



**Mezzotin Minerals Inc.**

**Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(Expressed in Canadian Dollars)**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Mezzotin Minerals Inc. are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "Paul Ekon"

Paul Ekon  
Chief Executive Officer

(signed) "Christine He"

Christine He  
Director

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# Schwartz Levitsky Feldman LLP

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS  
TORONTO • MONTREAL



## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Mezzotin Minerals Inc.

We have audited the accompanying consolidated financial statements of Mezzotin Minerals Inc. which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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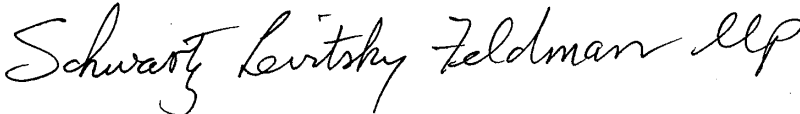
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company is in the exploration stage, continues to incur net losses and, as of December 31, 2016, had an accumulated deficit of \$3,938,219. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



Toronto, Ontario  
April 27, 2017

Chartered Accountants  
Licensed Public Accountants

**Mezzotin Minerals Inc.**  
**Consolidated Statements of Financial Position**  
**As at December 31**  
**(Expressed in Canadian Dollars)**

	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 60,979	\$ 70,977
Amounts receivable and other assets	12,200	11,151
<b>Total Current Assets</b>	<b>73,179</b>	82,128
<b>Non-Current Assets</b>		
Property and equipment (note 5)	240,521	303,316
Exploration and evaluation assets (note 6)	566,921	584,359
<b>Total Assets</b>	<b>\$ 880,621</b>	\$ 969,803
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade payables and accruals (note 7)	\$ 233,446	\$ 180,025
Other payable (note 16)	43,637	45,497
<b>Total Current Liabilities</b>	<b>277,083</b>	225,522
<b>Non-current Liabilities</b>		
Loan Payable (note 8)	337,853	194,840
<b>Total Liabilities</b>	<b>614,936</b>	420,362
<b>Shareholders' Equity</b>		
Share capital (note 9)	3,397,479	3,397,479
Other capital reserve	649,725	649,725
Foreign currency translation reserve	156,700	183,862
Deficit	(3,938,219)	(3,681,625)
<b>Total Shareholders' Equity</b>	<b>265,685</b>	549,441
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 880,621</b>	\$ 969,803

**Nature of Operations and Going Concern (note 1)**  
**Related Party Transactions (note 13)**  
**Contingencies (note 16)**

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

**Mezzotin Minerals Inc.****Consolidated Statements of Loss and Comprehensive Loss****For the Years Ended December 31****(Expressed in Canadian Dollars)**

	2016	2015
<b>Operating Expenses</b>		
Consulting fees	\$ 42,000	\$ 39,000
Professional fees	58,230	77,277
Salaries and wages	23,508	28,895
Shareholder communication	28,916	14,772
General and administrative	61,711	73,490
Loss on disposal of equipment	-	69,491
Depreciation	53,028	70,992
<b>Total Operating Expenses</b>	<b>267,393</b>	<b>373,917</b>
<b>Operating Loss</b>	<b>(267,393)</b>	<b>(373,917)</b>
<b>Other Income and Expenses</b>		
Rental income	(11,923)	(11,507)
Finance income	-	(44)
Interest expense	1,124	1,005
<b>Total Other Income and Expenses</b>	<b>(10,799)</b>	<b>(10,546)</b>
<b>Net Loss</b>	<b>(256,594)</b>	<b>(363,371)</b>
<b>Other Comprehensive Income</b>		
Item that may be reclassified subsequently to profit and loss:		
Foreign currency translation (loss) gain	(27,162)	131,750
<b>Comprehensive Loss</b>	<b>\$ (283,756)</b>	<b>\$ (231,621)</b>
<b>Loss per share (note 11)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>48,979,100</b>	<b>48,979,100</b>

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

**Mezzotin Minerals Inc.****Consolidated Statements of Changes in Shareholders' Equity****For the years ended December 31****(Expressed in Canadian Dollars)**

