ROCHESTER RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
FEBRUARY 29, 2016

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Notes	February 29, 2016 $	May 31, 2015 $
ASSETS			
Current assets			
Cash		11,590	20,536
Amounts receivable	4	856,616	916,412
GST/IVA tax receivables		453,578	545,250
Prepaid expenses		115,485	196,364
Inventories	5	547,261	969,500
Total current assets		1,984,530	2,648,062
Non-current assets			
Exploration and evaluation assets	6	2,447,192	2,327,722
Property, plant and equipment	7	11,798,830	13,233,947
Total non-current assets		14,246,022	15,561,669
TOTAL ASSETS		16,230,552	18,209,731
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		7,075,196	6,497,686
Interest payable	8, 9, 10	2,687,762	1,984,283
Advances	8	4,026,524	3,219,060
Indebtedness	10	3,631,000	3,646,000
Debentures	9	950,000	950,000
Total current liabilities		18,370,482	16,297,029
Non-current liability			
Provision for site restoration	13	880,927	1,091,286
Total non-current liability		880,927	1,091,286
TOTAL LIABILITIES		19,251,409	17,388,315
SHAREHOLDERS' EQUITY			
Share capital	11	45,254,563	44,984,472
Share-based payments reserve		7,228,173	7,228,173
Contributed surplus	9	243,299	243,299
Deficit		(55,746,892)	(51,634,528)
TOTAL SHAREHOLDERS' (DEFICIENCY) EQUITY		(3,020,857)	821,416
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,230,552	18,209,731

Nature of Operations and Going Concern - See Note 1

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on April 28, 2016 and are signed on its behalf by:

/s/ ***Eduardo Luna***	/s/ ***Nick DeMare***
Eduardo Luna	Nick DeMare
Director	Director

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended		Nine Months Ended	
		February 29, 2016 $	February 28, 2015 $	February 29, 2016 $	February 28, 2015 $
Revenue		1,554,972	2,886,265	5,812,396	8,228,645
Cost of Operations					
Cost of sales		(2,034,139)	(3,358,665)	(7,374,500)	(9,585,142)
Depletion and amortization	7	(337,163)	(592,258)	(1,088,911)	(1,601,235)
Provision for site restoration	13	(15,236)	(13,960)	(46,576)	(42,008)
Operating (loss) income		(831,566)	(1,078,618)	(2,697,591)	(2,999,740)
Expenses (Income)					
General and administration		157,692	180,633	612,127	593,475
Interest and other income		(3,567)	(59)	(3,711)	(175)
Financing expenses	14	225,954	210,685	686,248	615,492
Gain on sale of equipment		(27,967)	-	(27,967)	-
Foreign exchange		(130,718)	237,584	148,076	17,168
		221,394	628,843	1,414,773	1,225,960
Comprehensive loss for the period		(1,052,960)	(1,707,461)	(4,112,364)	(4,225,700)
Basic and diluted loss per common share		$(0.05)	$(0.13)	$(0.25)	$(0.31)
Basic and diluted weighted average number of common shares outstanding		20,460,882	13,645,882	16,395,326	13,645,882

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Note	Nine Months Ended February 29, 2016					
		Share Capital					
		Number of Shares	Amount $	Share-Based Payments Reserve $	Contributed Surplus $	Deficit $	Total Equity $
Balance at May 31, 2015		13,645,882	44,984,472	7,228,173	243,299	(51,634,528)	821,416
Common shares issued for cash:							
- private placements	11(b)	4,000,000	131,500	-	-	-	131,500
- exercise of warrants	11(b)	2,815,000	140,750	-	-	-	140,750
Share issue costs		-	(2,159)	-	-	-	(2,159)
Comprehensive loss for the period		-	-	-	-	(4,112,364)	(4,112,364)
Balance at February 29, 2016		20,460,882	45,254,563	7,228,173	243,299	(55,746,892)	(3,020,857)

	Nine Months Ended February 28, 2015					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Convertible Debentures $	Deficit $	Total Equity $
Balance at May 31, 2014	13,645,882	44,984,472	7,228,173	243,299	(41,939,240)	10,516,704
Comprehensive loss for the period	-	-	-	-	(4,225,700)	(4,225,700)
Balance at February 28, 2015	13,645,882	44,984,472	7,228,173	243,299	(46,164,940)	6,291,004

