CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Expressed in Canadian Dollars

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Canasil Resources Inc.

We have audited the accompanying consolidated financial statements of Canasil Resources Inc., which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of changes in shareholders' equity, loss and comprehensive loss and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Canasil Resources Inc. 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 conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Canasil Resources Inc. to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada — Chartered Professional Accountants

March 28, 2018

**CANASIL RESOURCES INC.**
**CONSOLIDATED BALANCE SHEETS**
**AS AT DECEMBER 31**
Expressed in Canadian Dollars

| **ASSETS** | 2017 | 2016 |
|---|---|---|
| **Current** | | |
| Cash and cash equivalents | $ 202,029 | $ 2,265,376 |
| Marketable securities *(Notes 3 and 16)* | 1,060,500 | 1,659,000 |
| Receivables | 75,257 | 47,230 |
| Prepaid expenses | 11,989 | 11,381 |
| | 1,349,775 | 3,982,987 |
| **Reclamation bonds** | 40,000 | 28,000 |
| **Property and equipment** *(Note 5)* | 44,316 | 47,187 |
| | $ 1,434,091 | $ 4,058,174 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities *(Note 9)* | $ 109,583 | $ 137,597 |
| **SHAREHOLDERS' EQUITY** | | |
| **Share capital** *(Note 6)* | 21,437,985 | 21,437,985 |
| **Contributed surplus** | 6,514,588 | 6,257,759 |
| **Accumulated other comprehensive income** | 678,997 | 1,199,692 |
| **Deficit** | (27,307,062) | (24,974,859) |
| | 1,324,508 | 3,920,577 |
| | $ 1,434,091 | $ 4,058,174 |

**Nature and continuance of operations** *(Note 1)*
**Commitments** *(Note 10)*
**Contingency** *(Note 11)*
**Subsequent events** *(Note 16)*

ON BEHALF OF THE BOARD:

*"Alvin Jackson"*, Director

*"Michael McInnis"*, Director

**CANASIL RESOURCES INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31**

Expressed in Canadian Dollars

| | Number of Shares | Share Capital *(Notes 6,7)* | Convertible Debenture *(Note 4)* | Contributed Surplus *(Note 7)* | Accumulated Other Comprehensive Income | Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Balance – December 31, 2015** | 84,659,872 | $ 17,588,877 | $ 4,323,549 | $ 1,783,712 | $ 21,000 | $ (23,713,223) | $ 3,915 |
| Private placement – shares | 2,000,000 | 300,000 | - | - | - | - | 300,000 |
| Private placement – shares | 4,100,000 | 902,000 | - | - | - | - | 902,000 |
| Private placement – units | 8,000,000 | 2,560,000 | - | - | - | - | 2,560,000 |
| Finders' warrants issued | - | (43,943) | - | 43,943 | - | - | - |
| Share issuance costs | - | (202,834) | - | - | - | - | (202,834) |
| Exercise of warrants | 3,000,000 | 300,000 | - | - | - | - | 300,000 |
| Exercise of stock options | 137,500 | 20,250 | - | - | - | - | 20,250 |
| Fair value of options exercised | - | 13,635 | - | (13,635) | - | - | - |
| Convertible debenture advances | - | - | 55,193 | - | - | - | 55,193 |
| Convertible debenture forfeited without repayment | - | - | (4,378,742) | 4,378,742 | - | - | - |
| Share-based compensation | - | - | - | 64,997 | - | - | 64,997 |
| Comprehensive loss for the year | - | - | - | - | 1,178,692 | (1,261,636) | (82,944) |
| **Balance – December 31, 2016** | 101,897,372 | 21,437,985 | - | 6,257,759 | 1,199,692 | (24,974,859) | 3,920,577 |
| Share-based compensation | - | - | - | 256,829 | - | - | 256,829 |
| Comprehensive loss for the year | - | - | - | - | (520,695) | (2,332,203) | (2,852,898) |
| **Balance – December 31, 2017** | 101,897,372 | $ 21,437,985 | $ - | $ 6,514,588 | $ 678,997 | $ (27,307,062) | $ 1,324,508 |

- See Accompanying Notes -

**CANASIL RESOURCES INC.**

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**FOR THE YEARS ENDED DECEMBER 31**

