MINAURUM GOLD INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Years ended April 30, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Minaurum Gold Inc.

We have audited the accompanying consolidated financial statements of Minaurum Gold Inc., which comprise the consolidated statements of financial position as at April 30, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Minaurum Gold Inc. as at April 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

August 15, 2017

MINAURUM GOLD INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		April 30, 2017		April 30, 2016
ASSETS				
Current assets				
Cash	$	1,641,026	$	3,264,014
Receivables (Note 5)		8,262		114,112
Prepaid expenses		51,316		131,505
Advance (Note 6)		-		933,480
		1,700,604		**4,443,111**
Advance (Note 6)		1,005,880		-
Exploration and evaluation assets (Note 7)		3,354,408		2,968,401
	$	**6,060,892**	$	**7,411,512**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 8)	$	144,919	$	85,698
Deferred income tax liability (Note 12)		201,000		201,000
		345,919		**286,698**
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		24,806,434		24,037,381
Reserves (Note 9)		2,360,706		2,243,535
Deficit		(21,452,167)		(19,156,102)
		5,714,973		**7,124,814**
	$	**6,060,892**	$	**7,411,512**

NATURE AND CONTINUANCE OF OPERATIONS (NOTE 1)

SUBSEQUENT EVENTS (NOTE 13)

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

SIGNED: *"Michael Williams"*

SIGNED: *"Darrell A. Rader"*

MINAURUM GOLD INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	Years ended April 30, 2017	2016
EXPENSES		
Consulting fees (Note 8)	$ 304,300	$ 439,300
Exploration costs (supplemental schedule) (Note 7, 8)	1,616,941	680,415
Filing and registration	26,955	22,324
Foreign exchange	(22,929)	22,670
Investor relations	57,824	62,537
Office and administration (Note 8)	45,994	66,097
Professional fees	100,855	98,603
Property investigation	4,454	-
Share-based payments (Note 8, 9(c))	146,590	108,547
Travel and meals	22,372	42,133
OPERATING LOSS	**(2,303,356)**	**(1,542,626)**
Interest income	82,291	52,387
Gain on write-off of debt	-	28,993
Management fees earned	-	14,845
Management fees paid (Note 6)	-	(77,000)
Write-off of prepaid expenses	(75,000)	-
	7,291	**19,225**
TOTAL LOSS AND COMPREHENSIVE LOSS	**$ (2,296,065)**	**$ (1,523,401)**
LOSS PER COMMON SHARE, BASIC AND DILUTED	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDIN	196,159,958	153,480,069

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

MINAURUM GOLD INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Number of shares		Share capital		Share-based reserves		Deficit		Total equity
April 30, 2015	**97,742,496**	**$**	**18,545,840**	**$**	**2,120,570**	**$**	**(17,632,701)**	**$**	**3,033,709**
Shares issued for cash	91,937,663		5,421,012		-		-		**5,421,012**
Shares issued for finders' fees	1,195,000		236,625		-		-		**236,625**
Shares issued on exercise of warrants	2,251,000		112,550		-		-		**112,550**
Share issuance costs	-		(278,646)		14,418		-		**(264,228)**
Share-based payments	-		-		108,547		-		**108,547**
Total comprehensive loss for the year	-		-		-		(1,523,401)		**(1,523,401)**
April 30, 2016	**193,126,159**		**24,037,381**		**2,243,535**		**(19,156,102)**		**7,124,814**
Shares issued on exercise of warrants	4,396,340		439,634		-		-		**439,634**
Shares issued for mineral properties	1,900,000		300,000		-		-		**300,000**
Share-based payments	-		-		146,590		-		**146,590**
Fair value of warrants exercised	-		29,419		(29,419)		-		**-**
Total comprehensive loss for the year	-		-		-		(2,296,065)		**(2,296,065)**
April 30, 2017	**199,422,499**	**$**	**24,806,434**	**$**	**2,360,706**	**$**	**(21,452,167)**	**$**	**5,714,973**

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

MINAURUM GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Years ended April 30,	
	2017	**2016**
OPERATING ACTIVITIES		
Loss for the year	**$** (2,296,065)	**$** (1,523,401)
Items not affecting cash:		
Interest revenue	(72,400)	(28,480)
Gain on settlement of debt	-	(28,993)
Share-based payments	146,590	108,547
Write-off of prepaid expenses	75,000	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	105,850	(67,641)
Decrease (increase) in prepaid expenses	5,189	(123,808)
Increase in accounts payable and accrued liabilities	59,221	191
Cash flows used in operating activities	**(1,976,615)**	**(1,663,585)**
INVESTING ACTIVITIES		
Exploration and evaluation option payments	(86,007)	(19,633)
Loan receivable	-	(905,000)
Cash flows used in investing activities	**(86,007)**	**(924,633)**
FINANCING ACTIVITIES		
Shares issued for private placements	-	5,421,012
Shares issued on exercise of warrants	439,634	112,550
Share issuance costs	-	(27,603)
Cash flows provided by financing activities	**439,634**	**5,505,959**
NET CHANGE IN CASH DURING THE YEAR	**(1,622,988)**	**2,917,741**
CASH, BEGINNING OF THE YEAR	**3,264,014**	**346,273**
CASH, END OF THE YEAR	**$ 1,641,026**	**$ 3,264,014**
SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS		
Shares issued for mineral properties	$ 300,000	$ -
Shares issued for finders' fees	$ -	$ 236,625
Agent warrants issued	$ -	$ 14,418
Fair value of warrants exercised	$ 29,419	$ -

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

MINAURUM GOLD INC.

