CAZA GOLD CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Years ended December 31, 2016 and 2015

Smythe
CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CAZA GOLD CORP.

We have audited the accompanying consolidated financial statements of Caza Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years 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' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Caza Gold Corp. 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 describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2017

CAZA GOLD CORP.

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

	Notes	December 31, 2016		December 31, 2015	
ASSETS	8				
Current Assets					
Cash		**$**	**39,896**	$	364,756
Receivables and prepaids	10		**17,274**		39,932
Total Current Assets			**57,170**		404,688
Non-Current Assets					
Mineral property interests	6 and 10		**3,214,601**		9,668,501
Equipment	7		**21,827**		56,351
Total Non-Current Assets			**3,236,428**		9,724,852
Total Assets		**$**	**3,293,598**	$	10,129,540
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	10	**$**	**721,265**	$	599,015
Non-Current Liabilities					
Promissory note payable	8		**715,219**		-
Total Liabilities			**1,436,484**		599,015
Shareholders' Equity					
Share capital	9(b)		**21,851,150**		21,851,953
Reserve for share-based payments			**1,263,565**		1,407,299
Deficit			**(21,257,601)**		(13,728,727)
Total Shareholders' Equity			**1,857,114**		9,530,525
Total Liabilities and Shareholders' Equity		**$**	**3,293,598**	$	10,129,540

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ Tim Coughlin
Director

/s/ Peter Mullens
Director

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

	Notes	Years ended December 31, 2016	2015
Expenses:			
Accounting and audit		**$ 71,742**	$ 80,031
Amortization	7	**9,496**	10,481
Employee and director remuneration	10	**204,462**	259,539
Legal	10	**42,464**	37,437
Office and sundry	10 and 11	**68,177**	94,638
Property investigation	10 and 11	**25,998**	32,642
Regulatory		**38,561**	49,605
Shareholder relations		**3,399**	5,480
Share-based payments	9(c) and 10	**61,452**	146,356
Loss before the undernoted		**(525,751)**	(716,209)
Foreign exchange gain		**15,766**	266,213
Interest income		**232**	5,667
Interest and finance charges	8	**(43,133)**	-
Gain on debt settlement	9(b)(ii) and 10	**68,402**	51,118
Loss from disposition of equipment	7	**(2,250)**	(153)
Write-off of receivables and value-added tax	10	**(16,233)**	(117,676)
Write-down of mineral property interests, net of recoveries	6	**(7,231,093)**	-
Net loss and comprehensive loss for the year		**$ (7,734,060)**	$ (511,040)
Basic and diluted loss per share		**$ (0.05)**	$ (0.00)
Weighted average number of common shares outstanding		**141,302,005**	139,795,166

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

		Share Capital		Reserve for		
		Number of		Share-Based		
	Notes	Shares	Amount	Payments	Deficit	Total
Balance, December 31, 2014		138,743,605	$ 21,782,282	$ 1,497,285	$ (13,454,029)	$ 9,825,538
Shares-for-debt settlement	9(b)	2,558,400	69,671	-	-	69,671
Share-based payments	9(c)	-	-	146,356	-	146,356
Expiry of stock options	9(c)	-	-	(236,342)	236,342	-
Net loss for the year		-	-	-	(511,040)	(511,040)
Balance, December 31, 2015		141,302,005	21,851,953	1,407,299	(13,728,727)	9,530,525
Share issue expenses		-	(803)	-	-	(803)
Share-based payments	9(c)	-	-	61,452	-	61,452
Expiry of stock options	9(c)	-	-	(164,737)	164,737	-
Expiry of warrants	9(d)	-	-	(40,449)	40,449	-
Net loss for the year		-	-	-	(7,734,060)	(7,734,060)
Balance, December 31, 2016		141,302,005	$ 21,851,150	$ 1,263,565	$ (21,257,601)	$ 1,857,114

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows (continued)

(Stated in Canadian dollars)