Expressed in Canadian Dollars

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Accounting and audit | $ | 42,516 | $ | 44,231 |
| Consulting | | 2,484 | | 12,075 |
| Depreciation *(Note 5)* | | 4,800 | | 5,544 |
| Director fees *(Note 9)* | | 48,000 | | - |
| Exploration and evaluation *(Note 4)* | | 1,235,421 | | 852,703 |
| Foreign exchange loss | | 41,055 | | 32,624 |
| Interest income | | (9,435) | | (14,768) |
| Investor relations and promotions | | 30,478 | | 26,059 |
| Legal fees | | 79,765 | | 41,617 |
| Listing and filing fees | | 22,600 | | 8,017 |
| Management fees *(Note 9)* | | 150,000 | | 150,000 |
| Office rent, services and supplies | | 75,441 | | 77,525 |
| Salaries and wages *(Note 9)* | | 231,755 | | 235,566 |
| Shareholder communications | | 23,362 | | 25,474 |
| Share-based compensation *(Note 7)* | | 256,829 | | 64,997 |
| Transfer agent fees | | 8,362 | | 14,969 |
| Travel and accommodation | | 10,965 | | 7,791 |
| **Total operating expenses** | | (2,254,398) | | (1,584,424) |
| Gain on sale of marketable securities *(Note 3)* | | - | | 143,524 |
| **Loss for the year before taxes** | | (2,254,398) | | (1,440,900) |
| Deferred income tax (expense) recovery *(Notes 3 and 12)* | | (77,805) | | 179,264 |
| **Loss for the year** | | (2,332,203) | | (1,261,636) |
| **Other comprehensive income (loss)** | | | | |
| Realized gain on marketable securities *(Note 3)* | | - | | (143,524) |
| Item that may be reclassified subsequently to profit or loss: | | | | |
| Change in fair value of marketable securities, net of taxes *(Note 3)* | | (520,695) | | 1,322,216 |
| **Comprehensive loss for the year** | $ | (2,852,898) | $ | (82,944) |
| **Loss per share – basic and diluted** | $ | (0.02) | $ | (0.01) |
| **Weighted-average number of shares Outstanding – basic and diluted** | | 101,897,372 | | 95,408,950 |

- See Accompanying Notes -

**CANASIL RESOURCES INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31**

Expressed in Canadian Dollars

| **CASH RESOURCES PROVIDED BY (USED IN)** | | 2017 | | 2016 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Loss for the year | $ | (2,332,203) | $ | (1,261,636) |
| Items not involving cash | | | | |
| Depreciation | | 4,800 | | 5,544 |
| Gain on sale of marketable securities | | - | | (143,524) |
| Deferred income tax expense (recovery) | | 77,805 | | (179,264) |
| Share-based compensation | | 256,829 | | 64,997 |
| Changes in non-cash working capital | | | | |
| Receivables | | (28,027) | | 115,076 |
| Prepaid expenses | | (608) | | (4,027) |
| Accounts payable and accrued liabilities | | (28,014) | | (63,912) |
| Accounts payable and accrued liabilities – related parties | | - | | (98,132) |
| | | (2,049,418) | | (1,564,878) |
| **Investing activities** | | | | |
| Proceeds on sale of marketable securities | | - | | 213,480 |
| Purchase of equipment | | (1,929) | | (2,129) |
| Reclamation bonds | | (12,000) | | - |
| | | (13,929) | | 211,351 |
| **Financing activities** | | | | |
| Share capital issued for cash | | - | | 4,082,250 |
| Share issuance costs | | - | | (202,834) |
| Convertible debenture advances | | - | | 55,193 |
| Due to related parties, net | | - | | (519,000) |
| | | - | | 3,415,609 |
| **Change in cash for the year** | | (2,063,347) | | 2,062,082 |
| Cash position - beginning of year | | 2,265,376 | | 203,294 |
| **Cash position - end of year** | $ | 202,029 | $ | 2,265,376 |

| **Supplemental schedule of non-cash investing and financing transactions** | | 2017 | | 2016 |
|---|---|---|---|---|
| Finders' warrants issued | $ | - | $ | 43,943 |
| Fair value of stock options exercised | $ | - | $ | 13,635 |
| Convertible debenture transferred to contributed surplus *(Note 4)* | $ | - | $ | 4,378,742 |
| Unrealized (losses) gains on marketable securities | $ | (598,500) | $ | 1,288,000 |

| **Supplemental cash flow information** | | 2017 | | 2016 |
|---|---|---|---|---|
| Interest received | $ | 15,172 | $ | 7,009 |
| Interest paid | $ | - | $ | 208 |
| Income taxes paid | $ | - | $ | - |

- See Accompanying Notes -

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. ("Canasil" or the "Company") is a mineral exploration company incorporated in British Columbia with its head office located at 1760 – 750 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interests in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2017 the Company had working capital of $1,240,192 (2016 - $3,845,390), which it considers to be inadequate to fund its overhead and currently planned exploration activities for the ensuing twelve months. Consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. The Company has incurred operating losses since inception and as at December 31, 2017 had an accumulated deficit of $27,307,062 (2016 - $24,974,859).

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee using those standards in effect for the reporting year ended December 31, 2017. The Company's board of directors approved these consolidated financial statements for issue on March 27, 2018.

### Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for those items classified as fair value through profit and loss or available-for-sale financial assets, using the accrual basis of accounting, except for cash flow information.

### Principles of consolidation

These consolidated financial statements include the accounts of the Company and its significant wholly-owned subsidiaries, CRD Minerals Corp. ("CRD"), Canmine Minerals Inc. ("Canmine"), Minera Canasil S.A. de C.V. and Minera CRD S.A. de C.V. ("Minera CRD"). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

## 2. SIGNIFICANT ACCOUNTING POLICIES - *continued*

### Foreign currency translation

The presentation currency of the Company and the functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in profit or loss for the period.

