# NSX Silver Inc.

Consolidated Financial Statements
(expressed in Canadian dollars)

**For the years ended**
**December 31, 2015 and 2014**

July 13, 2016

## Management's Report

The accompanying consolidated financial statements of **NSX Silver Inc.** are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's consolidated financial statements, and recommended their approval by the Board of Directors.

KPMG LLP, appointed as the Company's auditors by the shareholders, have examined these consolidated financial statements and their report follows.

(signed) "*Johannes H.C. van Hoof*"
President and Chief Executive Officer
Buenos Aires, Argentina

(signed) "*Glenn Holmes*"
Chief Financial Officer
Halifax, Nova Scotia

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of NSX Silver Inc.

We have audited the accompanying consolidated financial statements of NSX Silver Inc., which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising 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 audit. We conducted our audit 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 our 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, we consider 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 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 consolidated financial position of NSX Silver Inc. as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that NSX Silver Inc. has a deficit and no operations at this time that will generate revenue. These conditions, along with other matters as set forth in Note 1 in the consolidated financial statements, indicate the existence of a material uncertainty that cast significant doubt about NSX Silver Inc.'s ability to continue as a going concern.

*Comparative Information*

The consolidated financial statements of NSX Silver Inc. as at and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 30, 2015.

KPMG LLP

July 13, 2016
Halifax, Canada

# NSX Silver Inc.

## Consolidated Statements of Financial Position

**As at December 31, 2015 and 2014**

(expressed in Canadian dollars)

| | December 31, 2015 $ | December 31, 2014 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 1,918 | 13,446 |
| Sales tax recoverable | 4,437 | 48,912 |
| | 6,355 | 62,358 |
| **Capital assets – vehicles** (net of accumulated amortization of $27,985) | – | 18,421 |
| **Resource properties** (note 5) | – | 304,077 |
| | 6,355 | 384,856 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 6) | 45,680 | 114,961 |
| Amount due to shareholders | 49,656 | 20,000 |
| | 95,336 | 134,961 |
| **Equity** | (88,981) | 249,895 |
| | 6,355 | 384,856 |

**Nature of operations and going concern** (note 1)

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

**Approved by the Board of Directors**

(signed) *"Johannes H.C. Van Hoof"*, Director

(signed) *"Glenn Holmes"*, Director

(expressed in Canadian dollars)

| | Number of shares<br>(note 8) | Share capital $<br>(note 8) | Contributed surplus $<br>(note 8) | Deficit $ | Total $ |
|---|---|---|---|---|---|
| **Balance – December 31, 2013** | 4,592,957 | 5,600,249 | 310,000 | (5,469,114) | 441,135 |
| Net loss and comprehensive loss for the year | – | – | – | (191,240) | (191,240) |
| **Balance – December 31, 2014** | 4,592,957 | 5,600,249 | 310,000 | (5,660,354) | 249,895 |
| Net loss and comprehensive loss for the year | – | – | – | (338,876) | (338,876) |
| **Balance – December 31, 2015** | 4,592,957 | 5,600,249 | 310,000 | (5,999,230) | (88,981) |

On January 23, 2015, the Company completed a one-for-ten share consolidation. All references to the number of common shares have been adjusted retrospectively to reflect the Company's one-for-ten share consolidation for the prior periods disclosed in these financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

**NSX Silver Inc.**

Consolidated Statements of Loss and Comprehensive Loss

**For the years ended December 31, 2015 and 2014**

(expressed in Canadian dollars)

| | 2015 $ | 2014 $ |
|---|---|---|
| **Operating expenses** | | |
| Consulting fees | – | 33,373 |
| Foreign exchange loss | 12,340 | 2,597 |
| Insurance | 5,000 | 10,740 |
| Other | 24,930 | 39,697 |
| Professional dues | 8,976 | 18,397 |
| Professional fees | 16,662 | 16,867 |
| Property Investigation | – | 15,350 |
| Provision for recoverable VAT | – | 50,000 |
| Gain on settlement of accounts payable (Note 7) | (25,000) | (13,000) |
| Wages and benefits | – | 34,197 |
| Write-down of resource property | – | (16,298) |
| | (42,908) | (191,920) |
| **Other** | | |
| Loss on disposition of Mexican subsidiary | (295,968) | – |
| Interest income | – | 680 |
| **Net loss and comprehensive loss for the years** | (338,876) | (191,240) |
| **Loss per share - basic and diluted** | ($0.07) | ($0.04) |
| **Weighted average outstanding common shares – basic and diluted** | 4,592,957 | 4,592,957 |

The accompanying notes are an integral part of these consolidated financial statements.