	Years ended December 31,	
	2016	2015
Cash provided from (used by):		
Operations:		
Loss for the year	**$ (7,734,060)**	$ (511,040)
Items not involving cash:		
Amortization	**9,496**	10,481
Accrued interest	**43,133**	-
Unrealized foreign exchange loss (gain)	**4,866**	(343,923)
Share-based payments	**61,452**	146,356
Gain on debt settlement	**(68,402)**	(51,118)
Loss from disposition of equipment, net of write offs	**2,250**	154
Write-off of receivables and value-added tax	**16,233**	117,676
Write-down of mineral property interests, net of recoveries	**7,231,093**	-
	(433,939)	(631,414)
Changes in non-cash working capital items:		
Receivables and prepaids	**6,425**	1,671
Accounts payable and accrued liabilities	**25,078**	267,930
Cash used by operating activities	**(402,436)**	(361,813)
Financing:		
Proceeds from promissory note payable	**671,350**	-
Share issuance expenses	**(803)**	-
Cash provided from financing activities	**670,547**	-
Investing:		
Mineral property interests, net of write-downs	**(611,619)**	(2,641,543)
Acquisition of equipment	**-**	(63,339)
Proceeds from disposition of equipment	**22,778**	-
Cash used by investing activities	**(588,841)**	(2,704,882)
Unrealized foreign exchange (loss) gain on cash held in foreign currency	**(4,130)**	343,923
Decrease in cash	**(324,860)**	(2,722,772)
Cash, beginning of year	**364,756**	3,087,528
Cash, end of year	**$ 39,896**	$ 364,756

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows (continued)

(Stated in Canadian dollars)

	Notes	Years ended December 31, 2016	2015
Non-cash financing and investing activities:			
Accrual for mineral property interests		**$ 298,997**	$ 133,423
Issuance of common shares for:			
Debt settlement	9(b)(ii) and 10	**-**	69,671
Fair values from the expiration of:			
Stock options		**164,737**	236,342
Warrants		**40,449**	-
Interest paid		**-**	-
Income taxes paid		**-**	-

Refer to the accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Caza Gold Corp. (the "Company") was incorporated on November 15, 2007 under the laws of British Columbia, Canada. The address of the Company's registered office is #1040 – 999 West Hastings Street, Vancouver, BC, Canada, V6C 2W2 and its principal place of business is Ground Floor, 4 Wharf Street St., Helier, Jersey, JE2 3NR.

On December 5, 2016 as amended January 6, 2017, the Company entered into a Support Agreement (the "Support Agreement") with Royal Road Minerals Limited ("Royal Road") whereby Royal Road made an offer to acquire all the issued and outstanding shares of the Company on the basis of 0.16 common share of Royal Road for each common share of the Company. On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road. Royal Road intends to acquire all the remaining shares of the Company pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act (British Columbia). Royal Road also intends to cause the common shares of the Company to be de-listed from the TSX Venture Exchange.

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

The Company has no operating revenues, has incurred significant net losses of approximately $7.7 million for the year ended December 31, 2016 (2015 – $511,000), and has a deficit of approximately $21.3 million as at December 31, 2016 (2015 - $13.7 million). Furthermore, the Company has a working capital deficiency of approximately $664,100 (2015 – $194,300). These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, the attainment of profitable operations, or obtaining financial support from Royal Road. Management would need additional capital to meet its planned business objectives. There can be no assurance that management's plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of compliance:

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

2. Basis of Presentation (continued)

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on April 28, 2017.

(c) Basis of presentation:

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

(d) Functional currency and presentation currency:

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

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

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

(e) Critical accounting estimates and judgements:

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

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted and warrants issued as finders' fees and promissory note payable; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

2. Basis of Presentation (continued)

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

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

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

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements:

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

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

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

The amendments:

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

The change had no effect to these consolidated financial statements.