	Share Capital			Reserves			
	Number	Amount	Other Capital Reserve	Foreign Currency Translation Reserve	Deficit	Total	
Balance as at January 1, 2015	48,979,100	\$ 3,397,479	\$ 649,725	\$ 52,112	\$ (3,318,254)	\$ 781,062	
Foreign currency translation differences				131,750		131,750	
Net loss					(363,371)	(363,371)	
Balance as at December 31, 2015	48,979,100	3,397,479	649,725	183,862	(3,681,625)	549,441	
Foreign currency translation differences				(27,162)		(27,162)	
Net loss					(256,594)	(256,594)	
Balance as at December 31, 2016	48,979,100	\$ 3,397,479	\$ 649,725	\$ 156,700	\$ (3,938,219)	\$ 265,685	

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

**Mezzotin Minerals Inc.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31**  
**(Expressed in Canadian Dollars)**

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (256,594)	\$ (363,371)
Adjustments for non-cash operating items		
Depreciation	53,028	70,992
Loss on disposal of property and equipment	-	69,491
	(203,566)	(222,888)
Changes in non-cash items operating activities		
Amounts receivable and other assets	(1,758)	7,852
Trade and other payables	53,440	43,178
Due to related parties	-	(1,677)
Other payable	-	(5,816)
<b>Cash used in operating activities</b>	<b>(151,884)</b>	<b>(179,351)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds on disposal of property and equipment	-	10,229
Acquisition of exploration and evaluation assets	-	(14,225)
<b>Cash used in investing activities</b>	<b>-</b>	<b>(3,996)</b>
<b>Cash Flows from Financing Activities</b>		
Increase in loan payable	142,290	180,074
<b>Cash provided by financing activities</b>	<b>142,290</b>	<b>180,074</b>
Effect of exchange rate changes on cash denominated in a foreign currency	(404)	3,232
<b>Net decrease in cash</b>	<b>(9,998)</b>	<b>(41)</b>
<b>Cash, beginning of year</b>	<b>70,977</b>	<b>71,018</b>
<b>Cash, end of year</b>	<b>\$ 60,979</b>	<b>\$ 70,977</b>

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

## **1. Nature of Operations and Going Concern**

Mezzotin Minerals Inc. ("Mezzotin" or the "Company") was incorporated as Zoolander Corporation on October 27, 2005 by Certificate of Incorporation issued under the Business Corporations Act (Ontario). The Company acquired all of the issued and outstanding shares of Adsani Exploration (Proprietary) Limited ("Adsani"), a private company incorporated on February 24, 2000 under the laws of the Republic of South Africa, which included its wholly-owned subsidiary Mezzotin Investments (Private) Limited ("Mezzotin ZIM"), a private company incorporated on January 10, 2000 under the laws of Zimbabwe in exchange for the issuance of 20,000,000 common shares of the Company. The shareholders of the Company approved the name change to Mezzotin Minerals Inc. on September 10, 2013.

Mezzotin's common shares are listed on the TSX Venture Exchange under the symbol "MEZZ". The Company's registered office and the principal place of business is located at 150 York Street, Suite 1600, Toronto, Ontario, M5H 3S5.

The Company is a Canadian-based mineral exploration company focused on the exploration for and development of mineral deposits in Africa. The Company is considered to be in the early stages and has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of exploration and evaluation assets is dependent upon securing and maintaining title and beneficial interest in the property and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability of the Company to obtain the necessary financing to complete the development of the mineral interests, and achieving future profitable operations, or alternatively, upon the Company's ability to dispose of its interests on a profitable basis. As the Company's assets are located outside of Canada, they are subject to the risk of foreign laws and regulations, including increases in taxes and royalties, foreign currency exchange rate fluctuations, ownership interests and political uncertainty.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company continues to incur net losses and has an accumulated deficit of \$3,938,219 at December 31, 2016. The Company's ability to continue as a going concern is dependent upon its ability in the future to locate economically recoverable mineral reserves, achieve profitable operations or obtaining the necessary financing to fulfill its obligations as they arise and repay its liabilities when they become due. External financing, predominantly by the issuance of equity or debt, may be sought to finance the operations of the Company. There is no assurance that the Company will be successful at these initiatives. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or obtain adequate financing.