**NSX Silver Inc.**

Consolidated Statements of Cash Flows

**For the years ended December 31, 2015 and 2014**

(expressed in Canadian dollars)

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net loss and comprehensive loss for the years | (338,876) | (191,240) |
| Charges to loss not involving cash | | |
| Gain on settlement of accounts payable | (25,000) | (13,000) |
| Loss on disposition of subsidiary | 295,968 | |
| Provision for recoverable VAT | - | 50,000 |
| | (67,908) | (154,240) |
| Net changes in non-cash working capital balances related to operations | | |
| Decrease (increase) in sales tax recoverable | (3,266) | 33,590 |
| Decrease (increase) in deposits and prepaid expenses | – | 21,482 |
| Increase (decrease) in accounts payable and accrued liabilities | 30,546 | 28,263 |
| | (40,628) | (70,905) |
| **Investing activities** | | |
| Expenditures on resource properties | – | (5,158) |
| | – | (5,158) |
| **Financing activities** | | |
| Advances from shareholders | 29,656 | 20,000 |
| Cash transferred on disposition of subsidiary | (556) | |
| Repayments to NSGold Corporation | – | (7,593) |
| | 29,100 | 12,407 |
| **Net change in cash and cash equivalents for the years** | (11,528) | (63,656) |
| **Cash and cash equivalents – Beginning of years** | 13,446 | 77,102 |
| **Cash and cash equivalents – End of years** | 1,918 | 13,446 |

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in Canadian dollars)

## 1 Nature of operations and going concern

### Nature of operations

NSX Silver Inc. (the "Company") was incorporated under the Canada Business Corporations Act on August 9, 2011 as a wholly owned subsidiary of NSGold Corporation ("NSGold"). The common shares of the Company commenced trading on the TSX Venture Exchange, on March 14, 2012, with the symbol NSY. As a result of the Company's disposition of the shares of its Mexican subsidiary company, Compania Minera Oso Blanco SA de CV during 2015 (see note 4), the Company no longer met the minimum listing requirements of the TSX Venture Exchange. As a result, the listing of the Company's common shares was transferred to the NEX, a separate board of the TSX Venture Exchange, effective February 8, 2016.

NSX Silver does not have any ongoing business operations. The Board of Directors of NSX Silver intends to explore potential strategic alternatives, however, there can be no assurance that such exploration of strategic alternatives will result in a transaction being pursued, entered into or consummated.

### Going concern

These consolidated financial statements as at December 31, 2015 and December 31, 2014 have been prepared on the basis of International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption, as the Company has an accumulated deficit of $6 million (December 31, 2014 – $5.7 million) and has no operations at this time which will generate revenue.

The ability of the Company to continue as a going concern, and to realize its assets and discharge its liabilities when due, is dependent upon its ability to secure sufficient financing to fund ongoing operations and its general and administrative costs. The Company is in the process of attempting to source additional financing to meet the Company's cash requirements and to recommence operating activities. Management cannot provide assurance that the Company will ultimately achieve profitable operations, become cash flow positive, or raise additional debt and/or equity capital.

These consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, and these adjustments could be material.

## 2 Basis of presentation

### Statement of compliance

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting – Part 1 ("CPA Canada Handbook") which incorporates IFRS as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved the statements for issue on July 13, 2016.

### Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis.

(expressed in Canadian dollars)

## 2 Basis of presentation (continued)

**Use of estimates and judgments**

The preparation of the consolidated financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current as well as expected economic conditions. Actual results may differ from these estimates.

*Recoverability of resource properties*

Initial acquisition costs and exploration and development costs related to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned or management determines that the resource properties are not economically viable, at which time the resource properties are written down to their recoverable amount. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written down, and do not necessarily represent present or future values.

If any properties are put into commercial production, the carrying values of the properties will be depleted following the unit of production method. If any properties are sold or abandoned, or considered to be impaired in value, the carrying value of the properties will be charged to operations.