SUPPLEMENTAL SCHEDULE OF EXPLORATION COSTS

(Expressed in Canadian dollars)

	Mexico Vuelcos Property	Mexico Adelita Property	Mexico Aurena Property	Mexico Santa Marta Project	Mexico La Quintera Project	Mexico General Exploration	Total
Year ended April 30, 2017							
Analysis	$ -	$ -	$ -	$ -	$ 53,858	$ 24,847	$ **78,705**
Community relations	-	-	-	-	13,644	-	**13,644**
Drilling	825	-	-	-	857	29,700	**31,382**
Field supplies and equipment	-	-	-	13	67,537	-	**67,550**
General	1,081	2,198	12,524	36,003	150,679	24,532	**227,017**
Geological consulting	28,201	8,611	10,525	237,808	117,836	120,500	**523,481**
Geophysics and metallurgy	-	-	-	-	2,558	-	**2,558**
Permitting	157	-	-	-	19,170	-	**19,327**
Property taxes	75,223	83,626	20,576	96,012	13,667	318,301	**607,405**
Rent	-	13,739	970	-	4,933	22,097	**41,739**
Staking	-	371	-	-	-	-	**371**
Transportation	-	-	-	34	3,550	178	**3,762**
Total for the year	**$ 105,487**	**$ 108,545**	**$ 44,595**	**$ 369,870**	**$ 448,289**	**$ 540,155**	**$ 1,616,941**
Year ended April 30, 2016							
Analysis	$ 231	$ -	$ -	$ -	$ -	$ 42,325	$ **42,556**
Drilling	-	-	-	-	-	335,243	**335,243**
Field supplies and equipment	-	-	-	4,273	-	-	**4,273**
General	16,924	3,332	7,923	20,488	-	42,715	**91,382**
Geological consulting	101,735	16,278	11,111	42,772	-	90,115	**262,011**
Permitting	-	-	-	-	-	3,327	**3,327**
Property taxes	56,023	111,645	18,088	73,227	-	42	**259,025**
Rent	821	-	-	-	-	23,396	**24,217**
Transportation	-	-	-	-	-	943	**943**
Recoveries	-	-	-	(197,933)		(144,629)	**(342,562)**
Total for the year	**$ 175,734**	**$ 131,255**	**$ 37,122**	**$ (57,173)**	**$ -**	**$ 393,477**	**$ 680,415**

During the year ended April 30, 2017, the Company paid $92,693 (MXN$1,361,770) (2016 – $32,597 or MXN$410,052) in IVA on expenditures incurred in Mexico. The collectability of these amounts is uncertain, therefore the Company has written off these amounts in exploration costs through profit and loss during the years ended April 30, 2017 and 2016, respectively.

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

1. Nature and Continuance of Operations:

Minaurum Gold Inc. ("the Company") was incorporated under the Business Corporations Act of British Columbia on November 13, 2007. The Company is an exploration stage company and engages principally in the acquisition and exploration of mineral properties. The Company's head office address is Suite 1500 – 409 Granville Street, Vancouver, BC, V6C 1T2, Canada. The registration and records office address is 10th Floor, 595 Howe Street, Vancouver, BC, V6C 2T5, Canada. The Company is listed on the TSX Venture Exchange.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether its exploration and evaluation assets contain economically recoverable mineral reserves. The underlying value and the recoverability of the amounts shown as exploration and evaluation assets are entirely dependent upon the existence of economically recoverable resource reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation assets, and future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The Company has a history of losses with no operating revenue, an accumulated deficit of $21,452,167 since inception, and a working capital of $1,555,685 at April 30, 2017. Management recognizes that the Company, in the long term, will need to generate additional financial resources in order to meet its planned business objectives. However, there can be no assurances that the Company will continue to obtain additional financial resources and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. Based on the financings completed during fiscal 2017 and subsequent (Note 13), management believes it has sufficient funding for the ensuing year.

These consolidated financial statements do not reflect adjustments, which could be material to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. Significant Accounting Policies:

a) Basis of presentation:

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

Unless otherwise stated, amounts are expressed in Canadian dollars.

These consolidated financial statements were authorized for issuance by the Board on August 15, 2017.

b) Basis of consolidation:

These consolidated financial statements include the financial statements of the Company and its wholly-owned Mexican subsidiary, Minera Minaurum Gold S.A. De C.V., which carries out exploration activities in Mexico. All material intercompany transactions and balances have been eliminated on consolidation.