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

Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Applicable to the Company's annual period beginning January 1, 2017.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Applicable to the Company's annual period beginning January 1, 2017.

2. Basis of Presentation (continued)

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

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

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

The amendments provide guidance on the accounting for:

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

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

IFRS 9 *Financial Instruments*

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

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

- *Classification and measurement of financial assets:*

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

- *Classification and measurement of financial liabilities:*

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

2. Basis of Presentation (continued)

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

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

IFRS 9 *Financial Instruments* (continued)

- *Impairment of financial assets:*

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

- *Hedge accounting:*

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

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

2. Basis of Presentation (continued)

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

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

IFRS 16 *Leases*

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

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

The main features of the new standard are as follows:

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

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

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

3. Significant Accounting Policies

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

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Minera Caza S.A. de C.V., Minera Canarc de Mexico S.A. de C.V. and Nicaza S.A.

All significant intercompany transactions and balances have been eliminated.

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

(b) Financial instruments:

(i) Financial assets:

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

Financial assets at FVTPL

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

Loans and receivables

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

Held to maturity

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

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(i) Financial assets: (continued)

Available-for-sale financial assets

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

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

(ii) Financial liabilities:

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

Financial liabilities at FVTPL

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

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

Other financial liabilities

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

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(iii) Fair value hierarchy:

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

(iv) Impairment of financial assets:

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

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

(v) Derecognition of financial assets and liabilities:

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

(c) Impairment of non-current assets:

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

3. Significant Accounting Policies (continued)

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

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

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

(d) Mineral property interests:

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

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

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

3. Significant Accounting Policies (continued)

(d) Mineral property interests: (continued)

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

(e) Equipment:

Equipment is recorded at cost less accumulated amortization. The Company calculates amortization using the declining balance method at rates varying from 10% to 30% annually.

(f) Proceeds on unit offerings:

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

(g) Non-monetary transactions:

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

(h) Share-based payments:

The Company has a stock option plan that is described in Note 9(c). Share-based payments to employees are measured on the grant date using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from the reserve for share-based payments to deficit.

3. Significant Accounting Policies (continued)

(i) Environmental rehabilitation:

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

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

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

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

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

(j) Loss per share:

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

3. Significant Accounting Policies (continued)

(k) Provisions:

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

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

(l) Income taxes:

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

4. Management of Capital

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

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

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

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2016.

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

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

5. Financial Instruments and Management of Financial Risk

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

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. The fair value of the promissory note payable approximate its carrying value as it is at market interest rates. Cash is measured at fair value using Level 1 inputs.

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

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

(a) Credit risk:

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

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

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

(b) Liquidity risk:

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

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at December 31, 2016, the Company had a working capital deficiency of approximately $664,100 (2015 – $194,300). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2017.

The following schedule provides the contractual obligations related to the promissory note payable (Note 8) as at December 31, 2016:

	Payments due by Period (CAD$)					Payments due by Period (US$)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Promissory note:										
Principal	$ -	$ -	$ -	$ -	$ -	$ 500,000	$ -	$ 500,000	$ -	$ -
Accrued interest [1]	-	-	-	-	-	32,171	-	32,171	-	-
Interest [1]	-	-	-	-	-	77,123	55,246	21,877	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ 609,294	$ 55,246	$ 554,048	$ -	$ -

[1] The Company has the option to add unpaid interest to the principal of the promissory note. Interest payable on the due dates thereof has been accrued and included in the principal.

On January 19, 2017, the maturity date was extended from May 13, 2018 to May 13, 2019 (Note 8).

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

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

(c) Market risk:

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

(i) Foreign currency risk:

The Company has certain cash, receivables, accounts payable and promissory note payable stated in United States dollars, Nicaraguan cordobas and Mexican pesos, mineral property interests which are in Nicaragua and were previously in Mexico, and a portion of its operations are in Nicaragua and were previously in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar, Nicaraguan Cordoba and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar, Nicaraguan Cordoba and Mexican peso.

