AZTEC MINERALS CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Years ended December 31, 2016 and 2015

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AZTEC MINERALS CORP.

We have audited the accompanying consolidated financial statements of Aztec Minerals Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2016, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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 Aztec Minerals Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016, 2015 and 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 3, 2017

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AZTEC MINERALS CORP.

(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Stated in Canadian dollars)

	Notes		December 31, 2016		2015
ASSETS					
Current Assets					
Cash		**$**	**582,142**	$	-
Receivables and prepaids	9		**2,450**		1
Total Current Assets			**584,592**		1
Non-Current Assets					
Mineral property interests	6 and 9		**452,915**		-
Total Assets		**$**	**1,037,507**	$	1
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	9	**$**	**90,342**	$	-
Shareholders' Equity					
Share capital	7(b)		**1,264,304**		1
Deficit			**(317,139)**		-
Total Shareholders' Equity			**947,165**		1
Total Liabilities and Shareholders' Equity		**$**	**1,037,507**	$	1

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ Bradford Cooke — Director

/s/ Patricio Varas — Director

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

	Notes	Years ended December 31, 2016	2015	2014
Expenses:				
Accounting and audit		**$ 24,016**	$ -	$ -
Employee remuneration	9	**82,660**	-	-
Legal		**40,830**	-	-
Office and sundry	8	**16,158**	-	-
Property investigation	8, 9	**50,356**	-	-
Regulatory		**111**	-	-
Shareholder relations		**762**	-	-
Loss before the undernoted		**(214,893)**	-	-
Foreign exchange loss		**(2,246)**	-	-
Write-off of investment in former parent	9	**(100,000)**	-	-
Net loss and comprehensive loss for the year		**$ (317,139)**	$ -	$ -
Basic and diluted loss per share		**$ (0.08)**	$ -	$ -
Weighted average number of common shares outstanding		**3,818,703**	100	100

Refer to the accompanying notes to the consolidated financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

		Share Capital			
	Notes	Number of Shares	Amount	Deficit	Total
Balance, December 31, 2013, 2014 and 2015		100	$ 1	$ -	$ 1
Property acquisition	6(a)	11,216,941	279,914	-	279,914
Private placement, net of share issue expenses	7(b)(ii)	5,150,000	984,389	-	984,389
Net loss for the year		-	-	(317,139)	(317,139)
Balance, December 31, 2016		16,367,041	$ 1,264,304	$ (317,139)	$ 947,165

Refer to the accompanying notes to the consolidated financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Notes	Years ended December 31, 2016	2015	2014
Cash provided from (used by):				
Operations:				
Loss for the year		**$ (317,139)**	$ -	$ -
Items not involving cash:				
Write-off of investment in former parent	9	**100,000**	-	-
		(217,139)	-	-
Changes in non-cash working capital items:				
Receivables and prepaids		**(2,449)**	-	-
Accounts payable and accrued liabilities		**54,597**	-	-
Cash used by operating activities		**(164,991)**	-	-
Financing:				
Issuance of share capital, net of share issue expenses		**984,389**	-	-
Cash provided from financing activity		**984,389**	-	-
Investing:				
Mineral property interests, net of recoveries		**(137,256)**	-	-
Investment in former parent	9	**(100,000)**		
Cash used by investing activities		**(237,256)**	-	-
Increase in cash		**582,142**	-	-
Cash, beginning of year		**-**	-	-
Cash, end of year		**$ 582,142**	$ -	$ -

Refer to the accompanying notes to the consolidated financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

		Years ended December 31,		
	Notes	**2016**	2015	2014
Non-cash financing and investing activities:				
Accrual for mineral property interests		**$ 35,745**	$ -	$ -
Issuance of common shares:				
Property acquisition	7(b)	**279,914**	-	-
Interest paid		**-**	-	-
Income taxes paid		**-**	-	-

Refer to the accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Aztec Minerals Corp. (the "Company") was incorporated on July 6, 2007 under the laws of British Columbia, Canada. The address of the Company's registered office is #910 – 800 West Pender Street, Vancouver, BC, Canada, V6C 2V6 and its principal place of business is #301 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8.