### Cash and cash equivalents

Cash and cash equivalents include cash balances held through current operating bank accounts and guaranteed investment certificates at major financial institutions that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in nominal value.

### Marketable securities

Marketable securities consist of common shares of publicly traded companies and are classified as available-for-sale financial assets. The shares are recorded at fair value; gains or losses arising from changes in fair value are recorded as other comprehensive income (loss) and included in accumulated other comprehensive income (loss) until the investments are sold, at which time the accumulated gains or losses are included in income (loss) for the period. Impairment losses on available-for-sale financial assets are recognized in income (loss) for the period.

### Financial instruments

All financial instruments are classified into one of five categories: fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Financial instruments classified as fair value through profit or loss are measured at fair value and changes in fair value are recognized in income (loss) for the period. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income (loss) for the period.

The Company discloses the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of inputs are: Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – inputs that are not based on observable market data.

### Property and equipment

Property includes land purchased for a future warehouse site. Equipment includes automotive and other equipment related to mineral exploration; furniture and equipment are related to corporate offices. These assets are recorded at cost and amortized over their estimated useful life using the declining balance method at rates ranging from 20% to 45% per annum. Equipment is reviewed for impairment if there is an indication that the carrying amount may not be recoverable.

## 2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Exploration and evaluation

The Company is currently in the exploration stage in respect of all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, option payments, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely to be recoverable by future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

### Restoration provisions

The Company recognizes liabilities for legal, statutory, contractual, and constructive obligations associated with the reclamation or rehabilitation of mineral properties that the Company is required to settle. The Company recognizes the fair value of liabilities for such obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. The obligation is recorded as a liability with a corresponding charge to operations. The Company has determined that it has no significant restoration obligations as at December 31, 2017.

### Impairment

Non-financial assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Financial assets are reviewed at the end of each reporting period for objective evidence indicating that changes in the market, economic, or legal environment has had a negative effect on the estimated future cash flows of the asset or group of assets.

For financial assets carried at amortized cost, an impairment loss is calculated as the difference between its carrying amount and the discounted present value of the estimated future cash flows. Such impairment losses, and any subsequent reversals, are recognized in income (loss) for the period.

For available-for-sale financial assets, an impairment loss is recognized when there has been a significant or prolonged decline in fair value of the asset. Should management's analysis of such objective evidence indicate an impairment, the cumulative loss recognized in accumulated other comprehensive income (loss) is reversed and recognized as an impairment loss in income (loss) for the period. If the fair value of previously impaired asset subsequently recovers, unrealized gains are recorded in other comprehensive income (loss); previously recognized impairment losses are not reversed.

## 2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Share-based compensation

The Company uses the fair value method whereby share-based compensation costs are recognized over the vesting periods for grants of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to share capital. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its share-based compensation. The fair value of each grant is measured at the grant date and, where vesting is not immediate, each tranche is recognized over the vesting period. At each reporting period-end, the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

### Loss per share

The Company computes the dilutive effect of options, warrants and similar instruments and its effect on earnings per share is calculated based on the use of the proceeds that would be obtained upon exercise of in-the-money options, warrants and similar instruments. It is assumed that the proceeds would be used to purchase common shares at the average market price during the period. Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share due to their anti-dilutive effect.

### Income taxes

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is accounted for using the liability method, which recognizes differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are recognized only to the extent that sufficient taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability will be settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in the period that the substantive enactment occurs. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Significant accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual amounts could differ from these estimates.

## 2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Significant accounting estimates and judgements - *continued*

The Company's most significant accounting judgements relate to the probability of recognition of the benefit of deferred tax assets, the determination of assumptions used to estimate share-based compensation, and the determination of functional currency.

The Company has not recognized its deferred tax assets as management does not currently consider it probable that these assets will be recovered.

The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options, which requires the input of subjective assumptions including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these subjective input assumptions can materially affect the fair value estimate. Share-based compensation is a non-cash expense item that affects profit or loss and shareholders' equity and has no effect upon the Company's assets or liabilities.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of its subsidiaries is the Canadian dollar. While transactions conducted outside of Canada are typically denominated in either the Mexican peso or the U.S. dollar, the subsidiaries have no revenues from operations and are entirely dependent upon the Company for financing of its operations and exploration activities, which are largely determined in Canada.

### New accounting pronouncements

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments,* bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's initiative to replace IAS 39 Financial Instruments – *Recognition and Measurement*. The effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has completed an analysis of IFRS 9 and does not expect any significant effect on its consolidated financial statements as a result of adopting this standard.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases*, according to which all leases will be presented on the balance sheet, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the impact on its consolidated financial statements of adopting this standard.