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

	Stated in Canadian Dollars			
	Held in			Total
	United States Dollars	Mexican Pesos	Nicaraguan Cordoba	
Cash	$ 37,017	$ -	$ 1,286	$ 38,303
Receivables	-	-	-	-
Accounts payable and accrued liabilities	(311,291)	(224,074)	(13,971)	(549,336)
Promissory note payable	(715,219)	-	-	(715,219)
Net financial assets (liabilities), December 31, 2016	$ (989,493)	$ (224,074)	$ (12,685)	$ (1,226,252)
Cash	$ 107,884	$ -	$ 1,356	$ 109,240
Receivables	-	-	1,117	1,117
Accounts payable and accrued liabilities	(113,888)	(277,012)	(29,189)	(420,089)
Net financial assets (liabilities), December 31, 2015	$ (6,004)	$ (277,012)	$ (26,716)	$ (309,732)

Based upon the above net exposure as at December 31, 2016 and assuming all other variables remain constant, a 15% (2015 – 15%) depreciation or appreciation of the Canadian dollar relative to the United States dollar, Nicaraguan Cordoba and the Mexican peso could result in a decrease/increase of approximately $183,900 (2015 - $46,500) in the Company's net losses.

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

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

(c) Market risk: (continued)

(ii) Interest rate risk:

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

(iii) Other price risk:

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

6. Mineral Property Interests

	Year ended December 31, 2016		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2015	$ 1,691,486	$ 49,936	$ 1,741,422
Write down	(1,170,554)	(34,556)	(1,205,110)
Balance, December 31, 2016	520,932	15,380	536,312
Deferred Exploration Expenditures:			
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Aerial, photo and mapping	143	-	143
Assays and sampling	-	5,512	5,512
Camp and field supplies	100	441	541
Community and social	42,389	35,920	78,309
Equipment and systems	170	-	170
Geology	10,866	66,358	77,224
Salaries and local labour	242,749	177,475	420,224
Sundry	26,726	2,527	29,253
Surface/concession taxes	15,213	102,537	117,750
Transportation and travel	6,434	33,858	40,292
Write down	(5,046,216)	(971,992)	(6,018,208)
Balance, December 31, 2016	2,245,724	432,565	2,678,289
Mineral Property Interests:			
December 31, 2015	$ 8,638,636	$ 1,029,865	$ 9,668,501
December 31, 2016	$ 2,766,656	$ 447,945	$ 3,214,601

6. Mineral Property Interests (continued)

	Year ended December 31, 2015		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2014	$ 1,720,319	$ 479	$ 1,720,798
Acquisition or staking	(28,833)	49,457	20,624
Balance, December 31, 2015	1,691,486	49,936	1,741,422
Deferred Exploration Expenditures:			
Balance, December 31, 2014	5,405,352	93,379	5,498,731
Advances	394	-	394
Aerial, photo and mapping	7,613	17,483	25,096
Assays and surveys	31,243	12,904	44,147
Camp and field supplies	6,213	3,933	10,146
Community and social	150,348	93,960	244,308
Drilling	184,740	191,322	376,062
Equipment and systems	356	187	543
Geology	212,197	144,794	356,991
Geophysics	129,632	-	129,632
Salaries and local labour	628,625	206,935	835,560
Sundry	57,280	9,560	66,840
Surface taxes	20,962	139,838	160,800
Transportation and travel	112,195	65,634	177,829
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Mineral Property Interests:			
December 31, 2014	$ 7,125,671	$ 93,858	$ 7,219,529
December 31, 2015	$ 8,638,636	$ 1,029,865	$ 9,668,501

6. Mineral Property Interests (continued)

(a) Los Andes property (Nicaragua):

In December 2014, the Company entered into a Purchase Agreement with Inversiones Ecologicas S.A. ("Inecosa"), which shared a common former officer with the Company, to acquire a 100% interest in the Los Andes property. The Company issued 7.06 million common shares to Inecosa at a fair value of $0.04 per share and paid US$300,000 "in trust" to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them. Inecosa retains a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US$1 million and to acquire the remaining 1% NSR by paying an additional US$2 million.