From its date of incorporation in July 2007 to fiscal 2015, the Company was a dormant, wholly owned subsidiary of Aztec Metals Corp., which share common directors with the Company, ("AzMet"). On October 13, 2016, AzMet issued all its 11,017,041 shares in the Company to AzMet shareholders on a pro rata basis by way of a reduction of AzMet's paid up share capital on the basis of one (1) share of the Company for every two (2) shares held of AzMet, pursuant to Section 74 of the *Business Corporations Act* (British Columbia), after which the Company was no longer a subsidiary of AzMet.

The Company is in the mineral exploration business and has not yet determined whether its properties contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has no operating revenues, has incurred significant net losses of $317,139 for the year ended December 31, 2016 (2015 - $Nil and 2014 - $Nil), and has a deficit of $317,139 as at December 31, 2016 (December 31, 2015 - $Nil). These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management would need to raise the necessary capital to meet its planned business objectives. There can be no assurance that management's plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on February 3, 2017.

2. Basis of Presentation (continued)

(c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional currency and presentation currency:

The functional and presentation currencies of the Company and its subsidiary are the Canadian dollar. Amounts recorded in a foreign currency are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- non-monetary assets and liabilities at historical exchange rates, unless such items are carried at fair value, in which case they are translated at the exchange rate in effect on the date which the fair value was determined; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in profit or loss in the period in which they occur.

(e) Critical accounting estimates and judgments:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues, if any, and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

2. Basis of Presentation (continued)

(e) Critical accounting estimates and judgments: (continued)

The Company applies judgment in assessing whether material uncertainties exist that would cast significant doubt as to whether the Company could continue as a going concern.

The Company applies judgment in assessing the functional currency of each entity consolidated in these consolidated financial statements. The functional currency of the Company and its subsidiary is determined using the currency of the primary economic environment in which that entity operates.

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets.

(f) New accounting standards and recent pronouncements:

The standards listed below include only those which the Company reasonably expects may be applicable to the Company in the current period and at a future date. The Company is currently assessing the impact of these future standards on the consolidated financial statements.

(i) The following standard became effective in the current period:

Disclosure Initiative *(Amendments to IAS 1 Presentation of Financial Statements)*

The amendments:

- Clarify the existing presentation and disclosure requirements in IAS 1, including the presentation of line items, subtotals and notes; and
- Provide guidance to assist entities to apply judgment in determining what information to disclose, and how that information is presented in their financial statements.

The change had no effect to these consolidated financial statements.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(ii) The following standards will become effective in future periods:

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Applicable to the Company's annual period beginning January 1, 2018.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(ii) The following standards will become effective in future periods: (continued)

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*

  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*

  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Applicable to the Company's annual period beginning January 1, 2018.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(ii) The following standards will become effective in future periods: (continued)

IFRS 16 *Leases*

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Applicable to the Company’s annual period beginning January 1, 2019.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned Mexican subsidiary, Minera Azteca Dorada S.A. de C.V.

All significant intercompany transactions and balances have been eliminated.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or had rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(b) Financial instruments:

(i) Financial assets:

The Company classifies its financial assets in the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity ("HTM") and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at FVTPL

Financial assets at FVTPL include derivative financial asset, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. Loans and receivables are carried at amortized cost less any impairment.

Held to maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. HTM investments are initially recognized on their trade-date at fair value, and subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(i) Financial assets: (continued)

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS financial assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at each reporting date and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss.

(ii) Financial liabilities:

The Company classifies its financial liabilities in the following categories: FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include derivative financial liabilities, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(iii) Fair value hierarchy:

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(iv) Impairment of financial assets:

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is “significant” or “prolonged” based on indicators such as significant adverse changes in the market, economic or legal environment.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(v) Derecognition of financial assets and liabilities:

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized in profit or loss.

(c) Impairment of non-financial assets:

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.

3. Significant Accounting Policies (continued)

(c) Impairment of non-financial assets: (continued)

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purposes of impairment testing, mineral property interests are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Mineral property interests:

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

3. Significant Accounting Policies (continued)

(d) Mineral property interests: (continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to profit or loss.