The Company has been notified by the TSX Venture Exchange that it does not meet the Exchange's continued listing requirements for a Tier 2 issuer. The Company has until July 17<sup>th</sup>, 2017 to remedy the deficiencies. Failure to do so would result in the Company listing being transferred to the NEX board of the Exchange. There can be no assurances that the Company will be successful in remaining a Tier 2 issuer. (see Note 17 – Subsequent Events)

## **2. Statement of Compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and included in Part 1 of the Accounting Handbook of the Chartered Professional Accountants of Canada, and include the significant accounting policies as described in note 4.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 27, 2017.

### 3. Significant Accounting Policies

#### Basis of preparation and presentation

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

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

#### Basis of consolidation

These consolidated financial statements include the accounts of the Company and entities over which it has control including its wholly-owned legal subsidiary, Adsani and Adsani's wholly-owned subsidiary Mezzotin ZIM. All material intercompany transactions and related balances are eliminated on consolidation.

#### Functional and presentation currency

Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's subsidiaries is the United States Dollar. The consolidated financial statements are presented in Canadian Dollars, which is the Company's functional currency.

The assets and liabilities of the subsidiaries that have a functional currency different from that of the Company are translated into Canadian dollars at the closing rate at the date of the statement of financial position, and income and expenses are translated at the average rate for the year, which represents a reasonable approximation of the exchange rates at the date of the transactions. Foreign exchange gains or losses resulting from the translation are recognized in other comprehensive income and included in the foreign currency translation reserve in the shareholders' equity.

Transactions in currencies which are not the Company's functional currency are translated to the functional currency at exchange rates at the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position, and non-monetary items are translated at historical rates of exchange.

#### Property and equipment

Property and equipment are recorded at acquisition cost less depreciation and accumulated impairment losses.

Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items (major components) of plant and equipment.

Depreciation is provided at rates calculated to write-off the cost of these assets commencing when available for use, less the estimated residual value, over their estimated useful lives, for the following classes of assets:

	Method	Rate
• Exploration equipment	Declining balance	20%
• Vehicles	Declining balance	20%

**3. Significant Accounting Policies (cont'd)**

**Exploration and evaluation assets**

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all initial and subsequent costs relating to the acquisition of, exploration for and development of mineral claims. Such costs include, but are not exclusive to, materials used, surveying costs, geological and geophysical studies, exploratory drilling and sampling, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation, including general and administrative overhead costs, are expensed in the period in which they occur. Capitalization of costs commences once the Company has obtained legal rights to explore a specific area. The carrying amount of the Company's exploration and evaluation assets are reviewed for any indicators that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there are other circumstances indicating evidence of impairment.

When technical feasibility and commercial viability of a property is established and the Company determines that it will proceed with development, all exploration and evaluation costs to that property are reclassified as mining assets within property and equipment or as intangible assets depending on the nature of the asset. If economically recoverable ore deposits are developed, the capitalized costs of the related property will be amortized using the unit-of-production method or the straight-line method, as appropriate, following the commencement of production.

**Share issue costs**

Costs directly attributable with the raising of capital is charged against the related share capital. Costs related to the shares not yet issued are recorded as deferred financing fees. These fees are deferred until the issuance of the shares to which the fees related to, at which time the fees will be charged against the related share capital, net of any tax effects.

**Share-based payments**

The Company has a share-based plan to grant options to employees and non-employees. The fair value of options granted is measured using the Black-Scholes options pricing model, recognized as a share-based compensation expense and recognized over the length of the vesting period of the options granted, with a corresponding amount recognized in the share-based payments reserve. At each financial reporting date, the number of options recognized as an expense is adjusted to reflect the number of options expected to vest going forward. Consideration received on the exercise of options is recorded as share capital and the related amounts in Other Capital Reserves is transferred to share capital. Share-based payments to non-employees are measured at fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

**Impairment of property and equipment assets**

The carrying amount of the Company's property and equipment assets are reviewed at each reporting period for any indicators that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

**3. Significant Accounting Policies (cont'd)**

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that this does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

**Financial instruments**

*Financial assets*

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

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

Financial assets are classified at fair value through profit or loss when acquired principally for the purpose of trading or are designated as such upon initial recognition. Financial assets classified as FVTPL are measured at fair value with changes therein recognized in the statement of profit or loss. The Company's cash is classified as FVTPL.