Expressed in Canadian Dollars

## 3. MARKETABLE SECURITIES

Concurrent with a September 2015 option agreement with Orex Minerals Inc. ("Orex") on the Sandra-Escobar project *(Note 4)*, the Company acquired 1,400,000 common shares of Orex and, upon a subsequent reorganization of Orex, 1,400,000 common shares of Barsele Minerals Corp. ("Barsele"). In February 2016, the Company sold 700,000 Orex shares for net cash proceeds of $213,480 and a gain on sale of $143,524. These shares are designated as available-for-sale securities.

Details as at December 31 are as follows:

| | Shares 2017 | Cost 2017 | Fair Value 2017 | Fair Value 2016 |
|---|---|---|---|---|
| Orex Minerals Inc. | 700,000 | $ 69,956 | $ 94,500 | $ 189,000 |
| Barsele Minerals Corp. *(Note 16)* | 1,400,000 | 210,088 | 966,000 | 1,470,000 |
| | | $ 280,044 | $ 1,060,500 | $ 1,659,000 |

Changes in the fair value of these securities for the years ended December 31 are as follows:

| | 2017 | 2016 |
|---|---|---|
| Fair value – beginning of year | $ 1,659,000 | $ 371,000 |
| Sold – 700,000 Orex shares | - | (213,480) |
| Change in fair value | (598,500) | 1,501,480 |
| Fair value – end of year | $ 1,060,500 | $ 1,659,000 |

The Company's available-for-sale securities are carried at fair value measured using a Level 1 fair value measurement whereby the carrying value is determined by using the quoted closing price of the security as at the balance sheet date. During the year, the Company recorded unrealized losses of $520,695 (2016 - $1,178,692 gain), net of deferred income tax expense of $77,805 (2016 - $179,264 recovery), through other comprehensive income (loss).

## 4. EXPLORATION AND EVALUATION

The Company expenses costs relating to the exploration and evaluation of its mineral properties in the period incurred. A description of the Company's mineral interests follows:

### Sandra-Escobar project, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In accordance with a 2008 agreement with Pan American Silver Corp. ("Pan American"), the Company also earned a 40% interest in Pan American's Escobar claims in 2012, which are contiguous with the Sandra claims. In addition to these claims, the Company has also acquired various other claims in the area from third parties, all of which form the Sandra-Escobar project.

In September 2015, the Company signed an option agreement with Orex on the Sandra-Escobar project providing Orex with the right to earn up to a 65% interest in the project. Orex can earn an initial 55% interest by paying the Company $500,000 (received) and incurring US$2,000,000 in exploration expenditures over a three-year period. Orex could earn an additional 10% interest by paying the Company $500,000 in cash or shares, at Orex's option, and incurring an additional US$2,000,000 in exploration expenditures within two years.

## 4. EXPLORATION AND EVALUATION – *continued*

### Sandra-Escobar project, Mexico – *continued*

In January 2017, Orex advised the Company that it had completed the required expenditures of US$2,000,000 to earn a 55% interest in the project. The Company and Orex intend to form a 45:55 joint venture to further develop the project.

In December 2017, the Company signed a non-binding letter of intent with Pan American and Orex, which provides the basis for entering into a definitive option agreement whereby the three companies will advance the Sandra-Escobar project jointly *(Note 11)*. The terms of the letter of intent provide for the parties to incur optional expenditures of US$6,000,000 (US$5,000,000 by Pan American and US$1,000,000 jointly by Canasil and Orex) over a period of four years. Following completion of these expenditures, Pan American will have earned a 51% interest in the Sandra property and Orex and Canasil will have increased their interest in the Escobar property to 49%, such that Pan American will hold a 51% interest and Canasil and Orex will jointly hold a 49% interest in the combined Sandra and Escobar properties. Pan American will have a further option to increase its interest to 60% in the combined properties by completing a pre-feasibility study on the project.

### Salamandra project, Mexico

The Salamandra project, located in Durango State, Mexico, was acquired through staking and an option to purchase a 100% interest in certain claims comprising the central 900 hectares of the project area. During 2017, the Company renegotiated the terms of this option agreement such that it acquired a 100% interest in the 900 hectares by making a final payment of US$25,000 bringing the total paid for these claims to US$250,000. These claims are subject to a 0.5% net smelter returns royalty ("NSR") that can be purchased from the owner for US$500,000.

In May 2013, the Company signed an option agreement with MAG Silver Corp. ("MAG") on the Salamandra project providing MAG with the right to earn up to a 70% interest in the project. Under the agreement, MAG had the option of incurring qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds would be used to incur expenditures on the property by Minera CRD. The terms of the option agreement provided MAG with the right to convert the debenture into common shares of CRD such that MAG would hold up to a 70% interest in CRD upon exercise of the option. The agreement also provided that should MAG withdraw from the agreement prior to earning an interest, it would forfeit its interest in the convertible debenture. Since the convertible debenture would either be converted into shares or forfeited without repayment, it has been treated as an equity instrument in these financial statements. During the term of the agreement, MAG advanced a total of $4,378,742 under the convertible debenture.

In February 2016, MAG withdrew from the agreement without earning an interest in the project. Accordingly, the balance of the convertible debenture has been reclassified to contributed surplus within shareholders' equity.

