CAZA GOLD CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Years ended December 31, 2017 and 2016

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, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Caza Gold Corp. as at December 31, 2017 and 2016, 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 24, 2018

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CAZA GOLD CORP.

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

	Notes	December 31, 2017	2016
ASSETS			
Current Assets			
Cash		**$ -**	$ 39,896
Receivables and prepaids		**3,699**	17,274
Total Current Assets		**3,699**	57,170
Non-Current Assets			
Mineral property interests	6	**-**	3,214,601
Equipment	7	**-**	21,827
Total Non-Current Assets		**-**	3,236,428
Total Assets		**$ 3,699**	$ 3,293,598
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 20,000**	$ 721,265
Due to a shareholder	8	**10,895**	-
Non-Current Liabilities			
Promissory note payable	9	**-**	715,219
Total Liabilities		**30,895**	1,436,484
Shareholders' Equity (Deficiency)			
Share capital	10(b)	**22,226,890**	21,851,150
Reserve for share-based payments	10(c)	**-**	1,263,565
Deficit		**(22,254,086)**	(21,257,601)
Total Shareholders' Equity (Deficiency)		**(27,196)**	1,857,114
Total Liabilities and Shareholders' Equity (Deficiency)		**$ 3,699**	$ 3,293,598

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ Riccardo Forno — Director

/s/ Lisa McCormack — Director

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

	Notes	Years ended December 31, 2017		2016
Expenses:				
Accounting and audit		**$**	**40,273**	$ 27,965
Amortization	7		**-**	400
Employee and director remuneration	11		**92,257**	181,894
Legal	11		**11,433**	42,398
Office and sundry	11 and 12		**27,914**	71,660
Shareholder relations			**13,114**	40,488
Share-based payments (recovery)	10(c) and 11		**(19,080)**	61,452
Loss before the undernoted			**(165,911)**	(426,256)
Foreign exchange gain (loss)			**29,932**	(23,903)
Interest income			**-**	232
Interest and finance charges	9		**(36,932)**	(50,350)
Gain on debt settlement	9 and 10(b)		**956,980**	68,196
Net income (loss) from continuing operations		**$**	**784,069**	$ (432,081)
Discontinued operations				
Loss from discontinued operations	13		**(2,988,539)**	(7,301,979)
Net loss and comprehensive loss for the year		**$**	**(2,204,470)**	$ (7,734,060)
Basic and diluted income per share from continuing operations		**$**	**0.01**	$ (0.05)
Basic and diluted loss per share from discontinued operations		**$**	**(0.02)**	$ (0.05)
Weighted average number of common shares outstanding			**151,798,764**	141,302,005

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Stated in Canadian dollars)

		Share Capital		Reserve for Number of Share-Based		
	Notes	Shares Total	Amount	Payments	Deficit	
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	10(c)	-	-	61,452	-	61,452
Expiry of stock options	10(c)	-	-	(164,737)	164,737	-
Expiry of warrants	10(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
Shares for debt settlements	10(b)	5,337,000	106,740	-	-	106,740
Shares issued for services	10(b)	2,500,000	50,000	-	-	50,000
Share-based recovery	10(c)	-	-	(19,080)	-	(19,080)
Expiry and cancellation of stock options	10(c)	-	-	(362,885)	362,885	-
Exercise of warrants	10(d)	3,650,000	219,000	(36,500)		182,500
Cancellation of warrants	10(d)	-	-	(845,100)	845,100	-
Net loss for the year		-	-	-	(2,204,470)	(2,204,470)
Balance, December 31, 2017		152,789,005	$ 22,226,890	$ -	$ (22,254,086)	$ (27,196)