*Available-for-sale*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any other categories. Available-for-sale financial assets are measured at fair value with changes recognized in equity in the appropriate reserve account. No assets have been or are currently classified as available-for-sale.

*Held-to-maturity*

Held to maturity financial assets are non-derivative financial assets with no fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, the financial asset is measured at the estimated present value of future cash flows discounted at the entity's original effective interest rate. Any changes to the carrying amount of the investment are recognized in profit or loss. No assets have been or are currently classified as held-to-maturity.

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 liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at fair value through profit or loss ("FVTPL") or other-financial-liabilities.

*Financial liabilities at fair value through the profit or loss*

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of profit or loss. At December 31, 2016, (2015 - \$nil) the Company has not classified any financial liabilities as FVTPL.

### **3. Significant Accounting Policies (cont'd)**

#### *Other-financial-liabilities*

Other-financial-liabilities are initially measured at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables and loan payable are classified as other-financial-liabilities.

#### **Impairment of financial assets**

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

#### **Income taxes**

Income tax expense comprises current and deferred income taxes. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

#### **Current income tax**

Current income tax is the expected income tax payable on the taxable income 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. The Company has not recognized any current income tax expense in this year and in 2015.

#### **Deferred income tax**

Deferred tax assets and liabilities are recognized for future tax consequences attributable to unused tax losses and unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The following temporary differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable loss and is not a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

A deferred tax asset is recognized to the extent that it is probable that the future taxable profits will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Recognized 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. Unrecognized deferred tax assets are reviewed and reassessed at each reporting date to the extent it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

#### **Compound financial instruments**

Proceeds received on the issuance of units consisting of common shares and warrants are allocated based on the relative fair value method.

#### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

### **3. Significant Accounting Policies (cont'd)**

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense and is applied as an offset to the specific obligation on the statement of financial position.

#### **Loss per share**

The basic loss per share is calculated by dividing the net loss attributable to common shareholders of any Company by the weighted average number of common shares outstanding during the period. The diluted loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as outstanding stock options and share purchase warrants. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. There were no outstanding options or warrants for the years ended December 31, 2016 and 2015 that would affect this calculation.

#### **Restoration, rehabilitation, and environmental obligation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and property and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for such costs is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding restoration, rehabilitation, and environmental obligation is added to the carrying amount of the related mineral property asset in the case where technical feasibility has been established, and expensed if technical feasibility is yet to be established. Once capitalized, the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the restoration, rehabilitation, and environmental obligation, the carrying amount of the liability is adjusted for the passage of time and adjusted for changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation, and environmental obligations as any disturbance to date are minimal.

#### **Critical accounting estimates, risks and uncertainties**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. The key sources of judgment and estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are non-monetary assets such as the carrying value and recoverability of exploration and evaluation assets and property and equipment.

#### **Critical accounting judgments**

The critical judgments that the Company's management has made, apart from those involving estimates, in the process of applying the accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the determination whether technical feasibility and commercial viability for mineral properties under exploration can be demonstrated, the economic recoverability of the exploration and evaluation assets, the determination of the functional currency for the Company and its subsidiaries, and deferred income tax assets and application of the relevant tax laws and the assumption that the Company will continue as a going concern.

#### **4. New Accounting Standards and Interpretations**

The accounting pronouncements detailed in this note have been issued but are not yet effective. The Company has not early adopted these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

##### *IFRS 9, Financial Instruments*

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, 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 will be effective as at January 1, 2018, with early adoption permitted.

##### *IFRS 15, Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 to replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple element arrangements. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not believe this IFRS will have any bearing on the Company since it is not in the nature of the Company's business.