### La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in certain claims within the La Esperanza project, subject to an NSR of up to 1%, which was purchased by the Company in 2016 for US$15,000. The claims are located in Zacatecas State, Mexico. The Company acquired a 100% interest in these claims in May 2011 and from 2006 to 2010, has added further claims by direct staking to increase the size of the project area.

Expressed in Canadian Dollars

## 4. EXPLORATION AND EVALUATION - *continued*

### Other projects

The Company has staked other claims located in Durango State, Mexico, which include the Colibri, Carina, Victoria, Vizcaino, and Nora projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these projects *(Note 15)*.

### Mineral title

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

**Expenditures for the years and cumulative expenditures as at December 31 are as follows:**

| | Expenditures 2017 | Expenditures 2016 | Cumulative 2017 |
|---|---|---|---|
| Brenda, Canada | $ 42,337 | $ 11,834 | $ 2,385,524 |
| - Expenditure recoveries | (3,550) | - | (209,879) |
| Vega, Canada | 7,257 | 70,977 | 251,637 |
| - Expenditure recoveries | (15,003) | (2,256) | (35,577) |
| Other, Canada | 2,844 | 32,641 | 141,767 |
| - Expenditure recoveries | (7,958) | - | (22,073) |
| La Esperanza, Mexico | 910,517 | 255,237 | 2,656,880 |
| - Expenditure recoveries | - | - | (262,373) |
| - Option payments received | - | - | (300,000) |
| Sandra-Escobar, Mexico | 87,913 | 134,175 | 1,874,368 |
| - Expenditure recoveries | - | (34,223) | (86,609) |
| - Option payments received | - | - | (500,000) |
| Salamandra, Mexico | 118,592 | 226,458 | 6,092,701 |
| - Expenditure recoveries | - | - | (223,652) |
| - Option payments received | - | - | (553,989) |
| Other, Mexico | 92,472 | 157,860 | 3,407,676 |
| - Expenditure recoveries | - | - | (131,346) |
| - Option payments received | - | - | (133,471) |
| | $ 1,235,421 | $ 852,703 | $ 14,351,584 |

Expressed in Canadian Dollars

## 4. EXPLORATION AND EVALUATION - *continued*

**Expenditures for the years ending December 31, by activity, are as follows:**

| | 2017 | 2016 |
|---|---|---|
| Acquisition and option payments | $ 31,724 | $ 40,891 |
| Administration | 172,168 | 232,266 |
| Assays | 28,131 | 8,449 |
| Consulting | - | 52,540 |
| Drilling | 346,365 | 36,117 |
| Field costs | 41,821 | 30,469 |
| Geological | 168,997 | 120,549 |
| Geophysical | - | 31,783 |
| Land holding costs | 402,439 | 295,327 |
| Legal | 2,755 | 1,971 |
| Mapping and surveying | 34,666 | 4,781 |
| Road building | 18,537 | 4,856 |
| Transportation and rentals | 11,062 | 27,147 |
| Travel and accommodation | 3,267 | 2,036 |
| Expenditure recoveries | (26,511) | (36,479) |
| | $ 1,235,421 | $ 852,703 |

## 5. PROPERTY AND EQUIPMENT

| | Land | Automotive | Computer | Field Equipment | Furniture and Fixtures | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| December 31, 2015 | $ 31,686 | $ 63,175 | $ 22,978 | $ 31,971 | $ 34,068 | $ 183,878 |
| Additions | - | - | 2,129 | - | - | 2,129 |
| December 31, 2016 | 31,686 | 63,175 | 25,107 | 31,971 | 34,068 | 186,007 |
| Additions | - | - | 1,929 | - | - | 1,929 |
| December 31, 2017 | 31,686 | 63,175 | 27,036 | 31,971 | 34,068 | 187,936 |
| **Accumulated Depreciation** | | | | | | |
| December 31, 2015 | - | 54,990 | 21,771 | 30,349 | 26,166 | 133,276 |
| Additions | - | 2,455 | 1,022 | 487 | 1,580 | 5,544 |
| December 31, 2016 | - | 57,445 | 22,793 | 30,836 | 27,746 | 138,820 |
| Additions | - | 1,719 | 1,476 | 341 | 1,264 | 4,800 |
| December 31, 2017 | - | 59,164 | 24,269 | 31,177 | 29,010 | 143,620 |
| **Net Book Value** | | | | | | |
| December 31, 2016 | $ 31,686 | $ 5,730 | $ 2,314 | $ 1,135 | $ 6,322 | $ 47,187 |
| December 31, 2017 | $ 31,686 | $ 4,011 | $ 2,767 | $ 794 | $ 5,058 | $ 44,316 |

## 6. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

### Private placements

In February 2016, the Company completed a private placement of 2,000,000 shares at a price of $0.15 per share for gross proceeds of $300,000. The Company paid legal and filing fees of $3,108 in respect of this private placement.

