be reserved for issuance is 10% of the number of issued and outstanding common shares.

On May 1, 2014 the Company re-priced 450,000 options previously awarded to non-insiders and consultants from \$0.75 to \$0.15.

The following is a summary of option activity since January 31, 2014 to January 31, 2016 together with options outstanding as at January 31, 2016 and their exercise conditions.

| | Number of Options | Exercise Price | Expiry date |
|---------------------------------|--------------------------|-----------------------|--------------------|
| Balance January 31, 2014 | 1,550,000 | | |
| Grant of options | 200,000 | \$ 0.15 | April 11, 2019 |
| Grant of options | 450,000 | \$ 0.15 | May 15, 2019 |
| Forfeiture of options | (200,000) | | |
| Balance January 31, 2015 | 2,000,000 | | |
| Grant of options | 220,000 | \$ 0.15 | July 2, 2020 |
| Balance January 31, 2016 | 2,220,000 | | |

8. SHARE-BASED PAYMENTS (CONTINUED)

Options outstanding as at January 31, 2016 are as follows:

| Grant Date | Expiry Date | Exercise Price | Balance | Vested and Exercisable |
|--|-------------|----------------|-----------|---------------------------|
| 10/24/2011 | 6/30/2016 | \$ 0.75 | 200,000 | 200,000 |
| 5/15/2014 | 6/30/2016 | \$ 0.15 | 100,000 | 100,000 |
| 10/24/2011 | 10/24/2016 | \$ 0.75 | 700,000 | 700,000 |
| 10/24/2011 | 10/24/2016 | \$ 0.15 | 250,000 | 250,000 |
| 4/3/2012 | 4/3/2017 | \$ 0.15 | 200,000 | 200,000 |
| 4/11/2014 | 4/11/2019 | \$ 0.15 | 200,000 | 200,000 |
| 5/15/2014 | 5/15/2019 | \$ 0.15 | 350,000 | 350,000 |
| 7/2/2015 | 7/2/2020 | \$ 0.15 | 220,000 | 220,000 |
| Balance as at January 31, 2016 | | | 2,220,000 | 2,220,000 |
| Weighted Average Exercise Price: | | | | \$ 0.39 |
| Weighted Average Remaining Life - 1.72 years | | | | |

- i) On July 2, 2015, 220,000 options were granted with a fair value of \$0.086 per option. The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

| | |
|------------------------------------|----------|
| Number of options | 220,000 |
| Estimated life | 5 years |
| Share price at date of grant | \$0.12 |
| Option exercise price | \$0.15 |
| Risk free interest rate | 1.10% |
| Estimated annual volatility | 100% |
| Expected dividends | \$Nil |
| Option fair value | \$0.086 |
| Fair value of compensation granted | \$18,854 |

- ii) On April 11, 2014, 200,000 options were granted with a fair value of \$0.05 per option. The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

| | |
|------------------------------------|---------|
| Number of options | 200,000 |
| Estimated life | 5 years |
| Share price at date of grant | \$0.07 |
| Option exercise price | \$0.15 |
| Risk free interest rate | 1.16% |
| Estimated annual volatility | 107% |
| Expected dividends | \$Nil |
| Option fair value | \$0.05 |
| Fair value of compensation granted | \$9,560 |

8. SHARE-BASED PAYMENTS (CONTINUED)

- iii) On May 15, 2014, 450,000 options were granted with a fair value of \$0.077 per option. The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

| | |
|------------------------------------|----------|
| Number of options | 450,000 |
| Estimated life | 5 years |
| Share price at date of grant | \$0.085 |
| Option exercise price | \$0.15 |
| Risk free interest rate | 1.16% |
| Estimated annual volatility | 159% |
| Expected dividends | \$Nil |
| Option fair value | \$0.077 |
| Fair value of compensation granted | \$34,560 |

- iv) On May 1, 2014, 450,000 options were repriced to an exercise price of \$0.15 per share. The fair value of each repriced option was estimated on the repricing grant date using the Black-Scholes option pricing model with the following assumptions:

| | | |
|------------------------------------|------------|------------|
| Number of options | 250,000 | 200,000 |
| Estimated life | 2.48 years | 2.93 years |
| Share price at date of grant | \$0.085 | \$0.085 |
| Option exercise price | \$0.15 | \$0.15 |
| Risk free interest rate | 1.12% | 1.18% |
| Estimated annual volatility | 100% | 100% |
| Expected dividends | \$Nil | \$Nil |
| Option fair value | \$0.026 | \$0.026 |
| Fair value of compensation granted | \$6,525 | \$5,225 |

Due to the comparatively recent listing and therefore limited duration of trading in the Company's stock, volatility has been estimated on the basis of comparable listed entities in the gold sector.