The carrying values of resource properties, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the resource properties will be written down to their recoverable amount. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon obtaining the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimate of recoverability of the Company's resource properties has been based on current conditions. However, it is reasonably possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of the resource properties.

*Recoverability of sales tax recoverable*

Management's assumptions regarding the recoverability of Value Added Tax ("VAT") receivable in Mexico, at the end of each reporting period, is made using all relevant facts available, including past collectability, the development of VAT policies and the general economic environment of the country to determine if a write-down of the VAT is required. As the amount receivable depends on performance by the government in Mexico, the timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements. Management recorded a provision for uncollectibility of $50,000 during the year ended December 31, 2014. If it were determined that the uncollectible amount were higher or lower than this, the net loss would increase or decrease by the same amount.

(expressed in Canadian dollars)

## 3 Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary investments that are readily convertible to known amounts of cash.

### Deferred share issuance costs

Costs directly attributable to the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

### Financial instruments

Financial instruments are classified as follows:

Cash and cash equivalents is classified as "Loans and Receivables". After its initial fair value measurement, it is measured at amortized cost using the effective interest method, less a provision for impairment.

Accounts payable and accrued liabilities, and amounts due to shareholders are classified as "Other Financial Liabilities". Other Financial Liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method.

### Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

Financial assets carried at amortized cost: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### Consolidation

The financial statements of the Company consolidate the accounts of the Company and its former subsidiary Compañía Minera Oso Blanco ("CMOB"). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. There are no non-controlling interests, therefore, all loss and comprehensive loss is attributable to the shareholders of the Company.

(expressed in Canadian dollars)

## 3 Significant accounting policies (continued)

### Capital management

The Company's capital structure consists of share capital, deficit and contributed surplus, which at December 31, 2015 amounted to a deficiency of 80,381 (2014 – a surplus of $249,895). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

### Functional and presentation currency and foreign currency translation

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates and these consolidated financial statements are presented in Canadian dollars. The functional currency of all subsidiaries and the parent company are Canadian dollars. Foreign currency transactions are recorded at the foreign exchange rate in effect on the date of the transaction and gains and losses resulting from the settlement of such transactions are recorded in the consolidated statements of loss and comprehensive loss.

### Stock-based compensation

The Company accounts for stock options using the fair value method. The estimated fair value of all stock options granted is recorded in the consolidated statements of loss and comprehensive loss over their vesting periods.

The Company grants stock options to certain officers and directors. Stock options vest in accordance with the individual option granting contracts and expire after ten years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Consideration paid by the directors and officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as share capital.

### Income taxes

The Company uses the asset and liability method for accounting for income taxes.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be paid or recovered, using tax rates and laws that have been enacted or substantively enacted by the end of the period.

(expressed in Canadian dollars)

## 3 Significant accounting policies (continued)

**Income taxes** (continued)

Deferred tax assets and liabilities are recognized for all future tax consequences attributable to the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, except for the initial recognition of goodwill and the initial recognition of an asset or liability, which at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax assets are also recognized for unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and other unused deductible amounts can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws expected to apply when the carrying amount of the assets or liabilities are recovered or settled or the unused losses are expected to be utilized.

Current and deferred income tax expense is recognized in the consolidated statements of loss and comprehensive loss for the year, except to the extent that the income taxes related to a transaction or event which is recognized, in the same or different period, either in other comprehensive income or directly in equity.

**Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated.

**Earnings (loss) per share**

Earnings (loss) per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted earnings (loss) per share for the period presented is the same as basic loss per share, as the Company has no dilutive instruments outstanding.

**Resource properties**

Initial acquisition costs and exploration and development costs related to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned or management determines that the resource properties are not economically viable, at which time the resource properties are written down to their recoverable amount. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written down, and do not necessarily represent present or future values.

If any properties are put into commercial production, the carrying values of the properties will be depleted following the unit of production method. If any properties are sold or abandoned, or considered to be impaired in value, the carrying value of the properties will be charged to operations.

(expressed in Canadian dollars)

## 3 Significant accounting policies (continued)

**Resource properties** (continued)

The carrying values of resource properties, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the resource properties will be written down to their recoverable amount. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon obtaining the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimate of recoverability of the Company's resource property has been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of the resource property.

**Related party transactions**

All transactions with related parties are in the normal course of business.