The acquisition of the Company by Royal Road established a recoverable value for the assets of the Company and identified an indicator of impairment. The Company wrote-down the value of its mineral property interests to $3.2 million to reflect the valuation of Royal Road's offer to acquire all the issued and outstanding common shares of the Company on the basis of 0.16 common share of Royal Road for each common share of the Company, representing a Level 2 fair value assessment of the mineral property assets (Note 9(b)(i)).

(b) Title to mineral property interests:

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

(c) Realization of assets:

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

6. Mineral Property Interests (continued)

(d) Environmental matters:

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

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

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

7. Equipment

	Vehicles	Field Equipment	Office Equipment	Total
Cost:				
Balance, December 31, 2014	$ -	$ 5,515	$ 20,370	$ 25,885
Add: Acquisitions	57,497	-	5,842	63,339
Less: Write-offs	-	(5,515)	(12,450)	(17,965)
Balance, December 31, 2015	57,497	-	13,762	71,259
Less: Disposition and write off	(28,991)	-	(7,920)	(36,911)
Balance, December 31, 2016	28,506	-	5,842	34,348
Accumulated amortization:				
Balance, December 31, 2014	$ -	$ 4,636	$ 17,602	$ 22,238
Add: Amortization	6,959	304	3,218	10,481
Less: Write offs	-	(4,940)	(12,871)	(17,811)
Balance, December 31, 2015	6,959	-	7,949	14,908
Add: Amortization	6,327	-	3,169	9,496
Less: Disposition and write off	(4,895)	-	(6,988)	(11,883)
Balance, December 31, 2016	8,391	-	4,130	12,521
Net book value:				
Balance, December 31, 2015	$ 50,538	$ -	$ 5,813	$ 56,351
Balance, December 31, 2016	$ 20,115	$ -	$ 1,712	$ 21,827

8. Promissory Note Payable

In May 2016, the Company closed a loan agreement with Polygon Mining Opportunity Master Fund (“Polygon”) pursuant to which Polygon advanced a loan in the principal amount of US$500,000 to the Company, as evidenced by a promissory note. The loan had an initial maturity date of May 13, 2018 and is payable on demand upon the Company consummating an equity or loan financing with net proceeds of at least US$2.5 million. The loan bears interest at the rate of 10% per annum payable quarterly beginning on June 30, 2016. Interest payments may, at the option of the Company, be added to the principal amount of the loan. As security for the payment of the Company’s obligations and for the fulfilment and satisfaction of all covenants and agreements made under the loan agreement, the Company also entered into a general security agreement with Polygon pursuant to which the Company granted Polygon a security interest in all personal property of the Company, including the issued and outstanding shares of the Company’s wholly-owned Nicaraguan subsidiary, Nicaza S.A, which holds certain mineral exploration properties located in Nicaragua, including the Los Andes project and the Piedra Iman property.

Polygon is a control person and related party of the Company (as defined by securities legislation) and owned 77.5% of the Company’s issued and outstanding share capital at that time.

The Company and Polygon entered into the Agreement in respect of Investment Agreements and Loan Agreement dated January 19, 2017 whereby the maturity date of the loan was extended to May 13, 2019 subject to Royal Road having taken up and paid for the Company’s common shares which were held and deposited by Polygon by March 2, 2017 pursuant to Royal Road’s tender offer to acquire the Company. On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company’s then issued and outstanding common shares, were deposited under the offer by Royal Road.