2. Significant Accounting Policies (continued):

c) Exploration and evaluation assets:

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration costs are recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price on the day the securities are received.

d) Impairment:

The carrying amounts of the Company’s non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

2. Significant Accounting Policies (continued):

d) Impairment (continued):

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Provision for closure and reclamation:

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation for the years presented.

f) Income taxes:

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Significant Accounting Policies (continued):

g) Basic and diluted loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share. Since the Company has losses the exercise of outstanding options has not been included in this calculation as it would be anti-dilutive.

h) Significant Accounting Estimates and Judgments:

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

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

Recoverability of receivables

The Company estimates the recoverability of IVA paid on expenditures incurred in Mexico.

Share-based payments

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

2. Significant Accounting Policies (continued):

h) Significant Accounting Estimates and Judgments (continued):

Critical accounting estimates (continued)

Deferred income tax liability

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical accounting judgments

Examples of significant judgments, apart from those involving estimation, include:

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiaries. Functional currency was determined based on an analysis of the consideration factors in IAS 21, The Effects of Changes in Foreign Exchange Rates.

i) Financial Instruments:

Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company’s cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide objective evidence of impairment, which are recognized in earnings. The Company’s receivables and loan receivable are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated present value of the future cash flows of the financial assets are less than their carrying values.

2. Significant Accounting Policies (continued):

i) Financial Instruments (continued):

Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period or, where appropriate, a shorter period. The Company's financial liabilities consist of accounts payable, which are classified as other liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

j) Share-based payments:

The Company uses the fair value based method of accounting for stock options granted to employees and directors and agent options issued on private placements. Under this method, the fair value of the stock options at the date of the grant, as determined using the Black-Scholes option pricing model, is recognized to expense over the vesting period. The fair value of agent options at the date of issuance, as determined using the Black-Scholes model, is recognized as share issuance costs, with the offsetting credit to share-based payments reserve. If the stock options or agent options are exercised, the proceeds are credited to share capital and the fair value of the options or agent options exercised is reclassified from share-based payments reserve to share capital.

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

k) Valuation of equity units issued in private placements:

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a warrant reserve.

2. Significant Accounting Policies (continued):

l) Foreign Currency Translation:

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period. The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they generate financial resources.

3. Changes in Accounting Policies:

<u>Accounting standards issued but not yet applied</u>

Certain pronouncements were issued by the IASB or IFRS Interpretations Committee that are not mandatory for accounting periods beginning on or before May 1, 2018. They have not been early adopted in these financial statements. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 9, Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet made an assessment of the impact of the amendments.

IFRS 15, Revenue from Contracts with Customers, establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The change in accounting standard is unlikely to have a significant impact on the Company's consolidated financial statements.

IFRS 16, Leases, provides a single lessee accounting model for recognition, measurement, presentation and disclosure, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, substantially unchanged from IAS 17, the predecessor to IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The change in accounting standard is unlikely to have a significant impact on the Company's consolidated financial statements.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

(Expressed in Canadian dollars)

4. Capital Management:

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

The capital structure of the Company consists of shareholder's equity. The Company is not exposed to any externally imposed capital requirements.

The exploration and evaluation assets in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended April 30, 2017.

5. Receivables:

	April 30, 2017	April 30, 2016
Amounts due from Government of Canada pursuant to GST input tax credits	$ 5,026	$ 4,194
Other amounts receivable	3,236	109,918
Total	$ 8,262	$ 114,112

6. Advance:

On November 3, 2015, the Company entered into an agreement, subsequently amended, with Guerrero Ventures Inc. ("Guerrero"), whereby the Company advanced Guerrero $770,000 to explore the Biricu project in Mexico. Pursuant to the agreement, the advance is repayable, at the Company's election, in cash or, subject to the satisfaction of certain conditions, through conversion of up to an approximate 80% interest based on additional amounts advanced. The advance bears interest at 8% per annum.

During the year ended April 30, 2016, the Company also paid Guerrero an overhead fee of $77,000, which has been recorded as a management fee. As at April 30, 2017, a total of $905,000 (2016 - $905,000) in principal has been advanced to Guerrero in cash and a total of $100,880 (2016 - $28,480) has been accrued in interest.

(Expressed in Canadian dollars)

7. Exploration and Evaluation Assets:

Balance consists of:

	April 30, 2017	April 30, 2016
Aurena, Mexico	$ 1,189,713	$ 1,189,713
Adelita, Mexico	561,527	541,965
Vuelcos del Destino, Mexico	1,076,874	890,429
Santa Marta, Mexico	346,294	346,294
La Quintera, Mexico	180,000	-
Total	$ 3,354,408	$ 2,968,401

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets.