In March 2016, the Company completed a private placement of 4,100,000 shares at a price of $0.22 per share for gross proceeds of $902,000. The Company paid a 6% finder's fee of $33,000 for a portion of the shares placed. The Company also paid a due diligence fee of $15,190 and filing fees of $5,260 in respect of this private placement.

In June 2016, the Company completed a private placement of 8,000,000 units at a price of $0.32 per unit for gross proceeds of $2,560,000. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.50 for a period of two years. The Company paid finders' fees on a portion of the placement, which consisted of 6% in cash and 3% in warrants, with each finder's warrant having the same terms as the placement warrants. The Company paid total finders' fees of $124,320 and issued 194,250 warrants to qualified finders. The fair value of the finders' warrants was estimated at $43,943 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 0.54%, expected dividend yield of 0.00%, estimated stock price volatility of 115%, and expected option life of two years. In addition, the Company paid $21,956 in legal and filing fees in respect of the placement. The warrants are subject to an accelerated exercise clause such that the Company has the right to accelerate the expiry date of the warrants upon 20 days written notice should the trading price of the Company's shares exceed $0.80 for a period of 20 consecutive trading days.

Expressed in Canadian Dollars

## 7. STOCK OPTIONS AND WARRANTS

The Company has an Incentive Stock Option Plan (the "Plan") that complies with the rules set forth by the TSX Venture Exchange limiting the total number of incentive stock options to 10% of the issued common shares, and providing that at no time may more than 5% of the outstanding issued common shares be reserved for incentive stock options granted to any one individual. The Plan provides for the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to purchase common shares of the Company. The stock options may be issued at the discretion of the board of directors and may be exercisable during a period not exceeding ten years. Vesting provisions are at the discretion of the board of directors, subject to the policies of the TSX Venture Exchange. Stock option and share purchase warrant transactions are summarized as follows:

| | Warrants | | | Options | | |
|---|---|---|---|---|---|---|
| | Number | | Weighted Average Exercise Price | Number | | Weighted Average Exercise Price |
| Outstanding, December 31, 2015 | 3,000,000 | $ | 0.10 | 7,050,000 | $ | 0.10 |
| Issued/granted | 4,194,250 | $ | 0.50 | 450,000 | $ | 0.21 |
| Exercised | (3,000,000) | $ | 0.10 | (137,500) | $ | 0.15 |
| Expired | - | $ | - | (200,000) | $ | 0.35 |
| Outstanding, December 31, 2016 | 4,194,250 | $ | 0.50 | 7,162,500 | $ | 0.10 |
| Issued/granted | - | $ | - | 735,000 | $ | 0.20 |
| Expired | - | $ | - | (262,500) | $ | 0.18 |
| Outstanding, December 31, 2017 | 4,194,250 | $ | 0.50 | 7,635,000 | $ | 0.10 |
| Exercisable, December 31, 2017 | 4,194,250 | $ | 0.50 | 7,635,000 | $ | 0.10 |

At December 31, 2017, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

| | Number of Shares | | Exercise Price | Expiry Date |
|---|---|---|---|---|
| Options | 375,000 | $ | 0.10 | January 4, 2019 |
| | 4,950,000 | $ | 0.06 | December 21, 2020 |
| | 400,000 | $ | 0.21 | March 1, 2021 |
| | 1,175,000 | $ | 0.20 | January 20, 2022 *(i)* |
| | 735,000 | $ | 0.20 | January 25, 2022 |
| | 7,635,000 | | | |

*(i)* On January 20, 2017, these options were amended to extend their expiry date from January 20, 2017 to January 20, 2022 with all other terms remaining unchanged.

Expressed in Canadian Dollars

## 7. STOCK OPTIONS AND WARRANTS – *continued*

| | Number of Shares | | Exercise Price | Expiry Date |
|---|---|---|---|---|
| Warrants | 762,500 | $ | 0.50 | June 21, 2018 *(i)* |
| | 3,431,750 | $ | 0.50 | June 29, 2018 *(i)* |
| | 4,194,250 | | | |

*(i)* Subsequent to December 31, 2017, the Company provided the holders of these warrants the right to exercise them on or before March 23, 2018 at a reduced price of $0.16 per share with a replacement warrant provided *(Note 16)*.

At December 31, 2017, the weighted-average remaining life for the outstanding stock options was 3.16 years and 0.49 years for the outstanding warrants.

### Share-based compensation

The following table presents information relating to incentive stock options granted to directors, officers, employees, and consultants of the Company during the years ended December 31. Share-based compensation is recorded over the vesting period.

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Total options granted and extended | | 1,910,000 | | 450,000 |
| Average exercise price | $ | 0.20 | $ | 0.21 |
| Estimated fair value of options granted and extended | $ | 256,829 | $ | 64,997 |
| Estimated fair value per option | $ | 0.13 | $ | 0.14 |

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

| | 2017 | 2016 |
|---|---|---|
| Risk-free interest rate | 1.14% | 0.66% |
| Expected dividend yield | 0.00% | 0.00% |
| Expected stock price volatility | 95% | 89% |
| Expected forfeiture rate | 0.00% | 0.00% |
| Expected option life in years | 5.00 | 5.00 |

The Company has recorded share-based compensation relating to options granted and extended during the year as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Number of options vested in year | | 1,910,000 | | 450,000 |
| Compensation recognized in year | $ | 256,829 | $ | 64,997 |

During fiscal 2016, 137,500 stock options were exercised for proceeds of $20,250. The proceeds and the related fair value of $13,635 recognized upon grant have been recorded as share capital. No stock options were exercised in the current year.