(e) Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to share capital based on the fair value of the common shares with any residual value then allocated to warrants. Upon expiry, the recorded fair value of the warrants is transferred from the reserve for share-based payments to deficit.

(f) Non-monetary transactions:

Common shares issued for consideration other than cash are valued at their fair value at the date of issuance.

(g) Share-based payments:

The Company has a stock option plan that is described in Note 7(c). Share-based payments to employees are measured on the grant date using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from the reserve for share-based payments to deficit.

(h) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

3. Significant Accounting Policies (continued)

(h) Environmental rehabilitation: (continued)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred. The Company does not have any significant environmental rehabilitation liabilities.

(i) Loss per share:

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted loss per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per common share presented is the same as basic loss per common share as the effect of outstanding share options and warrants would be anti-dilutive.

(j) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

3. Significant Accounting Policies (continued)

(k) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

4. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company has not yet determined whether its mineral property interests contain reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from operations. The Company's primary sources of funds are from debt capital and the issuance of share capital.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses on all exploration projects and overhead to manage its costs, commitments and exploration activities.

The Company invests its excess capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the period.

Although the Company has raised funds in the past from the issuance of share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

As at December 31, 2016, the Company was not subject to any externally imposed capital requirements.

5. Financial Instruments and Management of Financial Risk

The Company has classified its cash as FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The fair values of the Company’s receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

Management has reviewed the items comprising the accounts receivable balance, and determined that all accounts are collectible; accordingly, there has been no allowance for doubtful accounts recorded.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at December 31, 2016, the Company had a working capital of $494,250 (2015 - $1). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2017.

Accounts payable and accrued liabilities are due in less than 90 days.

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars, which are subject to foreign currency fluctuations. Fluctuations in the United States dollar would impact the gains/losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar.

At December 31, 2016 and 2015, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars	
	Held in United States Dollars	Total
Cash	$ 4,912	$ 4,912
Accounts payable and accrued liabilities	(18,508)	(18,508)
Net financial assets (liabilities), December 31, 2016	$ (13,596)	$ (13,596)
Cash	$ -	$ -
Accounts payable and accrued liabilities	-	-
Net financial assets (liabilities), December 31, 2015	$ -	$ -

Based upon the above net exposure as at December 31, 2016 and assuming all other variables remain constant, a 15% (2015 – 20% and 2014 – 10%) depreciation or appreciation of the Canadian dollar relative to the United States dollar could result in a decrease/increase of approximately $2,040 (2015 - $Nil and 2014 - $Nil) in the Company's net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk: (continued)

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

The Company’s other price risk includes equity price risk, whereby investment in marketable securities are held for trading financial assets with fluctuations in quoted market prices recorded at FVTPL. The Company’s long-term investment in shares of AzMet does not have a quoted market price in an active market and was measured at cost but was written off in fiscal 2016.

(Stated in Canadian dollars)

6. Mineral Property Interests

	Year ended December 31, 2016	
	Mexico	
	Cervantes	Total
Acquisition Costs:		
Balance, December 31, 2015	$ -	$ -
Acquisition (Notes 6(a) and 7(b)(ii))	282,994	282,994
Balance, December 31, 2016	282,994	282,994
Deferred Exploration Expenditures:		
Balance, December 31, 2015	-	-
Geology	23,204	23,204
Geophysics	101,266	101,266
Sundry	32,176	32,176
Salaries	12,488	12,488
Transportation and travel	787	787
Balance, December 31, 2016	169,921	169,921
Mineral Property Interests:		
December 31, 2015	$ -	$ -
December 31, 2016	$ 452,915	$ 452,915

The Company held no mineral property interests in fiscal 2015.

6. Mineral Property Interests (continued)

(a) Cervantes property (Mexico):

On September 30, 2016, the Company entered into the Option Amendment and Assignment Agreement for the Cervantes Property ("Option Assignment Agreement") for the Cervantes Property with AzMet and Kootenay Silver Inc. ("Kootenay"), whereby AzMet assigned to the Company all of its rights and interests in the Property Option Agreement dated July 25, 2015 between AzMet and Kootenay (the "Option Agreement"). All obligations of AzMet under the property option agreement were transferred to the Company. Pursuant to the Option Assignment Agreement, the Company issued 200,000 of its common shares to Kootenay at a value of $0.02495 per share. The Company can earn a 65% interest in the Cervantes Property by:

- the issuance of 800,000 common shares,
- cash payments totalling US$120,000, and
- exploration expenditures of US$1.2 million over the next 3 years.