The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge title to the assets is in good standing.

a) Aurena Property, Oaxaca State, Mexico:

On April 30, 2009 the Company acquired an option, subsequently amended, to earn a 100% interest in the Aurena Property for 3,500,000 shares (issued) and $20,000 cash (paid). The property is subject to a net smelter return royalty ("NSR") of 3%. In November 2010, a related party of the Mexican company that is the optionor of the underlying agreement became a director of the Company.

The Company paid US$140,000, issued 1,100,000 common shares valued at $514,500 and incurred property expenditures of US$2,500,000 to earn its 100% interest in the Aurena Property.

Upon commencement of commercial production, the Company shall issue 2,000,000 shares to the vendor. The Company may elect to purchase up to 2% of the NSR for payment of the greater of $4,000,000 USD or the equivalent amount of 0.9999 fine physical gold measured in troy ounces priced at the New York closing spot price on the closing date.

b) Adelita Property, Sonora State, Mexico:

On April 23, 2010, the Company purchased an option, subsequently amended, to acquire a 100% interest in a mineral property known as the Adelita property, comprised primarily of a land package under option with a Mexican company that is the optionor of the underlying agreement, along with a minor claim under option with a separate landowner. The property is subject to a NSR of 2%. In November 2010, a related party of the Mexican company became a director of the Company. In consideration, the Company paid $1 to acquire the option.

(Expressed in Canadian dollars)

7. Exploration and Evaluation Assets (continued):

b) Adelita Property, Sonora State, Mexico (continued):

To maintain the option on the property, the Company must complete cash and share payments and incur expenditures for the balance of the purchase price as follows:

On or before	Cash (USD)		Shares			Value
April 23, 2010	$ 40,000	(paid)	250,000	(issued)	$	182,500
April 23, 2011	$ 50,000	(paid)*	200,000	(issued)	$	178,000
April 23, 2012	$ 100,000	(paid)*	200,000	(issued)	$	82,000
On signing of Amendment Agreement No. 1	$ 25,000	(paid)	-		$	-
July 31, 2013	$ 125,000	(paid)	-		$	-
December 31, 2013	$ 200,000	(paid)	-		$	-
April 23, 2013	$ -		275,000	(issued)	$	27,500
December 8, 2014	$ 10,000	(paid)	-		$	-
December 8, 2015	$ 15,000	(paid)	-		$	-
December 8, 2016	$ 15,000	(paid)	-		$	-
December 8, 2017	$ 15,000		-		$	-
Totals	**$ 595,000**		**925,000**		**$**	**470,000**

As at April 30, 2017, the Company has fulfilled all cash and share payments required under the option with the Mexican company and now owns 100% of the Adelita Property, with the exception of the minor claim, on which there are US$15,000 in payments remaining.

c) Vuelcos del Destino Property, Guerrero State, Mexico:

On April 3, 2010, the Company purchased an option, subsequently amended, to acquire a 100% interest in a mineral property known as the Vuelcos del Destino property, located in Mexico. In November 2010, the president of the Mexican company that is the optionor of the underlying agreement became a director of the Company. The property is subject to a NSR of 3%. In consideration, the Company paid $1 to acquire the option.

To maintain the option on these properties, the Company must complete cash and share payments and incur expenditures for the balance of the purchase price as follows:

On or before	Cash (USD)			Shares		Value		Expenditures (USD)	
April 3, 2010	$	35,000	(paid)	250,000	(issued)	$	180,000	$	-
April 3, 2011	$	50,000	(paid)	250,000	(issued)	$	187,500	$	-
April 3, 2012	$	50,000	(paid)	250,000	(issued)	$	50,000	$	-
April 3, 2013	$	-		250,000	(issued)	$	25,000	$	-
February 15, 2014	$	-		1,200,000	(issued)	$	120,000	$	-
April 3, 2014	$	-		250,000	(issued)	$	25,000	$	-
April 23, 2014	$	70,000	(paid)	-				$	-
April 23, 2015	$	50,000	(paid)	300,000	(issued)	$	27,000	$	-
April 23, 2017	$	50,000	(paid)	400,000	(issued)		120,000	$	-
April 23, 2020	$	50,000		500,000				$	2,000,000 *
Commercial Production	$	-		2,000,000				$	-
Totals	**$**	**355,000**		**5,650,000**		**$**	**734,500**	**$**	**2,000,000**

*$744,763 incurred as at April 30, 2017

On November 28, 2015, the Company entered into an amendment with the optionor to extend the cash payments and share issuances originally due on April 23, 2016 and 2017 to April 23, 2017 and 2018, respectively, and the required expenditures from April 23, 2017 to April 23, 2018. On February 8, 2017, the option agreement was further amended to extend the date of required expenditures from April 23, 2018 to April 23, 2020. The Company may elect to purchase up to 2% of the NSR for payment of $2,000,000 USD per percentage point.