Expressed in Canadian Dollars

## 8. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of the following:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Cash** | | | | |
| Cash on deposit | $ | 202,029 | $ | 177,647 |
| Guaranteed investment certificate | | - | | 2,087,729 |
| | $ | 202,029 | $ | 2,265,376 |
| **Marketable securities** | $ | 1,060,500 | $ | 1,659,000 |
| **Receivables** | | | | |
| Value-added taxes | $ | 49,527 | $ | 19,453 |
| Goods and services tax and other | | 25,730 | | 27,777 |
| | $ | 75,257 | $ | 47,230 |
| **Reclamation bonds** | $ | 40,000 | $ | 28,000 |
| **Accounts payable and accrued liabilities** | | | | |
| Accounts payable | $ | 30,668 | $ | 54,266 |
| Accrued audit, legal, exploration and other | | 78,915 | | 83,331 |
| | $ | 109,583 | $ | 137,597 |

Cash is classified as fair value through profit or loss and carried at fair value measured using a Level 1 fair value measurement. Marketable securities are classified as available-for-sale financial assets and carried at fair value measured using a Level 1 fair value measurement. The Company's receivables and reclamation bonds are classified as loans and receivables and carried at amortized cost; the Company's accounts payable are classified as other financial liabilities. The carrying values approximate their fair values due to the short-term nature of these instruments. The Company has no derivatives, forward contracts, or hedges.

## 8. FINANCIAL INSTRUMENTS – *continued*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. All of the Company's Canadian cash and reclamation bonds are held in interest bearing accounts and short-term guaranteed investment certificates at major Canadian banks and such balances earn interest at market rates. The Company also maintains cash in the Mexican peso and U.S. dollar, which is held through major banks in Mexico and used to fund foreign projects. Management considers the credit risk associated with its cash balances to be low. The Company is exposed to credit risk in respect of value-added tax ("IVA") refunds receivable from the government of Mexico. The Company currently receives its IVA refunds without significant delays.

The Company is exposed to market risk, which is the risk that the fair values of financial instruments will fluctuate with changes in market prices. A significant market risk to which the Company is exposed is currency risk. The cash balances, receivables, and payables that are denominated in pesos and U.S. dollars are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso/U.S. dollar. At December 31, 2017, the Company held the equivalent of $70,437 in cash, $49,527 in receivables, and $22,903 in accounts payable, all of which are denominated in pesos. In addition, the Company held the equivalent of $123,661 in cash denominated in U.S. dollars. Due to the amount and nature of these balances and the volatility of the exchange rates between the Canadian dollar, U.S. dollar, and Mexican peso, such currency risk could result in future gains or losses to the Company. During the year ended December 31, 2017, the Mexican peso weakened against the Canadian dollar by approximately 2.0%; the U.S. dollar weakened against the Canadian dollar by approximately 6.6%. Based on the Company's peso and U.S. dollar denominated monetary assets and liabilities as at December 31, 2017, a 10% fluctuation in the exchange rates with the Canadian dollar would result in a gain or loss of approximately $9,706 and $12,366, respectively. To manage currency risk, the Company maintains only the minimum amount of foreign cash that is necessary to fund its ongoing exploration activities. Accounts payable denominated in foreign currencies are settled in a timely manner.

The Company's marketable securities are subject to market downturns and declines in share prices and therefore the Company is exposed to significant market risk in respect of these financial instruments.

Due to the value and nature of the Company's financial instruments, it is management's opinion that the Company is not exposed to significant interest rate risk in respect of these financial instruments.

The carrying value of the financial assets recorded in these financial statements, totalling $1,377,786, represents the Company's maximum exposure to credit and market risk as at December 31, 2017.

The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

Expressed in Canadian Dollars

## 9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Key management includes officers and non-executive directors. The compensation paid or payable to key management for the years ended December 31 is as follows:

| | 2017 | 2016 |
|---|---|---|
| Salaries | $ 225,000 | $ 225,000 |
| Management fees | 150,000 | 150,000 |
| Director fees | 48,000 | - |
| Legal fees | 63,951 | 18,285 |
| | $ 486,951 | $ 393,285 |

In addition, the Company recorded share-based compensation of $197,415 (2016 - $nil), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 7.

Accounts payable and accrued liabilities include $28,282 (2016 – $nil) in legal fees due to a law firm in which an officer of the Company is a partner;

During the year ended December 31, 2016, the Company repaid loans of $519,000 received in 2015 and prior years from a director, an officer, and a company with a director in common. The loan advances were unsecured, non-interest bearing, and had no fixed terms of repayment.