**New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2016, and have not been applied in preparing these consolidated financial statements. Accordingly, the Company expects to adopt these standards as set forth below.

*i)* IFRS 9, *Financial Instruments*

IFRS 9, "Financial instruments" ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement, to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

(expressed in Canadian dollars)

## 3 Significant accounting policies (continued)

### New standards and interpretations not yet adopted (continued)

*i)* IFRS 9, *Financial Instruments* (continued)

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

*ii)* IFRS 16, *Leases*

IFRS 16, "Leases" ("IFRS 16") a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

*iii)* IFRS 15, *Revenue from Contracts and Customers*

The IASB issued IFRS 15 "Revenue from Contacts and Customers" ("IFRS 15") effective for annual periods beginning on or after January 1, 2018, although the standard is available for early adoption. IFRS 15 replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts", and some revenue related interpretations. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. The Company is currently evaluating the impact of the new standard in its consolidated financial statements.

## 4 Disposition of Mexican subsidiary

In the last quarter of 2015 the Company completed the sale of the shares of its Mexican subsidiary company, CMOB to an arm's-length purchaser whereby the purchaser assumed all of CMOB's liabilities and granted to NSX Silver a two percent net smelter return royalty on any future mineral production from the 11 mining concessions that CMOB presently owns.

(expressed in Canadian dollars)

## 4 Disposition of Mexican subsidiary (continued)

As the sale of CMOB constituted a sale or exchange of all or substantially all the assets of NSX Silver, NSX Silver obtained shareholder approval for the sale as required under Section 189 of the Canada Business Corporations Act by way of special resolution. To approve a special resolution, a majority of not less than two-thirds of the votes cast in person or by proxy by those shareholders who vote in respect of the special resolution is required. The special meeting of NSX Silver shareholders was held on December 16, 2015 during which the transaction was approved. The sale was also approved by the TSX Venture Exchange. The closing date of the transaction was December 30, 2015.

A summary of the assets transferred to and the liabilities assumed by the arms-length purchaser are summarized as follows:

| | $ |
|---|---|
| Cash and cash equivalents | 556 |
| VAT tax recoverable | 47,741 |
| Capital assets | 9,921 |
| Resource properties (Note 5) | 320,076 |
| | 378,294 |
| Less liabilities assumed: | |
| Accounts payable and accrued liabilities | (82,326) |
| Loss on disposal of subsidiary | 295,968 |

## 5 Resource properties

| | Dios Padre $ | Oso Blanco and Other $ | Total $ |
|---|---|---|---|
| **Balance – December 31, 2012** | 3,518,305 | 148,539 | 3,666,844 |
| Acquisition of resources properties | 262,284 | – | 262,284 |
| Exploration costs incurred | 783,199 | 152,025 | 935,224 |
| Write-down of resource properties | (4,563,788) | (9,539) | (4,573,327) |
| **Balance – December 31, 2013** | – | 291,025 | 291,025 |
| Exploration costs incurred | – | 13,052 | 13,052 |
| **Balance – December 31, 2014** | – | 304,077 | 304,077 |
| Exploration costs incurred | – | 15,999 | 15,999 |
| Disposal of Mexican subsidiary | – | (320,076) | (320,076) |
| **Balance – December 31, 2015** | – | – | – |

During 2013, the Company informed the Dios Padre property owner that it was terminating its option agreement. As a result, the Company recorded a write-down of its Dios Padre resource property in the amount of $4,563,788.

(expressed in Canadian dollars)

## 6 Accounts payable and accrued liabilities

| | December 31, 2015 $ | December 31, 2014 $ |
|---|---|---|
| Accounts payable | 26,580 | 90,961 |
| Accrued liabilities | 19,100 | 24,000 |
| | 45,680 | 114,961 |

## 7 Compensation of key management

Key management includes the Company's Directors, the President and the Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management is summarized as follows:

| | December 31, 2015 $ | December 31, 2014 $ |
|---|---|---|
| Cash compensation and other benefits | – | 21,000 |
| Stock-based compensation | – | – |
| | – | 21,000 |

As of December 31, 2014, $25,000 had not been paid. During 2015 this amount has been written-down to nil.