(Expressed in Canadian dollars)

7. Exploration and Evaluation Assets (continued):

d) Santa Marta Project, Oaxaca State, Mexico:

On October 7, 2010, the Company purchased an option, subsequently amended, to acquire a 100% interest in a mineral property known as the Santa Marta property, located in Mexico. In November 2010, the president of the Mexican company that is the optionor of the underlying agreement became a director of the Company. The property is subject to a NSR of 3%. In consideration, the Company may purchase up to 2% of the NSR for $1,000,000 per 0.5%, payable at the Company's election in either cash or the equivalent of 0.9999 fine physical gold measured in troy ounces, priced at the New York closing price on the date of delivery.

To maintain the option on the property, the Company must complete cash and share payments and incur expenditures for the balance of the purchase price as follows:

On or before	Cash (USD)		Shares		Value	Expenditures	
Within 5 days of exchange approval	$ 20,000	(paid)	-			$ -	
Within 60 days of exchange approval	$ -		250,000	(issued)	$ 162,500	$ -	
October 28, 2011	$ 30,000	(paid)	250,000	(issued)	$ 85,000	$ -	
October 28, 2012	$ 50,000	(paid)	250,000	(issued)	$ 33,750	$ -	
October 28, 2013	$ -		325,000	(issued)	$ 29,250	$ -	
March 31, 2014	$ 15,000	(paid)	-			$ -	
October 28, 2014	$ -		800,000	(issued)	60,000	$ -	
October 28, 2016**	$ 60,000		-			$ -	
October 28, 2017**	$ -		-			$ 2,500,000	*
Totals	**$ 175,000**		**1,875,000**		**$ 370,500**	**$ 2,500,000**	

*$1,108,167 incurred as at April 30, 2017

**If the necessary permits required for drilling on the property are not obtained by May 31, 2014, the time to complete the remaining option payments and expenditures will be extended by the corresponding additional amount of time required to obtain the necessary permits. As at April 30, 2017, the permits are still pending.

Upon commencement of commercial production, the Company will issue additional shares equal in value to $5,000,000 to a maximum of 1,000,000 common shares, whichever is less.

On December 20, 2013, the Company entered into an option agreement with Lowell Copper Ltd. ("Lowell") to grant Lowell the right to acquire up to a 70% interest in the Company's Santa Marta project in Mexico in exchange for incurring a total of USD$6,000,000 in cumulative exploration expenditures on the project by December 31, 2016.

The Company regained control of the Santa Marta property on termination of the option agreement with Lowell on September 3, 2015.

On November 18, 2015, the Company entered into an amendment with the optionor to extend the final cash payment originally due October 28, 2015 to October 28, 2016, and the required expenditures from October 28, 2015 to October 28, 2017.

e) La Quintera Project, Sonora State, Mexico:

On September 13, 2016, the Company entered into an option agreement to earn a 100% interest in the La Quintera silver project in Sonora, Mexico. The property vendor retains a 2% NSR (0.5% of which can be purchased for $1,000,000).

(Expressed in Canadian dollars)

7. Exploration and Evaluation Assets (continued):

e) La Quintera Project, Sonora State, Mexico (continued):

To maintain the option on the property, the Company must complete cash and share payments and incur expenditures for the balance of the purchase price as follows:

On or before		Cash	Shares			Value		Expenditures	
September 13, 2016	$	-	1,500,000	(issued)	$	180,000	$	-	
September 13, 2017	$	25,000	750,000				$	500,000	*
September 13, 2018	$	25,000	750,000				$	500,000	
September 13, 2019	$	50,000	1,000,000				$	500,000	
September 13, 2020	$	50,000	1,000,000				$	500,000	
September 13, 2021	$	50,000	1,000,000				$	500,000	
September 13, 2022	$	400,000	-				$	500,000	
On Commercial Production	$	2,000,000	-				$	-	
Totals	**$**	**2,600,000**	**6,000,000**		**$**	**180,000**	**$**	**3,000,000**	

*$448,289 incurred as at April 30, 2017

8. Related Party Transactions:

During the year ended April 30, 2017, the Company:

a) received or accrued $6,000 (2016 - $24,000) in rental income from a company with a Director in common.

b) paid or accrued $6,436 (2016 - $52,457) as rent expense (included in office and administration) to a company with a Director in common.

At April 30, 2017, $71,544 (2016 - $39,551) (included in accounts payable and accrued liabilities) is due to directors, officers, and companies with a director in common. Amounts due to related parties are non-interest bearing, with no fixed terms of repayments. The Company has also prepaid $6,038 (2016 - $17,063) in amounts to directors and officers.

At April 30, 2017, $6,700 (2016 - $2,100) is due from a company with a director in common. The remuneration of key management personnel, which includes directors and officers of the Company, including amounts disclosed above, during the years ended April 30, 2017 and 2016 were as follows:

		April 30, 2017		April 30, 2016
Consulting fees	$	196,500	$	196,500
Exploration costs (geological consulting)		220,899		180,484
Share-based payments		18,400		65,828
Total	$	435,799	$	442,812

9. Share Capital:

(a) Authorized share capital:

Unlimited common shares without par value.