##### *IFRS 16, Leases*

IFRS 16 was issued in January 2016, replaces IAS 17, Leases. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease and is effective for annual periods beginning on or after January 1, 2019. The standard is expected to impact the accounting for the Company's operating leases, which are currently reflected in the consolidated statements of loss. Under IFRS 16, all operating leases, except for short term and low value leases, are expected to be accounted for as finance leases. As a result, the leased assets and the associated obligations are recognized in the consolidated statements of financial position. The leased assets will be depreciated over the shorter of the estimated useful life of the asset and the lease term. The lease payments are apportioned between finance charges and a reduction of the lease liability. The current operating lease expense will be replaced with a depreciation charge on the leased assets and a finance charge on the lease liability, which are in aggregate expected to result in a higher total periodic expense in the earlier periods of the lease. The Company has not yet assessed the impact of this standard.

##### *Amendments to IFRS 2, Share-based Payments*

The amendments add guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments. The amendments are effective for annual periods beginning on or after January 1, 2018, early adoption is permitted.

#### 4. New Accounting Standards and Interpretations (cont'd)

##### *IFRIC 22, Foreign Currency Transactions and Advance Considerations*

The Interpretations Committee of the IASB has issued IFRIC 22 which clarifies the accounting for transactions that include the receipt or payment in a foreign currency in advance consideration. The interpretation covers the foreign currency translations when an entity recognizes a non-monetary asset or non-monetary liability arising the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018, earlier adoption is permitted.

#### 5. Property and Equipment

<b>Cost</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Total</b>
Balance January 1, 2015	\$ 263,082	\$ 140,890	\$ 403,972
Additions in 2015	-	-	-
Disposal of equipment	(81,973)	-	(81,973)
Foreign currency translation	41,967	27,139	69,106
<b>Balance December 31, 2015</b>	<b>223,076</b>	<b>168,029</b>	<b>391,105</b>
Additions in 2016	-	-	-
Foreign currency translation	(6,657)	(5,014)	(11,671)
<b>Balance December 31, 2016</b>	<b>\$ 216,419</b>	<b>\$ 163,015</b>	<b>\$ 379,434</b>

##### **Accumulated Depreciation**

Balance January 1, 2015	\$ -	\$ 12,982	\$ 12,982
Depreciation in year	45,322	25,670	70,992
Disposal of equipment	(4,196)	-	(4,196)
Foreign currency translation	3,389	4,622	8,011
<b>Balance December 31, 2015</b>	<b>44,515</b>	<b>43,274</b>	<b>87,789</b>
Depreciation in year	31,216	21,812	53,028
Foreign currency translation	(903)	(1,001)	(1,904)
<b>Balance December 31, 2016</b>	<b>\$ 74,828</b>	<b>\$ 64,085</b>	<b>\$ 138,913</b>

##### **Net Book Value**

As at December 31, 2015	\$ 178,561	\$ 124,755	\$ 303,316
<b>As at December 31, 2016</b>	<b>\$ 141,591</b>	<b>\$ 98,930</b>	<b>\$ 240,521</b>

During the year ended December 31, 2015, the Company recorded a loss of \$69,491 on the disposal of heavy excavation equipment.

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**6. Exploration and Evaluation Assets**

**Sabi Star Property**

The Company owns a 100% interest in the Sabi Star Property held by Adsani, through its wholly-owned subsidiary, Mezzotin ZIM. The property is comprised of 30 rare earth exploration permits covering a total of 2,348 hectares located in Eastern Zimbabwe, approximately 180 kilometers from Harare, Zimbabwe, approximately 250 kilometers from the border of South Africa. The property is located on the Odzi Gold Belt, a known mineralization belt having historically produced gold, copper, tin, tantalum, niobium and diamonds.

	<b>Mineral Rights</b>	<b>Exploration and Evaluation</b>	<b>Total</b>
Balance January 1,, 2015	\$ 4,953	\$ 471,964	\$ 476,917
Additions in year	-	14,225	14,225
Foreign currency translation	940	92,277	93,217
<b>Balance December 31, 2015</b>	<b>5,893</b>	<b>578,466</b>	<b>584,359</b>
<b>Additions in year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign Currency Translation</b>	<b>(176)</b>	<b>(17,262)</b>	<b>(17,438)</b>
<b>Balance December 31, 2016</b>	<b>\$ 5,717</b>	<b>\$ 561,204</b>	<b>\$ 566,921</b>

**7. Trade Payables and Accruals**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Falling due within the year:		
Trade payables	\$ 187,100	\$ 119,206
Accrued liabilities	46,346	60,819
	<b>\$ 233,446</b>	<b>\$ 180,025</b>

Trade payables generally have payment terms of up to 30 days.