	Promissory Note
Balance, December 31, 2015	$ -
Add:	
Proceeds from loans	671,350
Interest or accretion	43,133
Foreign exchange	736
Balance, December 31, 2016	$ 715,219

9. Share Capital

(a) Authorized:

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

(b) Issued:

(i) On December 5, 2016 as amended January 6, 2017, the Company entered into the Support Agreement with Royal Road whereby Royal Road made an offer to acquire all the issued and outstanding shares of the Company on the basis of 0.16 common share of Royal Road for each common share of the Company. On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of $266,850 including salaries, legal fees and directors fees payable to former directors and 2,500,000 common shares were issued as severance to former senior officers.

On January 25, 2017, Polygon exercised 1,200,000 warrants with an exercise price of $0.05 for proceeds of $60,000 and a fair value of $12,000. Then on March 1, 2017, Polygon exercised another 2,450,000 warrants with an exercise price of $0.05 for proceeds of $122,500 and a fair value of $24,500.

(ii) On April 14, 2015, the Company issued 1,250,000 common shares at a fair value of $0.03 per share which were issuable to a former senior officer pursuant an employment agreement. Then on November 17, 2015, the Company issued 1,308,400 common shares at a fair value of $0.03 per share to the same former senior officer for his remuneration.

9. Share Capital (continued)

(c) Stock option plan:

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

The continuity of stock options for the years ended December 31, 2016 and 2015 is as follows:

	2016		2015	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of year	5,925,002	$0.15	2,819,003	$0.33
Granted	-	-	3,415,000	$0.08
Forfeited	(140,000)	$0.08	(23,667)	$1.01
Expired	(670,001)	$0.39	(285,334)	$1.07
Outstanding balance, end of year	5,115,001	$0.12	5,925,002	$0.15
Exercise price range	$0.08 - $0.78		$0.08 - $1.13	

9. Share Capital (continued)

(c) Stock option plan: (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2016 and 2015:

	Options Outstanding			Options Exercisable		
Exercise Prices	Number Outstanding at Dec 31, 2016	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Dec 31, 2016	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
$0.78	150,001	0.33	$0.78	150,001	0.33	$0.78
$0.15	1,400,000	2.23	$0.15	1,400,000	2.23	$0.15
$0.08	500,000	2.73	$0.08	500,000	2.73	$0.08
$0.08	3,065,000	3.50	$0.08	1,839,000	3.50	$0.08
	5,115,001	2.99	$0.12	3,889,001	2.82	$0.13

	Options Outstanding			Options Exercisable		
Exercise Prices	Number Outstanding at Dec 31, 2015	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Dec 31, 2015	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
$1.125	175,001	0.48	$1.125	175,001	0.48	$1.125
$0.78	155,001	1.33	$0.78	155,001	1.33	$0.78
$0.15	1,680,000	3.23	$0.15	1,344,000	3.23	$0.15
$0.08	500,000	3.73	$0.08	300,000	3.73	$0.08
$0.08	3,415,000	4.51	$0.08	683,000	4.51	$0.08
	5,925,002	3.88	$0.15	2,657,002	3.32	$0.23

9. Share Capital (continued)

(c) Stock option plan: (continued)

During the year ended December 31, 2016, the Company recognized share-based payments of $61,452 (2015 - $146,356) based on the fair value of stock options that were earned by the provision of services during the year. Share-based payments were segregated between former directors and officers, employees and consultants as follows:

	2016	2015
Directors (excludes directors who are officers)	$ 1,021	$ 17,429
Officers (includes directors who are officers)	52,317	113,913
Employees	2,334	6,112
Consultants	5,780	8,902
	$ 61,452	$ 146,356

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	2016	2015
Number of stock options granted	-	3,415,000
Fair value of stock options granted	n/a	$0.05
Market price of shares on grant date	n/a	$0.06
Pre-vest forfeiture rate	n/a	15.88%
Risk-free interest rate	n/a	0.55%
Expected dividend yield	n/a	0%
Expected stock price volatility	n/a	139.73%
Expected option life in years	n/a	3

Expected stock price volatility is based on the historical price volatility of the Company's common shares.