## 10. COMMITMENTS

The Company has a lease agreement for office premises that expires on September 30, 2018. As at December 31, 2017, monthly payments were $3,442 and include basic rent and common operating costs. Minimum future annual lease payments (based on current common operating costs) payable during fiscal 2018 total $30,979.

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate monthly compensation totalling $31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company.

## 11. CONTINGENCY

In September 2017, Pan American filed a legal action against the Company in the Supreme Court of British Columbia claiming certain rights under the 2008 option agreement on the Sandra-Escobar project. Pan American has not served the Company in respect of this action and the Company believes that the action is without merit. In December 2017, the Company, Pan American, and Orex entered into a non-binding letter of intent to enter into an option agreement whereby the three companies will advance the Sandra-Escobar project jointly *(Note 4)*. A condition precedent to signing the definitive option agreement is Pan American withdrawing its legal action.

Expressed in Canadian Dollars

## 12. INCOME TAXES

The Company has various non-capital tax losses and deferred exploration expenditures that are available for carry forward to reduce taxable income of future years. Details of income tax expense for the years ended December 31 are as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Loss before income taxes for accounting purposes | $ | (2,254,398) | $ | (1,440,900) |
| Expected tax recovery for the year | | (586,000) | | (375,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | | (66,195) | | 155,736 |
| Permanent differences | | 74,000 | | (5,000) |
| Share issuance costs | | - | | (53,000) |
| Change in unrecognized deductible temporary differences and other | | 656,000 | | 98,000 |
| Tax expense (recovery) for the year | $ | 77,805 | $ | (179,264) |

Deferred taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities as at December 31 are as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Deferred Tax Assets (Liabilities) | | | | |
| Non-capital loss carry-forwards | $ | 2,516,000 | $ | 2,299,000 |
| Exploration expenditures | | 5,049,000 | | 4,673,000 |
| Equipment | | 41,000 | | 40,000 |
| Share issuance costs | | 32,000 | | 45,000 |
| Marketable securities | | (101,000) | | (181,000) |
| Allowable capital loss | | (19,000) | | (14,000) |
| Unrecognized Deferred Tax Assets | $ | 7,518,000 | $ | 6,862,000 |

The Company's deferred tax assets (liabilities) expire as follows:

| | | 2017 | Expiry Date Range | | 2016 |
|---|---|---|---|---|---|
| Share issuance costs | $ | 124,000 | 2036 to 2040 | $ | 174,000 |
| Non-capital losses | $ | 9,218,000 | 2026 to 2037 | $ | 8,384,000 |
| Equipment | $ | 149,000 | Not applicable | $ | 147,000 |
| Exploration expenditures | $ | 17,214,000 | Not applicable | $ | 15,952,000 |
| Investment tax credits | $ | 55,000 | 2027 to 2033 | $ | 55,000 |
| Marketable securities | $ | (780,000) | Not applicable | $ | (1,393,000) |
| Allowable capital loss | $ | (72,000) | Not applicable | $ | (54,000) |

Expressed in Canadian Dollars

## 13. CAPITAL DISCLOSURES

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no short- or long-term debt and typically finances its operations through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account or guaranteed investment certificate until such time as it is required to pay operating expenses or exploration and evaluation costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the current year.

## 14. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company operates in the following geographical locations:

| 2017 | Canada | Mexico | Total |
|---|---|---|---|
| Property and equipment | $ 6,275 | $ 38,041 | $ 44,316 |

| 2016 | Canada | Mexico | Total |
|---|---|---|---|
| Property and equipment | $ 6,573 | $ 40,614 | $ 47,187 |

## 15. PROPOSED SPIN-OFF TRANSACTION

In July 2017, the Company announced its intention to undertake a spin-off transaction to segregate its British Columbia properties into a separate company, Canmine, a wholly-owned subsidiary of the Company. Upon completion, shareholders of the Company will receive shares of Canmine in proportion to their shareholdings of the Company, which will continue to hold its Mexican properties. The transaction will be carried out as a Plan of Arrangement under the Business Corporations Act (British Columbia). The shareholders of the Company approved the transaction at a special meeting held on December 12, 2017 and the Company received final court approval on December 20, 2017. Completion of the transaction is subject to the conditional listing of the shares of Canmine on the TSX Venture Exchange.

## 16. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company:

- sold 700,000 Barsele shares *(Note 3)* for gross cash proceeds of $490,000 and a gain on sale of $383,936;
- granted the holders of 4,194,250 share purchase warrants, with an exercise price of $0.50 per share *(Note 7)*, the right to exercise their warrants at a reduced price of $0.16 on or before March 23, 2018. Holders exercising their warrants on or before March 23, 2018 will receive a replacement warrant with an exercise price of $0.25 per share expiring on February 28, 2020 and subject to an acceleration clause should the closing price of the Company's shares exceed $0.33 per share for period of ten consecutive trading days. In March 2018, 2,309,250 warrants were exercised for cash proceeds of $369,480; the terms of the 1,885,000 unexercised warrants remain unchanged.