## 8. Tribute Agreement and Loan Payable

On December 30, 2015, Mezzotin ZIM (the “Grantor”) entered into a Tribute Agreement (the “Agreement”) whereby the rights to extract and sell minerals from the Company’s properties would be licensed to a third party (the “Tributor”). In return, the Grantor would receive a royalty of 20% of pre-tax profits from commercial mining operations, as defined in the Agreement, from the Tributor. The Agreement is for a period of five years with an option to extend for an additional five years and is subject to all necessary regulatory approvals.

As part of the Tribute Agreement transaction, the Company entered into a Loan Agreement (the “Loan Agreement”) also on December 30, 2015 with a company related to the Tributor. Under the terms of the Loan Agreement, the Company will borrow US\$500,000 to be drawn down at scheduled dates extending to March 30, 2017. As at December 31, 2016, the lender was in arrears on its advances to the Company under the Loan Agreement in the amount of US\$125,000. While loan advances continue to be made, the Company may have a liquidity risk should the lender fail to advance the full amount under the Agreement and alternative sources of funds not found.

The Loan is unsecured, accrues interest at the LIBOR rate for overnight deposits and matures 60 months from the date of advance of the loan proceeds. Once exploration and excavation of mineral at Sabi Star property commences, the royalty payments under the Tribute agreement shall be offset against the loan repayment, firstly to any accrued interest on the loan, and thereafter to the unpaid principal balance until fully repaid.

Interest and principal are repayable from royalty amounts pursuant to the Tribute Agreement.

## 9. Share Capital

Authorized share capital

Unlimited number of common shares

Issued and outstanding share capital

Issued share capital for the periods were as follows:

	Number of Shares	Amount
Balance as at January 1, 2015	48,979,100	\$ 3,397,479
No activity in year	-	-
<b>Balance as at December 31, 2015</b>	<b>48,979,100</b>	<b>\$ 3,397,479</b>
<b>No activity in year</b>	<b>-</b>	<b>-</b>
<b>Balance as at December 31, 2016</b>	<b>48,979,100</b>	<b>\$ 3,397,479</b>

Stock Options and Warrant

In the years ended December 31, 2016 and 2015, the Company did not issue any stock options or warrants. As of December 31, 2016 and December 31, 2015, the Company had no stock options or warrants outstanding.

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**10. Income Taxes**

**Income taxes**

The Company has not recognized deferred tax assets as it is not probable that taxable profits will be available against which unused tax losses, unused tax credits and the deductible temporary differences can be utilized.

The reconciliation of income tax provision computed at the statutory tax rates for the year ended December 31, 2016 of 26.5% (2015 – 26.5%) in Canada, 28% (2015- 28%) in South Africa and 15% (2015 – 15%) in Zimbabwe to the reported income tax provision is as follows:

	<b>December 31, 2016</b>	December 31, 2015
Net loss before tax	<b>\$ (256,594)</b>	\$ (363,371)
Income tax benefit computed at statutory rate	<b>54,322</b>	70,818
Other non-deductible items	<b>(7,954)</b>	(21,072)
Share issue and financing costs	<b>2,123</b>	2,586
Non-capital losses for which no tax benefit has been recorded	<b>(48,505)</b>	(52,332)
Income tax recovery	<b>\$ -</b>	\$ -

**Deferred income taxes**

Unrecognized deferred income tax assets reflect the net tax effects of deductible temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes and unused tax losses carried forward. The applicable tax rates to be expected is 26.5% in Canada, 28% in South Africa and 15% in Zimbabwe. Significant components of the Company's unrecognized deferred tax assets are as follows:

	<b>December 31, 2016</b>	December 31, 2015
Unrecognized deferred income tax assets (liabilities)		
Non-capital loss carry-forwards in Canada	<b>\$ 603,476</b>	\$ 538,809
Non-capital loss carried forward in Zimbabwe and South Africa	<b>275,710</b>	251,955
Undeducted share issuance and financing costs	<b>-</b>	2,016
Unrecognized deferred tax assets	<b>\$ 879,186</b>	\$ 792,780