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Years ended December 31, 2017	2016
Cash provided by (used in):		
Operations:		
Net income (loss) for the year from continuing operations	**$ 784,069**	$ (432,081)
Items not involving cash:		
Amortization	**-**	400
Accrued interest	**36,932**	43,133
Unrealized foreign exchange loss (gain)	**(29,932)**	4,866
Share-based payments (recovery)	**(19,080)**	61,452
Gain on debt settlement	**(956,980)**	(68,196)
	(184,991)	(390,426)
Changes in non-cash working capital items:		
Receivables and prepaids	**9,227**	24,141
Accounts payable and accrued liabilities	**(51,543)**	257,053
Cash used in operating activities from continuing operations	**(227,307)**	(109,232)
Cash used in operating activities from discontinued operations (note 13)	**(259,961)**	(293,203)
Cash used in operating activities	**(487,268)**	(402,436)
Financing:		
Proceeds from promissory note payable	**-**	671,350
Proceeds from exercise of warrants	**182,500**	-
Due to shareholder	**10,895**	-
Share issuance expenses	**-**	(803)
Cash provided by financing activities from continuing operations	**193,395**	670,547
Cash provided by financing activities from discontinued operations (note 13)	**253,977**	-
Cash provided by financing activities	**447,372**	670,547
Investing:		
Cash used in investing activities from discontinued operations (note 13)	-	(588,841)
Unrealized foreign exchange gain on cash held in foreign currency	-	(4,130)
Decrease in cash	**(39,896)**	(324,860)
Cash, beginning of year	**39,896**	364,756
Cash, end of year	**$ -**	$ 39,896

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,	
		2017	2016
Non-cash financing and investing activities:			
Issuance of common shares for:			
Services provided	10(b) and 11	$ **50,000**	$ -
Accounts payable settled with shares	10(b) and 11	$ **341,850**	**$** -
Fair values from the expiration of:			
Stock options		**$ 362,885**	$ 164,737
Warrants		**$ 845,100**	$ 40,449

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 #400 – 365 Bay Street, Toronto, ON M5H 2V1.

The Company was previously in the mineral exploration business. 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 and Royal Road Minerals Limited ("Royal Road") entered into a support agreement on December 5, 2016, as amended on January 6, 2017 (the "Support Agreement"), pursuant to which Royal Road made an offer to acquire all of the issued and outstanding shares of the Company on the basis of 0.16 of a common share of Royal Road for each common share of the Company. On February 28, 2017, a total of 134,886,372 shares of the Company, representing approximately 90% of the Company were deposited under the offer. Royal Road extended its offer until March 13, 2017, and an additional 2,936,177 shares were deposited for a total of 137,822,549 shares of the Company acquired by Royal Road on March 15, 2017.

On May 19, 2017, Royal Road and Generic Capital Corporation ("Generic") entered into a Share Purchase Agreement, whereby, Generic agreed to purchase 100% of the shares of the Company owned by Royal Road for total consideration of $80,000. Prior to the completion of the Share Purchase Agreement, the Company transferred its ownership of its wholly owned subsidiary, Nicaza S.A., to Royal Road. The Company did not receive any consideration in the transfer of Nicaza S.A. to Royal Road. On May 31, 2017, the 134,886,372 common shares of the Company owned by Royal Road were purchased by Generic. Generic has the right to purchase the additional 2,936,177 common shares of the Company held by Royal Road. Due to sale of the shares of the Company to Generic, the compulsory acquisition of the balance of the shares of the Company has not yet occurred.

On December 1, 2017, the Company entered into an agreement with Griftco Corporation, whereby the Company agreed to sell its wholly owned subsidiaries Minera Caza S.A. de C.V. and Minera Canarc de Mexico S.A. de C.V. for consideration of $100.

The disposition of the Company's subsidiaries has been presented as discontinued operations in these consolidated financial statements.

The Company has no operating revenues, has incurred significant net losses of approximately $2.2 million for the year ended December 31, 2017 (2016 – $7.7 million), and has a deficit of approximately $22.3 million as at December 31, 2017 (2016 - $21.3 million). Furthermore, the Company has a working capital deficiency of approximately $27,200 (2016 – $1,379,300). These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement 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 develop a revised business strategy, to raise debt or equity financings, and the attainment of profitable operations. 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").

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on April 24, 2018.

(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 currency of the Company is 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 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.

Judgement is applied in determining whether disposal groups represent a component of the entity, the results of which should be recorded as discontinued operations in the consolidated financial statements.

(f) Standards issued but not yet effective:

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.

2. Basis of Presentation (continued)

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

IFRS 9 *Financial Instruments*

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

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

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

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

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

- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue 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.

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. During fiscal 2017, the subsidiaries of the Company were disposed and as a result, the subsidiaries have been consolidated up to the date of disposition (Note 1). The results of operations of the disposed subsidiaries are presented as discontinued operations in these consolidated financial statements.

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 assets, 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.

(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.

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(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.

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.

3. Significant Accounting Policies (continued)

(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.