On July 3, 2015, the Company granted stock options to purchase up to 3,415,000 common shares at an exercise price of $0.08 until July 3, 2020. These stock options are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

No stock options were granted in 2016.

All stock options were forfeited and cancelled in 2017 due to the resignations of all directors, officers, employees and consultants of the Company in March 2017.

9. Share Capital (continued)

(d) Warrants:

At December 31, 2016, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2015	Issued	Exercised	Expired	Outstanding at December 31, 2016
$0.24	December 13, 2016	20,833,333	-	-	(20,833,333)	-
$0.30	August 7, 2016 [1]	800,000	-	-	(800,000)	-
$0.05	December 30, 2019 [2]	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	(21,633,333)	88,160,000

[1] Fair value of $40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

[2] On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments. On January 25, 2017, 1.2 million warrants were exercised and then on March 1, 2017, 2.45 million warrants were exercised.

9. Share Capital (continued)

(d) Warrants: (continued)

At December 31, 2015, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2014	Issued	Exercised	Expired	Outstanding at December 31, 2015
$0.24	December 13, 2016	20,833,333	-	-	-	20,833,333
$0.30	August 7, 2016 [1]	800,000	-	-	-	800,000
$0.05	December 30, 2019 [2]	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	-	109,793,333

[1] Arose from conversion of convertible promissory note. Fair value of $40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

[2] On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

(e) Common shares reserved for issuance at December 31, 2016:

	Number of Shares
Stock options (Note 9(c))	5,115,001
Warrants (Note 9(d))	88,160,000
Common shares reserved for issuance	93,275,001

10. Related Party Transactions

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

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

	Years ended December 31,		Net balance receivable (payable) as at December 31,	
	2016	2015	2016	2015
Key management compensation:				
Executive salaries and remuneration [1], [5], [6]	$ 409,686	$ 590,702	$ (267,222)	$ (73,998)
Directors fees [2], [5], [6]	41,000	44,330	(83,330)	(116,525)
Share-based payments	53,338	131,342	-	-
	$ 504,024	$ 766,374	$ (350,552)	$ (190,523)
Legal fees incurred to a law firm in which a director of the Company is a partner [3], [6]	$ 31,030	$ 52,636	$ (18,485)	$ (11,503)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) [4]	$ 1,104	$ (447)	$ -	$ 7,481
Gain of debt settlement [5]	$ 68,196	$ 51,118		
Write-off of receivables [4]	$ 8,544	$ 41,874		

(1) Includes key management compensation which was included in employee and director remuneration, mineral property interests and property investigation, as applicable.

(2) A portion of Directors fees were accrued.

(3) Includes legal fees which are included in finance charges and share issuance expenses, as applicable.

(4) The company was Aztec Metals Corp. which shared a former common director.

(5) Pursuant to an employment agreement, a portion of a former senior officer's remuneration was payable in common shares of the Company. In 2015, a gain was recognized for the common shares issued to a former senior in settlement of his portion of remuneration payable in common shares (Note 9(b)(ii)). In 2016, the Company derecognized certain directors fees payable.

(6) On January 25, 2017, the Company issued 7,597,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers of the Company for salaries and severance payable, directors fees payable, and legal services rendered.

10. Related Party Transactions (continued)

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

Transactions with Inecosa are provided in Note 6(a), with Polygon in Notes 8 and 9(b)(i), and shares-for-debt settlement in 2015 with a former senior officer in Note 9(b)(ii).