# **10. Income Taxes (cont'd)**

Losses carried forward

The Company has available non-capital losses for Canadian purposes of approximately \$2,277,359 (2015 - \$2,033,239) that may be carried forward to apply against future income for Canadian tax purposes. The losses expire as follows:

2029	488,386
2030	119,524
2031	528,214
2032	446,459
2033	284,855
2034	136,693
2035	135,461
2036	137,677
	<hr/>
	\$ 2,277,359

At December 31, 2016, the Company had non-capital losses for Mezzotin and Adsani, of \$1,907,179 (2015 - \$1,788,262), which are available to be carried forward indefinitely.

# **11. Net Loss per Common Share**

The weighted average number of commons shares outstanding is a function of the number of days that any number of shares are outstanding.

For the year ended December 31, 2016, the weighted average number of common shares outstanding was 48,979,100 (2015 – 48,979,100).

# **12. Capital Management**

The Company's objectives when managing its liquidity and capital are as follows:

- a) to safeguard the Company's ability to continue as a going concern such that it can continue in its exploration activities to provide returns to shareholders and benefits to other stakeholders.
- b) to secure sufficient cash and cash equivalents to fund the Company's business plans, including the exploration activities required for the development of its mineral property interests.

The Company considers the loan payable and the items included in shareholders' equity in the definition of capital.

The Company's primary uses of capital are to finance the exploration and property development activities required on its mineral properties, market and investor development, capital expenditures and operating losses.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the periods ended December 31, 2016 and December 31, 2015.

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

### **13. Related Party Transactions**

Related parties include the Board of Directors and officers of the Company and its subsidiaries including close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Following is a summary of the related party transactions:

- a) During the year ended December 31, 2016, the Company recorded Rental Income of \$11,923 (2015 – \$11,507) related to the rental of a vehicle to a company where the director of the Company's subsidiary was an officer.
- b) During the year ended December 31, 2016 the Company incurred costs of \$11,923, (2015 – \$11,507) for office rent paid to a company where a Mezzotin ZIM Director was a senior officer. The rental costs are included in General and Administrative expenses.
- c) During the year ended December 31, 2016 the Company incurred costs of \$42,000 (2015 - \$39,000) for executive and management services to companies controlled by an officer of the Company. The amounts are included in Consulting Fees.

### **14. Financial Instruments and Risk Management**

#### **Fair values**

The Company classifies its financial assets and liabilities using a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements for these assets and liabilities:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents and other financial assets have been classified as level 1. All other financial instruments are classified as level 3.

#### **Financial risks**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risks including currency fluctuations and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

#### **Credit risk**

The Company is exposed to credit risk with respect to cash and cash equivalents, trade and other receivables. The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages its limited credit risk by maintaining substantially all its cash and cash equivalents with major financial institutions in Canada and funds its Zimbabwe operation as required.

Pursuant to the Tribute Agreement, the Company is exposed to the performance of the Tributor to repay the Loan Payable and derive profits from its properties. The Company is not in commercial operation and has very limited exposure to accounts receivable credit risk.

#### **14. Financial Instruments and Risk Management (cont'd)**

##### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows used in operations and exploration activities, anticipated from investing and financing activities, and taking into account the Company's holdings of cash and cash equivalents.

As at December 31, 2016, the Company has cash reserves of \$60,979 (2015 - \$70,977), and other financial assets of \$12,200 (2015 - \$11,151). As at December 31, 2016 the Company had a working capital deficit of \$203,904 (2015 - \$143,394). Trade and other payables generally have maturities of 30 days or less and are subject to normal trade terms.

The Company has an unsecured loan which will mature December 30, 2020. Interest and principal repayments are made from the royalties from the Tribute Agreement. As at December 31, 2016, the lender was in arrears on its advances to the Company under the Loan Agreement in the amount of US\$125,000. While loan advances continue to be made, the Company may have a liquidity risk should the lender fail to advance the full amount under the Agreement and alternative sources of funds not found.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate fluctuations on its Loan Payable, where interest is expressed in relation to the prevailing LIBOR rate.