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) Discontinued Operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company, and which:
(i) Represent a major line of business or geographical area of operations;
(ii) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
(iii) Is a subsidiary acquired exclusively with a view to re-sell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statements of operations and comprehensive loss is restated as if the operation had been discontinued from the start of the comparative years presented.

(f) 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.

3. Significant Accounting Policies (continued)

(g) 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.

(h) Non-monetary transactions:

Common shares issued for consideration other than cash are measured at the fair value of the goods or services received or the fair value of the common shares issued, if it is determined the fair value of the goods or services cannot be reliably measured. Common shares issued to settled debt arrangements are measured at the fair value of the shares issued.

(i) Share-based payments:

The Company has a stock option plan that is described in Note 10(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 of vested options is transferred from the reserve for share-based payments to deficit and the recorded fair value of unvested options are recorded as a recovery to share-based payment expense on the consolidated statements of comprehensive loss.

(j) 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.

3. Significant Accounting Policies (continued)

(j) Environmental rehabilitation: (continued)

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.

(k) 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.

(l) 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.

(m) 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 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 and general administrative costs. 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, 2017.

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, and to meet its administrative overhead costs for the coming periods.

As at December 31, 2017, 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 approximates 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.

(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.

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

(a) Credit risk: (continued)

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, 2017, the Company had a working capital deficiency of approximately $27,200 (2016 – $1,379,300). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs in 2018.

(c) Market risk:

The market risk exposures to which the Company to is interest rate risk.

(i) 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.

(Stated in Canadian dollars)

6. Mineral Property Interests

	Year ended December 31, 2017 Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2016	$ 520,932	$ 15,380	$ 536,312
Disposition of subsidiary	(520,932)	(15,380)	(536,312)
Balance, December 31, 2017	-	-	-
Deferred Exploration Expenditures:			
Balance, December 31, 2016	2,245,724	432,565	2,678,289
Disposition of subsidiary	(2,245,724)	(432,565)	(2,678,289)
Balance, December 31, 2017	-	-	-
Mineral Property Interests:			
December 31, 2017	$ -	$ -	$ -

	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, 2016	$ 2,766,656	$ 447,945	$ 3,214,601

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 10(b)(i)).

On May 19, 2017, Royal Road acquired the subsidiary, Nicaza S.A., which has the rights to the mineral properties. All titles and interests are now owned by Royal Road (Note 1).

(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.

(Stated in Canadian dollars)

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	Office Equipment	Total
Cost:			
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
Less: Disposition of subsidiary	(28,506)	(5,842)	(34,348)
Balance, December 31, 2017	-	-	-
Accumulated amortization:			
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
Less: Disposition of subsidiary	(8,391)	(4,130)	(12,521)
Balance, December 31, 2017	-	-	-
Net book value:			
Balance, December 31, 2016	$ 20,115	$ 1,712	$ 21,827
Balance, December 31, 2017	$ -	$ -	$ -

8. Due to a Shareholder

During the year ended December 31, 2017, a shareholder loaned the Company $10,895 (December 31, 2016 - $nil) to cover some of the payables that became due. The loan is non-interest bearing, with no fixed terms of repayment, due on demand and is unsecured.

(Stated in Canadian dollars)

9. 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 an 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 15, 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 purchased by Royal Road. The loan was assumed by Royal Road on July 6, 2017.

		Promissory Note
Balance December 31, 2015	$	-
Add:		
Proceeds from loans		671,350
Interest		43,133
Foreign exchange		736
Balance, December 31, 2016	$	715,219
Interest		36,274
Foreign exchange		(29,933)
Assumed by Royal Road		(721,560)
Balance, December 31, 2017	$	-

As a result of the loan being assumed and paid for by Royal Road the Company recognized a gain on debt settlement of $721,560 (2016- $nil).

10. 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:

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 15, 2017, 137,822,549 shares of the Company representing over 90% of the Company's then issued and outstanding common shares, were purchased by Royal Road.

On January 25, 2017, the Company issued 5,337,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors, officers and vendors of the Company amounting to $342,160 including salaries, legal fees and directors fees payable to former directors. In addition, 2,500,000 common shares at a fair value of $0.02 per share 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 an original 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 an original fair value of $24,500.