9. Share Capital (continued):

(b) Issued and outstanding common shares:

On June 29, 2015, the Company completed the first tranche of a non-brokered private placement of 29,183,330 units at a price of $0.075 per unit for proceeds of $2,188,750. Each unit consisted of one common share and one warrant. Each warrant is exercisable at a price of $0.10, expiring June 29, 2017. In connection with the financing, the Company issued 610,000 common shares valued at $45,750 as finders' fees.

On June 29, 2015, the Company completed the second tranche of a non-brokered private placement of 6,000,000 units at a price of $0.075 per unit for proceeds of $450,000. Each unit consisted of one common share and one warrant. Each warrant is exercisable at a price of $0.10, expiring June 29, 2017. In connection with the financing, the Company issued 420,000 common shares valued at $31,500 and 220,000 agent warrants as finders' fees. The agent warrants are exercisable at $0.10 per share, expiring June 29, 2017 and were valued at $12,314 using the Black-Scholes valuation method, with a risk-free interest rate of 0.56%, expected volatility rate of 155.61%, expected life of 2 years, and dividend rate of nil.

On August 11, 2015, the Company completed the third tranche of a non-brokered private placement of 3,161,833 units at a price of $0.075 per unit for proceeds of $237,137. Each unit consisted of one common share and one warrant. Each warrant is exercisable at a price of $0.10, expiring August 11, 2017. In connection with the financing, the Company issued 140,000 common shares valued at $10,500 and 41,340 agent warrants as finders' fees. The agent warrants are exercisable at $0.10 per share, expiring August 11, 2017 and were valued at $2,105 using the Black-Scholes valuation method, with a risk-free interest rate of 0.41%, expected volatility rate of 152.55%, expected life of 2 years, and dividend rate of nil.

On September 21, 2015, the Company completed the fourth and final tranche of a non-brokered private placement of 500,000 units at a price of $0.075 per unit for proceeds of $37,500. Each unit consisted of one common share and one warrant. Each warrant is exercisable at a price of $0.10, expiring September 21, 2017. In connection with the financing, the Company issued 25,000 common shares valued at $1,875 as finders' fees.

On December 1, 2015, the Company completed the first tranche of a non-brokered private placement of 50,152,500 units at a price of $0.05 per unit for proceeds of $2,507,625. Each unit consisted of one common share and one warrant. Each warrant is exercisable at a price of $0.075, expiring December 1, 2017.

On December 7, 2015, the Company completed the second and final tranche of a non-brokered private placement of 2,940,000 units at a price of $0.05 per unit for settlement of finders' fees of $147,000. Each unit consisted of one common share and one warrant. Each warrant is exercisable at a price of $0.075, expiring December 7, 2017.

On September 20, 2016, the Company issued 1,500,000 common shares on the La Quintera property, valued at $180,000 (Note 7(e)).

(Expressed in Canadian dollars)

9. Share Capital (continued):

(b) Issued and outstanding common shares (continued):

On April 19, 2017, the Company issued 400,000 common shares on the Vuelcos del Destino property, valued at $120,000 (Note 7(c)).

During the year ended April 30, 2017, the Company issued a total of 4,396,340 common shares upon exercise of warrants at $0.10 per share, for total gross proceeds of $439,634.

(c) Stock options:

The Company has approved a stock option plan, whereby the number of shares issuable under the Plan is limited to 10% of the issued and outstanding shares of the Company. The exercise price of each option shall not be less than the discounted market price of the Company's shares as calculated on the date of grant. An option's maximum term is ten years and shall vest as determined by the Board of Directors. Options granted to investor relations consultants shall vest in stages over 12 months with no more than one-quarter of options vesting in any three month period.

The following tables reflect the continuity of stock options for the years ended April 30, 2017 and 2016:

Number Outstanding April 30, 2016	Granted	Exercised	Expired / Cancelled	Number outstanding April 30, 2017	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
750,000	-	-	-	750,000	0.35	Jan 18, 2020	2.72
150,000	-	-	150,000	-	0.50	Dec 1, 2016	-
3,600,000	-	-	-	3,600,000	0.10	Apr 3, 2019	1.93
500,000	-	-	250,000	250,000	0.10	June 30, 2019	2.17
1,220,000	-	-	-	1,220,000	0.10	Sept 18, 2020	3.39
1,600,000	-	-	-	1,600,000	0.10	Dec 3, 2020	3.60
-	950,000	-	-	950,000	0.10	Jan 10, 2022	4.70
7,820,000	950,000	-	400,000	8,370,000	$ 0.12	(weighted average)	2.85
$0.13	$0.10		$0.25				
			Exercisable	7,420,000	$ 0.13	(weighted average)	2.62