##### **Foreign currency risk**

Foreign currency risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its results from operations from time to time. The Company currently has financial instruments denominated in Canadian dollars and US dollars. A change in the foreign exchange rate of the Canadian dollar versus another currency may change the value of its financial instruments. The exposure to foreign currency fluctuations may be significant because the functional currency of its operating subsidiary is US dollars.

The Company's funds are kept in Canadian and US dollars at major international financial institutions. Operating funds are transferred to the operating company as required and are kept on deposit in US dollars. As at December 31, 2016 and 2015, the Company held US currency deposits of \$ 36,931 and \$39,697, respectively.

The Company has a passive hedge with respect to the Loan Payable which is expressed in US dollars. The principal and interest on the loan are from the Royalty payments pursuant to the Tribute Agreement which are also in US dollars.

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net loss for the period by approximately \$9,000.

The Company does not actively hedge its foreign exchange risk.

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**15. Operating Segments**

Segmented information is provided on the basis of geographical segments as the Company operates in one industry, the exploration and evaluation of mineral properties, but manages its business and exploration activities through Canada. The business segments provided reflect the management structure of the Company and the way in which the Company's Board of Directors review business performance.

The following is an analysis of the Company's operating losses and results from continuing operations by geographical location:

<b>As at December 31, 2016</b>	<b>Canada</b>	<b>South Africa</b>	<b>Zimbabwe</b>	<b>Total</b>
<b>Current assets</b>	\$ 62,893	\$ -	\$ 10,286	\$ 73,179
<b>Exploration and evaluation assets</b>	\$ -	\$ -	\$ 566,921	\$ 566,921
<b>Property and equipment assets</b>	\$ -	\$ -	\$ 240,521	\$ 240,521
<b>Total assets</b>	\$ 62,893	\$ -	\$ 817,728	\$ 880,621
<b>Current liabilities</b>	\$ 112,184	\$ -	\$ 164,899	\$ 277,083
<b>Long term liabilities</b>	\$ 337,853	\$ -	\$ -	\$ 337,853
<b>For the year ended December 31, 2016</b>				
<b>Net loss</b>	\$ (137,678)	\$ -	\$ (118,916)	\$ (256,594)

<b>As at December 31, 2015</b>	<b>Canada</b>	<b>South Africa</b>	<b>Zimbabwe</b>	<b>Total</b>
<b>Current assets</b>	\$ 70,478	\$ -	\$ 11,650	\$ 82,128
<b>Exploration and evaluation assets</b>	\$ -	\$ -	\$ 584,359	\$ 584,359
<b>Property and equipment assets</b>	\$ -	\$ -	\$ 303,316	\$ 303,316
<b>Total assets</b>	\$ 70,478	\$ -	\$ 899,325	\$ 969,803
<b>Current liabilities</b>	\$ 110,159	\$ -	\$ 115,363	\$ 225,522
<b>Long term liabilities</b>	\$ 194,840	\$ -	\$ -	\$ 194,840
<b>For the year ended December 31, 2015</b>				
<b>Net loss</b>	\$ (135,461)	\$ -	\$ (227,910)	\$ (363,371)

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments. Assets used jointly by reportable segments are reported as part of the Canadian reportable segment; and
- All liabilities are allocated to reportable segments, current and deferred tax liabilities, and other liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

**16. Contingencies**

In April 2014, the Zimbabwe Investment Authority ("ZIA"), through what management of the Company believes to be an unauthorized and administrative error, has served notice that it has cancelled Mezzotin ZIM's Investment License. As a result of this action, the Company has been assessed for tax credits previously granted in the amount of \$43,637.

In the year ended December 31, 2016, the Company re-established its Investment License but there has been no formal determination of relief for the tax assessment. As such, the liability continues to be included in the financial statements at December 31, 2016 pending resolution.

**17. Subsequent Events**

The TSX Venture Exchange has notified the Company that it does not meet the Exchange's continued listing requirements for a Tier 2 issuer. The Company has until July 17, 2017 to remedy the deficiencies. Failure to remedy the deficiencies by the deadline date would result in the Company's listing being transferred to the NEX board of the Exchange. Management of the Company is examining alternatives to remedy the deficiencies, but there can be no assurance that the Company will be successful in doing so.