9. FINANCIAL INSTRUMENTS

- a) Disclosures:

The Company's financial instruments consist of cash, receivables, trade and other payables, due to related parties, and other liabilities.

The carrying values of the above approximate their respective fair values. All financial instruments carried at fair value at January 31, 2016 were determined using Level 1 inputs.

- b) Financial instrument risk exposure and risk management:

- i) Credit risk:

Credit risk is the unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. With very limited receivables and cash on deposit with sound financial institutions, it is management's opinion that the Company is not exposed to significant credit risks arising from the financial instruments.

9. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial instrument risk exposure and risk management (continued):

ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at January 31, 2016, the Company had current liabilities totaling \$3,124,993 (2015:\$49,266) and cash of \$4,982 (2015: \$21,449). Subsequent to January 31, 2016 the Company settled CAD\$854,019 and US\$180,275 of debt through the issuance of 10,967,000 common shares of the Company which were valued at \$0.05, as well as closed a private placement to raise \$213,300. The Company intends to raise funds from external sources through equity and debt.

iii) Market risk:

Market risk is the risk that changes in market prices such as commodity prices, foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters.

The Company does not use derivative instruments to reduce its exposure to market risks.

iv) Currency risk:

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. At January 31, 2016, the Company is exposed to currency risk through the following financial instruments denominated in foreign currencies:

| | US Dollars | Ghana Cedis | Euros |
|---------------------------|---------------|----------------|----------|
| Current liabilities | \$ 886,507 | ¢ 90,056 | € 4,550 |
| CAD foreign exchange rate | 1.3971 | 0.3477 | 1.5251 |
| CAD equivalent | \$ 1,238,538 | \$ 31,313 | \$ 6,939 |

A 10% increase in the Canadian (CAD) dollar against the foreign currency at January 31, 2016 would result in an increase (decrease) to net income in the amounts shown below, assuming that all other variables remain constant.

This analysis assumes that all other variables, in particular, interest rates, remain constant:

| | Dollars | Cedis | Euros |
|----------------------|------------|----------|--------|
| Change in net income | \$ 123,854 | \$ 3,131 | \$ 694 |

The Company is also exposed to foreign currency risk because the Company's exploration and evaluation assets are denominated in United States dollars. A 10% increase in the CAD dollar against the United States dollar at January 31, 2016 would result in a decrease to other comprehensive income of approximately \$411,000 arising from the Company's exploration and evaluation assets.

v) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has \$239,705 in interest bearing debt as of January 31, 2016 (2015: \$226,605). A change of 100 basis points in the interest rates would not be material to the consolidated financial statements.

9. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial instrument risk exposure and risk management (continued):

vi) Other risks:

As substantially all of the Company's exploration activities are conducted in Ghana, the Company is subject to different considerations and other risks not typically associated with companies operating in North America. These risks relate primarily to those typically associated with developing nations, and include a greater political risk, changes in government's ownership interest, sovereign risk, less developed infrastructure, and greater currency and inflation volatility.

c) Capital management

The Company includes cash and equity, comprising of issued common shares, reserves for share-based payments and warrants, accumulated other comprehensive income and accumulated deficit, in the definition of capital. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company's properties are in the exploration stage and as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes to the Company's approach to capital management during the year ended January 31, 2016. The Company is not subject to any external covenants.

10. INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the year.

As at January 31, 2016, the effective tax rate of income tax varies from the statutory rate as follows:

| | 2016 | 2015 |
|---|--------------|--------------|
| Statutory tax rates | 26.00% | 26.00% |
| Expected income tax expense (recovery) at statutory rates | \$ (221,744) | \$ (184,982) |
| Permanent differences | 5,123 | 14,718 |
| Difference in tax rates in other jurisdictions | (5,169) | (3,522) |
| Tax benefits not realized | 221,790 | 173,786 |
| Deferred income tax expense | \$ - | \$ - |

10. INCOME TAXES (CONTINUED)

| Nature of deferred income tax assets (liabilities) | 2016 | 2015 |
|--|-------------|-------------|
| Exploration and evaluation assets | \$ (16,518) | \$ (12,630) |
| Fixed assets | 23,442 | 18,747 |
| Share issuance costs | 9,679 | 21,781 |
| Tax losses carried forward | 1,125,951 | 889,837 |
| Deferred income tax assets | 1,142,554 | 917,735 |
| Unrecognized deferred tax assets | (1,142,554) | (917,735) |
| Net deferred income tax assets (liabilities) | \$ - | \$ - |

As at January 31, 2016, the carrying value of exploration and evaluation assets exceeds its tax value by \$47,049 (2015: \$36,087).

At January 31, 2016, subject to confirmation by Canadian income tax authorities, the Company has approximately \$4,135,000 (2015: \$3,332,000) in Canadian non-capital tax losses of available for carry-forward to reduce future years' taxable income, expiring as follows:

| | |
|------|---------------------|
| 2032 | \$ 690,000 |
| 2033 | 1,189,000 |
| 2034 | 803,000 |
| 2035 | 650,000 |
| 2036 | 803,000 |
| | <u>\$ 4,135,000</u> |

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences have not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

11. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the year:

a) Management Fees

Management fees of \$180,000 (2015:\$127,500) incurred in connection with day-to-day management and general corporate matters were paid or accrued to a consulting firm owned by a director of the Company. At January 31, 2016, \$405,750 (2015: \$271,500) in fees were owing to this consulting firm.

Shareholder communication fees of \$37,500 (2015:\$90,000) incurred in connection with general corporate matters were paid or accrued to a consulting firm owned by a former director of the Company. At January 31, 2016, \$202,687 (2015:\$163,312) in fees were owing to this consulting firm.

Professional services of \$90,000 (2015:\$90,000) charged by a consulting firm owned by an officer of the Company. At January 31, 2016, \$273,912 (2015:\$176,213) in fees were owing to this consulting firm.

Professional services of \$41,911 (2015:\$Nil) charged by a director of the Company. At January 31, 2016, \$41,911 (2015: \$Nil) in fees were owing to this director.

Professional services of \$Nil (2015:\$12,660) charged by 3 H Imaginations, a company owned by a director of a subsidiary of the Company. At January 31, 2016, \$13,970 (2015:\$12,660) in fees were owing to this company.

Rent of \$Nil (2015:\$3,165) was charged to a company with a common director of the Company.

As at January 31, 2016, included in due to related parties was \$116,069 (2015:\$67,019) in expense reimbursements owing to directors and officers of the Company.

As at January 31, 2016, included in due to related parties was \$115,817 (2015:\$82,268) in directors' fees owing to directors of the Company.

b) Key Management Compensation

Key management personnel compensation is summarized in the notes below.

| | January 31, | |
|--|-------------------|-------------------|
| | 2016 | 2015 |
| Management and consulting fees paid or payable to MIA Investments Ltd, a company controlled by an officer and director, D MacQuarrie | \$ 180,000 | \$ 127,500 |
| Shareholder communications paid or payable to JNS Capital, a company controlled by a former director of the company, J Sandhu * | 37,500 | 90,000 |
| Professional services paid or payable to 1765271 Ontario Inc., a company controlled by an officer of the Company, P Gibbs | 90,000 | 90,000 |
| Professional services paid or payable to 3H Imaginations, a company controlled by a director of a subsidiary of the Company, H.K.Arhin | - | 12,660 |
| Management and consulting fees paid or payable to Bashir Ahmed, an officer and director | 41,911 | - |
| | <u>\$ 349,411</u> | <u>\$ 320,160</u> |