Upon earning a 65% interest, the Company can earn an additional 35% interest for a total of 100% interest in the Cervantes Property by:

- completing a preliminary economic assessment by July 25, 2020,
- paying an amount equal to the estimated recoverable equivalent gold ounces of contained metal in resources multiplied by US$5 per equivalent gold ounce which amount shall be payable in combination of cash and/or shares, and
- granting a 2.5% net smelter return ("NSR") to Kootenay which can be reduced to 2% NSR for a cash payment of US$500,000.

If the Company elects not to earn the additional 35% interest in the Cervantes Property, or fails to fulfill the requirements to earn such 35% interest, then a joint venture will be formed between the Company and Kootenay with the Company acting as the operator.

On September 30, 2016, the Company entered into the Transfer Agreement with AzMet whereby the Company issued 11,016,941 of its common shares to AzMet to acquire AzMet's interest in the Cervantes Property. Note 7(b)(ii) provides further details.

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(b) Expenditure options:

As at December 31, 2016, to maintain the Company's interest and/or to fully exercise the options under various property agreements covering its properties, the Company must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionor as follows:

	Cash Payments (US$)	Exploration Expenditures (US$)	Number of Shares	Net Smelter Return
Cervantes Project:				
Stage One (to earn a 65% interest):				
July 25, 2017	$ 30,000	$ -	100,000	-
July 25, 2018	40,000	459,629	200,000	-
July 25, 2019	50,000	750,000	250,000	-
September 23, 2019	-	-	250,000	-
Stage Two (to earn additional 35% interest, for total interest of 100% interest):				
July 25, 2020 [(1)]	-	-	-	2.50%
	$ 120,000	$ 1,209,629	800,000	2.50%

(1) The Company can earn an additional 35% interest for a total of 100% interest in the Cervantes Property by completing a preliminary economic assessment by July 25, 2020, paying an amount equal to the estimated recoverable equivalent gold ounces of contained metal in resources multiplied by US$5 per equivalent gold ounce which amount shall be payable in combination of cash and/or shares, and granting a 2.5% NSR to Kootenay which can be reduced to 2% NSR for a cash payment of US$500,000. Note 6(a) provides further details.

These amounts may be reduced in the future as the Company determines which mineral property interests to continue to explore and which to abandon.

6. Mineral Property Interests (continued)

(c) Title to mineral property interests:

The Company has investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(d) Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

(e) Environmental matters:

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

7. Share Capital

(a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued:

(i) In December 2016, the Company entered into an engagement letter with Haywood Securities Inc. (“Haywood”) for an initial public offering (“IPO”), on a commercially reasonable best effort basis, for up to 10 million units at a price of $0.35 per unit with each unit comprised of one common share and one-half of one share purchase warrant for aggregate proceeds of up to $3.5 million. Each whole warrant will be exercisable to acquire one common share at an exercise price of $0.50 for a period of 24 months from the closing date of the IPO. An over-allotment provision allows for up to an additional 1.5 million units for additional proceeds of up to $525,000. Fees payable to Haywood include fees of 3% and 6% payable in both cash and compensation options, and a corporate finance fee of $75,000. Compensation options have an exercise price of $0.50 per share for a period of up to 24 months from the closing date of the IPO.

(ii) On September 30, 2016, the Company issued 200,000 common shares to Kootenay at a fair value of $0.02495 per share pursuant to the Option Assignment Agreement for the Cervantes Property. Note 6(a) provides further details.

On September 30, 2016, the Company entered into the Transfer Agreement with AzMet whereby the Company issued 11,016,941 common shares at a fair value of $0.02495 per share to AzMet to acquire AzMet’s property option interest in the Cervantes Property. Note 6(a) provides further details.