(expressed in Canadian dollars)

## 8 Share capital

### a) Authorized capital stock

Unlimited number of common shares, without nominal or par value
Unlimited number of preferred shares, without nominal or par value, issuable in one or more series

| Common shares issued and fully paid | # of shares | Amount $ |
|---|---|---|
| **Balance – December 31, 2014 and December 31, 2015** | 4,592,957 | 5,600,249 |

Subsequent to December 31, 2014, the Company completed a one-for-ten share consolidation. Effective at the opening of trading on January 23, 2015, the Company's common shares commenced trading on the TSX Venture Exchange on a consolidated basis.

### b) Escrowed shares

As at December 31, 2015, there are no common shares (December 31, 2014 – 203,146) subject to escrow agreements.

### c) Options

The Company has adopted a stock option plan for directors, officers, employees and consultants of the Company. During the year ended December 31, 2013, the Board of Directors approved an increase, in the maximum number of shares that may be issued under the stock option plan, from 300,000 to 400,000 shares. The exercise price of the stock options is determined by the Board of Directors when the options are granted, but cannot be less than the closing price of the Company's shares on the TSX Venture Exchange on the business day immediately preceding the day on which the option is granted. The maximum exercise period of the stock options is ten years.

During the years ended December 31, 2014 and December 31, 2015, the Company did not grant any stock options. In 2015, the Company, with agreement of the optionees, cancelled all outstanding options.

### d) Contributed surplus

| | December 31, 2015 $ | December 31, 2014 $ |
|---|---|---|
| **Balance – Beginning and end of period** | 310,000 | 310,000 |

(expressed in Canadian dollars)

## 9 Income taxes

At December 31, 2015, the Company's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% to the pre-tax loss for the period. The reasons for the difference are as follows:

| | December 31, 2015 $ | December 31, 2014 $ |
|---|---|---|
| Loss before income taxes | 338,876 | 191,240 |
| Income tax rate | 31% | 31% |
| Income tax recovery based on statutory rates | 105,000 | 59,000 |
| Permanent differences | (96,000) | – |
| Unrecognized deferred tax assets | (9,000) | (59,000) |
| Provision for income taxes | – | – |

**Losses**

The Company has Canadian non-capital tax losses of approximately $583,000 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows: $226,000 in 2032, $263,000 in 2033, $64,000 in 2034 and $30,000 in 2035. No deferred tax asset has been recognized for these losses as it is not probable that the related deferred tax asset will be realized.

## 10 Related party transactions

During the year ended December 31, 2015, the Company incurred legal fees aggregating $6,068 (year ended December 31, 2014 - nil) from a law firm of which one of the officers is a partner.

During the year ended December 31, 2015, the Company received advances from a director and a shareholder aggregating $29,656. During the year ended December 31, 2014, the Company received advances from Van Hoof Industrial Holdings Ltd., a company controlled by a director, aggregating $20,000. These advances are non-interest bearing and are payable upon demand.

## 11 Supplemental cash flow information

During the year ended December 31, 2015, the Company incurred expenditures on resource properties of $7,499 (December 31, 2014 - nil) which were recorded as accounts payable at the end of the year. These items are non-cash transactions and have been excluded from the consolidated statements of cash flows.

(expressed in Canadian dollars)

## 12 Financial instruments and other

### Credit risk

The Company manages credit risk by holding its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company does not have sufficient working capital to carry out all budgeted programs in 2015 and must secure financing during 2015 to avoid disruption in planned expenditures (see note 1).

### Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has no interest-bearing debt and is not exposed to any significant interest rate risk.

b) Foreign currency risk

The Company operates in Mexico, giving rise to foreign currency risk. To limit the Company's exposure to this risk, cash is primarily held with high quality financial institutions in Canada. In the future, based on the timing of the Company's exploration programs, foreign currencies may be purchased in advance of expenditures to lock in favourable rates in line with the Company's budgets, otherwise the Company does not use any form of hedging against fluctuations in foreign exchange.

As at December 31, 2015 and 2014, the Company held the following items in foreign currencies:

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | USD | Pesos | USD | Pesos |
| | $ | $ | $ | $ |
| Cash and cash equivalents | – | – | – | 6,713 |
| Sales tax recoverable | – | – | – | 602,413 |
| Accounts payable and accrued liabilities | – | – | 29,425 | 434,529 |

### Price risk

The Company is not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.