11. Office and Sundry and Property Investigation

	2016	2015
Office and Sundry:		
Insurance	$ 15,695	$ 22,798
Office and sundry	22,729	28,348
Rent	21,248	33,316
Telecommunications	8,505	10,176
	$ 68,177	$ 94,638
Property Investigation:		
Equipment and systems	$ -	$ 3,354
Geology	17,641	9,145
Mapping and surveys	-	9,938
Office and sundry	252	217
Transportation and travel	8,105	9,988
	$ 25,998	$ 32,642

12. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada and Nicaragua, as follows:

	December 31, 2016			December 31, 2015		
	Canada	Nicaragua	Total	Canada	Nicaragua	Total
Mineral property interests	$ -	$ 3,214,601	$ 3,214,601	$ -	$ 9,668,501	$ 9,668,501
Equipment	-	21,827	21,827	1,331	55,020	56,351

13. Deferred Income Taxes

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

	2016	2015
Loss for the year	$ (7,734,060)	$ (511,040)
Canadian statutory tax rate	26.0%	26.0%
Income tax benefit computed at statutory rates	(2,010,856)	(132,870)
Foreign tax rates different from statutory rates	11,124	83,730
Items non-deductible for income tax purposes	21,851	38,052
Change in timing differences	26,852	232,169
Unused tax losses and tax offsets not recognized in tax asset	1,438,321	430,892
Impact of foreign exchange on tax assets and liabilities	512,708	(651,973)
	$ -	$ -

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

In 2009, the Mexican government approved tax reform that includes a 2% increase in the income tax rate in Mexico from 28% to 30% for a three-year period starting in 2010.

13. Deferred Income Taxes (continued)

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

	December 31, 2016	December 31, 2015
Deferred tax assets		
Non-capital losses carried forward	$ 120,095	$ 1,265,291
Deferred tax liabilities		
Book value over tax value of equipment	-	(346)
Exploration and evaluation assets	(2,706)	
Foreign exchange	(117,389)	-
Book value over tax value of mineral property inte	-	(1,264,945)
Deferred tax liabilities	(120,095)	(1,265,291)
Net deferred tax assets	$ -	$ -

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

	December 31, 2016	December 31, 2015
Non-capital losses	$ 13,561,168	$ 12,631,969
Share issue costs	82,896	152,503
Unrecognized deferred tax assets	$ 13,644,064	$ 12,784,472

13. Deferred Income Taxes (continued)

(c) (continued)

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

	Canada	Mexico	Nicaragua	**Total**
2017	$ -	$ 280,789	$ -	$ 280,789
2018	-	449,600	-	449,600
2019	-	306,349	-	306,349
2020	-	422,117	-	422,117
2021	-	2,310,490	-	2,310,490
2022	-	805,986	-	805,986
2023	-	2,498,222	-	2,498,222
2024	-	94,869	87,118	181,987
2025	-	44,620	115,374	159,994
2026	-	-	94,161	94,161
2027		-	-	-
2028	238,314	-	-	238,314
2029	390,279	-	-	390,279
2030	1,174,645	-	-	1,174,645
2031	1,329,747	-	-	1,329,747
2032	992,892	-	-	992,892
2033	816,543	-	-	816,543
2034	554,858	-	-	554,858
2035	439,963	-	-	439,963
2036	514,544	-	-	514,544
	$ 6,451,785	$ 7,213,042	$ 296,653	$ 13,961,480

HEAD OFFICE	Ground Floor, 4 Wharf Street St. Helier, Jersey, JE2 3NR Telephone: 44 (0) 1534-887166 USA/Canada: 1-800-638-9205
DIRECTORS	Tim Coughlin Peter Mullens Vernon Arseneault
OFFICERS	Tim Coughlin ~ Chief Executive Officer and President Cindy Davis ~ Chief Financial Officer Eric Lowry ~ Secretary
REGISTRAR AND TRANSFER AGENT	Computershare Investor Services Inc. 3rd Floor, 510 Burrard Street Vancouver, BC, Canada, V6C 3B9
AUDITORS	Smythe LLP 7th Floor, 355 Burrard Street Vancouver, BC, Canada, V6C 2G8
SOLICITORS	Irwin Lowy LLP #400 – 365 Bay Street Toronto, Ontario, Canada, M5H 2V1