Number Outstanding April 30, 2015	Granted	Exercised	Expired / Cancelled	Number outstanding April 30, 2016	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
750,000	-	-	-	750,000	0.35	Jan 18, 2020	3.72
25,000	-	-	25,000	-	0.62	Jun 18, 2015	-
1,200,000	-	-	1,200,000	-	0.76	Dec 3, 2015	-
250,000	-	-	250,000	-	0.78	Mar 11, 2016	-
150,000	-	-	-	150,000	0.50	Dec 1, 2016	0.59
3,600,000	-	-	-	3,600,000	0.10	Apr 3, 2019	2.93
500,000	-	-	-	500,000	0.10	June 30, 2019	3.17
-	1,220,000	-	-	1,220,000	0.10	Sept 18, 2020	4.39
-	1,600,000	-	-	1,600,000	0.10	Dec 3, 2020	4.60
6,475,000	2,820,000	-	1,475,000	7,820,000	$ 0.13	(weighted average)	3.54
$0.29	$0.10		$0.76				
			Exercisable	6,010,000	$ 0.14	(weighted average)	3.25

(Expressed in Canadian dollars)

9. Share Capital (continued):

(c) Stock options (continued):

The fair values of the stock options used to calculate compensation expense for both employees and non-employees for the options granted is estimated using the Black-Scholes option pricing model. The weighted average fair value per option granted during the year ended April 30, 2017 was $0.27 (2016 - $0.05). During the year ended April 30, 2017, the Company recognized $146,590 (2016 - $108,547) in share-based payments for the fair value of the vesting portion of the stock options that were granted in the prior and current years. The following weighted average assumptions used in the calculation of fair value are as follows:

	Year ended April 30, 2017	Year ended April 30, 2016
Risk-free interest rate	0.91%	0.72%
Expected volatility	145.03%	149.91%
Expected life of options	4.70 years	4.91 years
Expected dividend yield	Nil	Nil
Forfeiture rate	0%	0%

(d) Warrants:

At April 30, 2017, the following warrants were outstanding:

Number Outstanding April 30, 2016	Granted	Exercised	Expired / Cancelled	Number outstanding April 30, 2017	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
5,620,000	-	1,500,000	4,120,000	-	$ 0.10	Jun 23, 2016	-
6,850,000	-	2,000,000	4,850,000	-	$ 0.10	Dec 31, 2016	-
29,183,330	-	-	-	29,183,330	$ 0.10	Jun 29, 2017*	0.16
6,000,000	-	500,000	-	5,500,000	$ 0.10	Jun 29, 2017*	0.16
220,000	-	220,000	-	-	$ 0.10	Jun 29, 2017	0.16
3,161,833	-	-	-	3,161,833	$ 0.10	Aug 11, 2017*	0.28
41,340	-	41,340	-	-	$ 0.10	Aug 11, 2017	0.28
500,000	-	-	-	500,000	$ 0.10	Sept 21, 2017	0.39
50,152,500	-	-	-	50,152,500	$ 0.075	Dec 1, 2017	0.59
2,940,000	-	-	-	2,940,000	$ 0.075	Dec 7, 2017	0.61
104,669,003	-	4,396,340	8,970,000	91,302,663			0.42
$0.09		$0.10	$0.10	$0.09	(weighted average)		

* A total of 37,710,163 warrants were exercised subsequent to April 30, 2017

(Expressed in Canadian dollars)

9. Share Capital (continued):

(d) Warrants (continued):

Number Outstanding April 30, 2015	Granted	Exercised	Expired / Cancelled	Number outstanding April 30, 2016	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
1,052,200	-	-	1,052,200	-	$ 0.15	June 12, 2015	-
7,500,000	-	-	7,500,000	-	$ 0.05	Dec 20, 2015	-
9,900,000	-	1,612,000	8,288,000	-	$ 0.05	Jan 15, 2016	-
10,301,200	-	639,000	9,662,200	-	$ 0.05	Jan 22, 2016	-
5,620,000	-	-	-	5,620,000	$ 0.10	Jun 23, 2016	0.15
6,850,000	-	-	-	6,850,000	$ 0.10	Dec 31, 2016	0.67
-	29,183,330	-	-	29,183,330	$ 0.10	Jun 29, 2017	1.16
-	6,000,000	-	-	6,000,000	$ 0.10	Jun 29, 2017	1.16
-	220,000	-	-	220,000	$ 0.10	Jun 29, 2017	1.16
-	3,161,833	-	-	3,161,833	$ 0.10	Aug 11, 2017	1.28
-	41,340	-	-	41,340	$ 0.10	Aug 11, 2017	1.28
-	500,000	-	-	500,000	$ 0.10	Sept 21, 2017	1.59
-	50,152,500	-	-	50,152,500	$ 0.075	Dec 1, 2017	1.59
-	2,940,000	-	-	2,940,000	$ 0.075	Dec 7, 2017	1.61
41,223,400	92,199,003	2,251,000	26,502,400	104,669,003			1.30
$0.07	$0.09	$0.05	$0.05	$0.09	(weighted average)		

10. Segmented Information:

The Company operates in one segment being the acquisition and exploration of exploration and evaluation assets located in Mexico. Geographic information is described in note 7.