On October 21, 2016, the Company closed a private placement for 5,150,000 units at $0.20 per unit for total proceeds of $1.03 million. Each unit was comprised of one common share and one-half of a whole common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $0.25 and has an expiry date of October 21, 2018. Finders fee of $42,700 were paid in cash.

(Stated in Canadian dollars)

7. Share Capital (continued)

(c) Stock option plan:

In January 20, 2017, the Company adopted a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX Venture Exchange at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

On January 20, 2017, the Company granted stock options for 2,000,000 common shares with an exercise price of $0.35 and expiry date of 5 years from the listing date of the Company's shares on the TSX Venture Exchange. The stock options are subject to vesting provisions in which 20% vest on listing date and 20% vest every 6 months thereafter.

(d) Warrants:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2015	Issued	Exercised	Expired	Outstanding at December 31, 2016
$0.25	October 21, 2018	-	2,575,000	-	-	2,575,000
		-	2,575,000	-	-	2,575,000

There were no outstanding warrants as at December 31, 2015.

(Stated in Canadian dollars)

8. Office and Sundry and Property Investigation

	Years ended December 31,	
	2016	2015
Office and Sundry:		
Office and sundry	$ 4,020	$ -
Rent	1,949	-
Software and systems	9,634	
Telecommunications	555	-
	$ 16,158	$ -
Property Investigation:		
Assays and sampling	$ 661	$ -
Camp and field supplies	90	-
Local labour	372	-
Sundry	138	-
Salaries	38,069	-
Transportation and travel	11,026	-
	$ 50,356	$ -

(Stated in Canadian dollars)

9. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with related parties:

	Years ended December 31,		Net balance receivable (payable) as at December 31,	
	2016	2015	2016	2015
Key management compensation:				
Executive salaries and remuneration (1)	$ 119,411	$ -	$ -	$ -
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) (2)	$ (2,220)	$ -	$ (941)	$ -
Write-off of investment in former parent (3)	$ 100,000	$ -	$ -	$ -
Receivables and prepaids	$ -	$ -	$ -	$ 1

(1) Includes key management compensation which is included in mineral property interests, employee remuneration and property investigation.

(2) The company is Endeavour Silver Corp. which shares one common director with the Company.

(3) The company is AzMet and was formerly the parent of the Company. In 2016, the Company advanced $100,000 to AzMet for the subscription in shares of AzMet at a value of $0.15 per share for 666,667 AzMet shares. On December 31, 2016, the Company wrote off its investment in AzMet due to uncertainty related to its net recoverable value.

Notes (1), 6(a) and 7(b)(ii) provide further details of the acquisition of the Cervantes property from AzMet.

The above related party transactions are incurred in the normal course of business.

10. Segment Disclosures

The Company has one operating segment, being mineral exploration, with mineral property interest located only in Mexico.

(Stated in Canadian dollars)

11. Deferred Income Taxes

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2016	2015
Loss for the year	$ (317,139)	$ -
Canadian statutory tax rate	26.0%	26.0%
Income tax benefit computed at statutory rates	(82,456)	-
Origination and reversal of temporary differences	13,000	
Share issuance costs	(2,472)	-
Unused tax losses and tax offsets not recognized in tax asset	71,928	-
	$ -	$ -

Effective January 1, 2013, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 11% for a total Canadian statutory tax rate of 26%.

(b) The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income liabilities at December 31, 2016 and 2015 are presented below:

	December 31, 2016	December 31, 2015
Deferred tax assets		
Non-capital losses carried forward	$ -	$ -
Deferred tax liabilities		
Book value over tax value of equipment	-	-
Book value over tax value of mineral property interests	-	-
Deferred tax liabilities	-	-
Net deferred tax assets	$ -	$ -

(Stated in Canadian dollars)

11. Deferred Income Taxes (continued)

(c) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2016	December 31, 2015
Non-capital losses	$ 219,040	$ -
Share issue costs	7,604	$ -
Available for sale financial assets	50,000	-
Unrecognized deferred tax assets	$ 276,644	$ -

The Company's unrecognized unused non-capital losses have the following expiry dates:

Year	Canada	**Total**
2036	$ 219,040	$ 219,040
	$ 219,040	$ 219,040

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