11. RELATED PARTY TRANSACTIONS (CONTINUED)

| | January 31, | |
|---|------------------|------------------|
| | 2016 | 2015 |
| Directors' fees: | | |
| M. Holcombe - resigned during the year ended January 31, 2015 | \$ - | \$ 1,618 |
| F. Riedl-Riedenstein | 12,000 | 12,000 |
| A. Heath | 12,000 | 9,742 |
| H. K. Arhin (ASG Mining Limited - Ghana) | 16,766 | 15,192 |
| R. Bourke (Asante Gold Corporation (GH) Limited - Barbados) | 3,026 | 2,533 |
| R. Holford (Asante Gold Corporation (GH) Limited - Barbados) | 3,026 | 2,533 |
| | <u>\$ 46,818</u> | <u>\$ 43,618</u> |

* ceased to be a director July 2, 2015

During the year ended January 31, 2016 share-based payments with a fair value of \$18,854 (2015: \$40,280) were made to related parties.

c) Loans and advances

Included in due to related parties are loans and advances from related parties.

As at January 31, 2016, \$1,201,389 (2015:\$614,976) was owing to Goknet Mining Company Limited, a company with a common director of the Company, in respect of loans and advances. Included in the amount owed is accrued interest of \$32,000 (2015:\$20,015), of which \$18,206 (2015:\$11,221) has been capitalized to Exploration and Evaluation assets.

As at January 31, 2016 \$47,268 (2015: \$73,800) was owing to MIA Investments Ltd. in respect of loans and advances.

These transactions have been entered into in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

Amounts due to related parties are unsecured and non-interest bearing, except for loans of CAD\$100,000 and US\$100,000 from Goknet Mining Company Limited which are unsecured and carry interest at 5% per annum.

12. OTHER LIABILITIES

Other liabilities are due for repayment either by February 28, 2016 or April 30, 2016 and are unsecured and non-interest bearing. During the year ended January 31, 2016, other liabilities were classified as trade and other payables.

13. SEGMENTAL REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities. The Company's exploration and evaluation assets are located in the Republic of Ghana.

14. LOSS PER SHARE

| Weighted Average Number of Common Shares Outstanding | January 31, 2016 | January 31, 2015 |
|--|---------------------|---------------------|
| Issued and outstanding common shares | 23,131,000 | 22,481,000 |
| Weighted average number of common shares outstanding (basic and diluted) | 22,527,301 | 22,481,000 |
| Loss per common share (basic and diluted) | \$ 0.04 | \$ 0.03 |

The net effect of applying the treasury-stock method to the weighted average number of common shares outstanding had an anti-dilutive effect for the years ended January 31, 2016 and 2015.

15. SUPPLEMENTAL CASH FLOW INFORMATION

The Company had the following significant non-cash investing and financing transactions:

| | January 31, 2016 (\$) | January 31, 2015 (\$) |
|---|-----------------------------|-----------------------------|
| Trade and other payables related to exploration and evaluation assets | 288,539 | 17,112 |
| Due to related parties related to exploration and evaluation assets | 79,976 | 16,512 |
| Other liabilities related to exploration and evaluation assets | - | 179,356 |
| Interest capitalized to exploration and evaluation assets | 6,985 | 11,221 |
| Amortization capitalized to exploration and evaluation assets | 6,810 | 3,164 |
| Rent capitalized to exploration and evaluation assets | - | 10,635 |

16. EVENTS AFTER THE REPORTING DATE

Subsequent to January 31, 2016 the Company:

- Issued 10,967,000 common shares on March 3, 2016 which were valued at \$0.05 per common share at a deemed price of \$0.10 in settlement of debt totaling CAD\$854,019 and US\$180,275.
- Issued 533,000 shares at a price of \$0.10 per common share on February 18, 2016
- Issued 1,600,000 units at a price of \$0.10 per unit. Each unit comprises one common share and one transferable share purchase warrant, exercisable for a period of two years at a price of \$0.25 per share.
- Granted 1,340,000 stock options to directors, officers, employees and consultants. Each option is exercisable at \$0.17 for terms of two or five years.
- Entered into long-term debt agreements to defer the maturity date of CAD\$755,296 and USD\$510,101 in accounts payable and accrued liabilities and amounts due to related parties until May 19, 2018. The amounts are non-interest bearing and unsecured.