11. Financial Instruments and Risk Management:

Financial instruments

The Company measures financial instruments using a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's cash is classified as Level 1 of the fair value hierarchy. The carrying values of receivables, loan receivable, and accounts payable approximate their fair values because of the short-term nature of these instruments.

11. Financial Instruments and Risk Management (continued):

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit risk:

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's receivables consist primarily of amounts due from a Canadian government agency and cash is held with large and stable financial institutions.

b) Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities when they come due. As of April 30, 2017, the Company had cash of $1,641,026 and current liabilities of $144,919.

c) 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.

(i) Interest rate risk:

The Company has cash balances, loan receivable, and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign currency risk:

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and accounts payable and accrued liabilities that are denominated in United States Dollars and Mexican Pesos.

The exposure of the Company's cash and receivables to foreign exchange risk is as follows:

	April 30, 2017		April 30, 2016	
	Foreign currency amount	Amount in CAD dollars	Foreign currency amount	Amount in CAD dollars
United States dollars:				
Cash	$ 22,840	$ 31,177	$ 36,863	$ 46,256
Receivables	-	-	85,247	106,968
Mexican pesos:				
Cash	$1,523,008	$ 110,464	$ 403,594	$ 29,462
Receivables	10,000	725	10,000	730
Prepaid expenses	185,608	13,462	108,132	7,894
Total financial assets		$ 155,828		$ 191,310

11. Financial Instruments and Risk Management (continued):

Financial risk factors (continued)

c) Market risk (continued):

(ii) Foreign currency risk (continued):

The exposure of the Company's accounts payable to foreign exchange risk is as follows:

	April 30, 2017		April 30, 2016	
	Foreign currency amount	Amount in CAD dollars	Foreign currency amount	Amount in CAD dollars
United States dollars:				
Accounts payable	$ 50,313	$ 68,677	$ 44,678	$ 56,062
Mexican pesos:				
Accounts payable	$ 312,114	$ 22,638	$ 5,282	$ 386
Total financial liabilities		$ 91,315		$ 56,448

As at April 30, 2017, the Company had net monetary liabilities denominated in United States dollars totaling approximately US$27,473. The Company has determined that a 10% increase or decrease in the US dollar against the Canadian dollar on these instruments, as at April 30, 2017, would result in approximately $2,747 change to comprehensive loss for the year.

(iii) Price risk:

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(Expressed in Canadian dollars)

12. Income Taxes:

(a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Loss before income taxes	$ (2,296,065)	$ (1,523,401)
Income tax recovery at statutory rates	$ (597,000)	$ (395,000)
Change in statutory, foreign tax, foreign exchange Rates and other	(182,000)	228,000
Permanent difference	(238,000)	(354,000)
Change in unrecognized deductible temporary differences	1,017,000	521,000
Total income tax expense	$ -	$ -

(b) Significant components of deferred tax assets are as follows:

	2017	2016
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ 1,640,000	$ 1,145,000
Property and equipment	2,000	2,000
Share issue costs	45,000	62,000
Marketable securities and capital losses	40,000	40,000
Non-capital losses	3,893,000	3,354,000
	$ 5,620,000	$ 4,603,000
Unrecognized deferred tax assets	(5,620,000)	(4,603,000)
Net deferred tax assets	$ -	$ -

No net deferred tax asset has been recognized in respect of the above because the amount of future taxable profit that will be available to realize such assets is not probable.

(c) The Company has non-capital losses for Canadian income tax purposes of approximately $5,593,000 (2016 - $4,910,000) and for Mexico income tax purposes of approximately $8,131,000 (2016 - $6,924,000) which may be carried forward and applied against taxable income in future years. These losses, if unutilized, will expire through to 2037 in Canada and in Mexico through 2027.

(d) In December 2013, the Mexican government passed a bill that increases the effective tax rate applicable to the Company's Mexican operations. The law is effective January 1, 2014 and increases the future corporate income tax rate to 30%, creates a 10% withholdings tax on dividends paid to non-resident shareholders (subject to any reduction by an Income Tax Treaty), and creates a new Extraordinary Mining Duty equal to 0.5% of gross revenues from the sale of gold, silver, and platinum. This resulted in the Company recording a deferred tax liability of $201,000. In addition, the law requires taxpayers with mining concessions to pay a new 7.5% Special Mining Duty. The Extraordinary Mining Duty and Special Mining Duty will be deductible for income taxes. The Special Mining Duty will be applicable to earnings before income tax, depreciation, depletion, amortization and interest. There will be no deductions related to development costs but exploration and prospecting costs are deductible when incurred.

13. Subsequent events:

Subsequent to April 30, 2017:

a) The Company issued 37,710,163 common shares upon the exercise of warrants at a price of $0.10 per share for proceeds of $3,771,016.

b) The Company issued 350,000 common shares upon the exercise of stock options at a price of $0.10 per share for proceeds of $35,000.