On May 19, 2017, Royal Road and Generic entered into a Share Purchase Agreement, whereby, Generic agreed to purchase 100% of the shares of the Company owned by Royal Road for total consideration of $80,000. On May 31, 2017, 134,886,372 common shares of the Company own by Royal Road were purchased by Generic. Generic has the right to purchase the additional 2,936,177 shares of the Company held by Royal Road. Due to sale of the shares of the Company to Generic, the compulsory acquisition of the balance of the shares of the Company has not yet occurred.

(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.

(Stated in Canadian dollars)

10. Share Capital (continued)

(c) Stock option plan:

The continuity of stock options for the years ended December 31, 2017 and 2016 is as follows:

	2017		2016	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding balance, beginning of year	5,115,001	$0.12	5,925,002	$0.15
Forfeited	(793,000)	$0.09	(140,000)	$0.08
Cancelled and expired	(4,322,001)	$0.13	(670,001)	$0.39
Outstanding balance, end of year	-	n/a	5,115,001	$0.12

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

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

During the year ended December 31, 2017, the Company recognized share-based recovery of $19,080 (2016 – payment of $61,452) based on the fair value of unvested stock options. Share-based payments were segregated between former directors and officers, employees and consultants as follows:

	2017	2016
Directors (excludes directors who are officers)	$ -	$ 1,021
Officers (includes directors who are officers)	(16,873)	52,317
Employees	(683)	2,334
Consultants	(1,524)	5,780
	$ (19,080)	$ 61,452

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.

(Stated in Canadian dollars)

10. Share Capital (continued)

(d) Warrants:

At December 31, 2017, the Company had outstanding warrants as follows:

Exercise Price	Expiry date	Oustanding at December 31, 2016	Issued	Exercised	Expired/Cancelled	Oustanding at December 31 2017
$ 0.05	December 30, 2019	88,160,000	-	(3,650,000)	(84,510,000)	-
		88,160,000		(3,650,000)	(84,510,000)	-

On January 25, 2017, 1.2 million warrants were exercised and then on March 1, 2017, 2.45 million warrants were exercised. The remaining warrants were cancelled pursuant to the agreement with Polygon (note 9).

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.

11. 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.

(Stated in Canadian dollars)

11. Related Party Transactions (continued)

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

	Year ended December 31, 2017	Year ended December 31, 2016	Net balance receivable (payable) December 31, 2017	Net balance receivable (payable) December 31, 2016
Key management compensation:				
Executive salaries and remuneration (1), (5), (6)	$ 2,877	$ 409,686	$ -	$ (267,222)
Severance pay (6)	50,000	-	-	-
Directors fees (2), (6)	-	41,000	-	(83,330)
Share-based (recovery) payments	(16,873)	53,338	-	-
	$ 36,004	$ 504,024	$ -	$ (350,552)
Legal fees incurred to a law firm in which a director of the Company is a partner (3), (6)	$ -	$ 31,030	$ -	$ (18,485)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) (4)	$ -	$ 1,104	$ -	$ -
Gain on debt settlement (6)	$ 235,420	$ 68,196		

(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.

(6) On January 25, 2017, the Company issued 5,337,000 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 amounting to $342,160. In 2016, the Company derecognized certain directors' fees payable. In addition, 2,500,000 common shares at a fair value of $0.02 per share were issued as severance to former senior officers.

Transactions with Inecosa are provided in Note 6(a) and with Polygon in Note 9.

(Stated in Canadian dollars)

12. Office and Sundry

	Year Ended December 31, 2017	2016
Office and Sundry:		
Insurance	$ 3,483	$ 12,446
Office and sundry	18,310	36,126
Rent	4,934	14,583
Telecommunications	1,187	8,505
	$ 27,914	$ 71,660

13. Discontinued Operations

The loss and comprehensive loss from the discontinued operations is comprised of the following:

Year ended December 31	2017	2016
Expenses	$	$
Amortization	-	9,096
Office	-	21,747
Professional fees	-	43,777
Property investigation	-	25,996
Foreign exchange	302,007	(39,669)
Impairment of mineral property	-	7,231,093
Loss from disposition of equipment, net of write offs	10,186	2,250
Write-off of receivables and value-added tax	-	7,689
Loss from disposition of subsidiary	2,676,346	-
	$ (2,988,539)	**$ (7,301,979)**

(Stated in Canadian dollars)

13. Discontinued Operations (continued)

The cash flows from the discontinued operations for are as follows:

	Year ended December 31,	
	2017	2016
Operating Activities		
Net loss from discontinued operations	**$ (2,988,539)**	$ **(7,301,979)**
Non-cash items included in net loss		
Amortization	-	9,096
Loss from disposition of equipment, net of write offs	10,186	2,250
Write-off of receivables and value-added tax	2,676,346	16,026
Write-down of mineral property interests, net of recoveries	302,007	7,231,093
	-	**(43,514)**
Changes in non-cash working capital		
Receivables and prepaids	4,348	(17,508)
Accounts payable and accrued liabilities	(264,309)	(232,181)
Cash used in operating activities	**(259,961)**	**(293,203)**
Financing		
Cash received from Royal Road	253,977	-
Cash provided by financing activities	**253,977**	**-**
Investing		
Mineral property interests, net of write-downs	-	(611,619)
Proceeds from disposition of equipment	-	22,778
Cash used in investing activities	**-**	**(588,841)**

(Stated in Canadian dollars)

14. Income Taxes

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

	2017	2016
Loss for the year	$(2,204,470)	$(7,734,060)
Canadian statutory tax rate	26.0%	26.0%
Income tax benefit computed at statutory rates	(573,162)	(2,010,856)
Foreign tax rates different from statutory rates	-	11,124
Items non-deductible for income tax purposes	4,961	21,851
Change in timing differences	601,393	26,852
Unused tax losses and tax offsets not recognized in tax asset	114,028	1,438,321
Impact of foreign exchange on tax assets and liabilities	-	512,708
Effect of change in tax rates	(147,220)	-
	$ -	$ -

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

(b) The tax effected items that give rise to significant portions of the deferred income tax assets deferred income tax liabilities at December 31, 2017 and 2016 are presented below:

	December 31, 2017	December 31, 2016
Deferred tax assets		
Non-capital losses carried forward	$ -	$ 120,095
Deferred tax liabilities		
Exploration and evaluation assets	-	(2,706)
Foreign exchange	-	(117,389)
Book value over tax value of mineral property interest	-	-
Deferred tax liabilities	-	(120,095)

(Stated in Canadian dollars)

14. Deferred Income Taxes (continued)

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

	December 31, 2017	December 31, 2016
Non-capital losses	$ 6,702,766	$ 13,561,168
Resource Property	7,976,965	7,976,965
Property, plant and equipment	26,556	16,693
Share issue costs	15,676	82,896
Unrecognized deferred tax assets	$ 14,721,963	$ 21,637,122

The Company forfeited non-capital carryforwards of $7,213,042 upon disposal of subsidiaries in Mexico and $296,653 upon disposal of the subsidiary in Nicaragua.

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

	Canada
2028	238,314
2029	390,279
2030	1,174,645
2031	1,329,747
2032	992,892
2033	816,543
2034	554,858
2035	439,963
2036	514,544
2037	250,981
	$ 6,702,766

15. Segmented Information

The Company had one operating segment in 2016, being mineral exploration, with assets previously located in Mexico and Nicaragua which were disposed of during the year ended December 31, 2017.

	December 31, 2017			December 31, 2016		
	Canada	Nicaragua	Total	Canada	Nicaragua	Total
Mineral property interests	$ -	$ -	$ -	$ -	$ 3,214,601	$ 3,214,601
Equipment	-	-	-	-	21,827	21,827

16. Subsequent Events

On March 12, 2018, the Company entered into a Letter Agreement with Arctic Blockschain Ltd. (Arctic) a company incorporated in Canada whereby Arctic will acquire the Company by way of a share exchange, amalgamation or other transaction as agreed to between the two parties. Arctic is the sole shareholder of Hydro66 UK Limited ("Hydro66"), a company based in Boden, Northern Sweden, that has been operating since 2014, offering enterprise co-location services as well as mining cryptocurrency on its own account and for customers, continuously since inception.

CORPORATE INFORMATION

HEAD OFFICE	400 – 365 Bay Street Toronto, ON M5H 2V1
DIRECTORS	Lisa McCormack Riccardo Forno Jennifer Thor
OFFICERS	Lisa McCormack ~ Chief Executive Officer Arvin Ramos ~ Chief Financial Officer
REGISTRAR AND TRANSFER AGENT	Capital Transfer Agency 920 – 390 Bay Street Toronto, Ontario, Canada, M5H 2Y2
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