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended	
	February 29, 2016 $	February 28, 2015 $
Operating activities		
Net loss for the period	(4,112,364)	(4,225,700)
Adjustments for:		
Depletion and amortization	1,088,911	1,601,235
Provision for site restoration	46,576	42,008
Financing expenses	686,248	615,492
Gain on sale of equipment	(27,967)	-
Foreign exchange	311,957	199,455
Changes in non-cash working capital items:		
Amounts receivable	59,796	1,134,597
GST/IVA tax receivables	91,672	(146,426)
Prepaid expenses and deposits	80,879	62,306
Inventories	422,239	143,870
Accounts payable and accrued liabilities	613,360	323,797
Accrued interest payable	(27,017)	-
Net cash used in operating activities	(765,710)	(249,366)
Investing activities		
Additions to property, plant and equipment	(18,041)	(400,462)
Expenditures on exploration and evaluation assets	(119,470)	(200,676)
Proceeds on sale of equipment	43,594	-
Net cash used in investing activities	(93,917)	(601,138)
Financing activities		
Issuance of common shares	272,250	-
Share issue costs	(2,159)	-
Advances and debenture proceeds	753,387	1,437,830
Repayment of advances	(157,797)	(1,000)
Repayment of long-term debt	(15,000)	(190,000)
Net cash provided by financing activities	850,681	1,246,830
Net change in cash	(8,946)	396,326
Cash at beginning of period	20,536	19,639
Cash at end of period	11,590	415,965

Supplemental cash flow information - See Note 16

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

1. Nature of Operations and Going Concern

Rochester Resources Ltd. (the "Company") was incorporated on September 7, 1989 under the provisions of the Company Act (British Columbia). The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "RCT". The Company's head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company is engaged in the exploration and development of its mineral property interests in Mexico. The mineral exploration and development business involves, by its nature, a high degree of risk and there can be no assurance that the current operations or exploration projects will result in sustainable profitable mining operations. All of the Company's exploration and evaluation assets and property, plant and equipment are located in Mexico, and hence are subject to the risks normally associated with foreign investment including unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

During the nine months ended February 29, 2016 the Company recorded a loss of $4,112,364 and, as at February 29, 2016, the Company had an accumulated deficit of $55,746,892 and a working capital deficit of $16,385,952. The Mina Real operations continue to be affected by low precious metals prices and operational challenges. In the immediate term, the Company's ability to continue as a going concern is dependent upon its ability to improve its operations to generate positive operating cash flow from the Mina Real Property and to raise additional capital to fund its ongoing business operations and exploration projects and repay indebtedness as they come due. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended May 31, 2015.

(Unaudited - Expressed in Canadian Dollars)

2. **Basis of Preparation** (continued)

Basis of Presentation

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. Subsidiaries

The subsidiaries of the Company are as follows:

Company	Location of Incorporation	Ownership Interest
ALB Holdings Ltd. ("ALB")	Canada	100%
Mina Real Mexico S.A. de C.V. ("Mina Real")	Mexico	100%
Compania Minera Santa Fe S.A. de C.V. ("Compania Minera")	Mexico	70%

4. Amounts Receivable

	February 29, 2016 $	May 31, 2015 $
Production receivable	696,486	891,591
Employee advances	40,194	23,733
Other	119,936	1,088
	856,616	916,412

5. Inventories

	February 29, 2016 $	May 31, 2015 $
Ore in process	121,525	584,978
Mine stores, supplies and other	425,736	384,522
	547,261	969,500

6. Exploration and Evaluation Assets

	February 29, 2016			May 31 2015		
	Acquisition and Other Costs $	Deferred Exploration Costs $	Total $	Acquisition and Other Costs $	Deferred Exploration Costs $	Total $
Santa Fe Property	1,754,304	692,888	2,447,192	1,609,085	718,637	2,327,722

(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

	$
Balance at May 31, 2014	2,027,927
Exploration costs:	
Community support	63,066
Consulting	9,192
Exploration site	4,842
	77,100
Acquisition costs:	
Mineral claims	84,598
Option payments	138,097
	222,695
Balance at May 31, 2015	2,327,722
Exploration costs:	
Community support	3,947
Exploration site	67
Recovery	(29,763)
	(25,749)
Acquisition costs:	
Mineral claims	64,287
Option payments	119,709
Recovery	(38,777)
	145,219
Balance at February 29, 2016	2,447,192

Through Mina Real the Company has an agreement to acquire a 70% interest in one concession (the "Santa Fe Property") located near the Mina Real Property. Under the terms of the agreement the Company agreed to implement a program of exploration to determine if the Santa Fe Property can be economically exploited. In addition, if the exploration work is successful, the Company agreed to provide the necessary capital to construct a processing plant capable of processing a minimum of 200 tonnes per day. The Company has conducted limited exploration on the property.

Negotiations with the 30% concession owners to acquire their interest have taken place but no agreement has been concluded. Meanwhile the Company is required to pay an ongoing monthly fee of US $10,000 to the 30% concession owners of the Santa Fe Property. All amounts owing have been paid as at February 29, 2016.

The Company has also staked an additional two concessions adjacent to the Santa Fe Property.

(Unaudited - Expressed in Canadian Dollars)

7. Property, Plant and Equipment

Cost:	**Mineral Property** $	**Land** $	**Buildings** $	**Mill and Mine Equipment** $	**Capital Works in Progress** $	**Total** $
Balance, May 31, 2014	32,533,289	2,692,313	3,499,607	4,429,487	2,236,699	45,391,395
Additions	763,219	-	33,475	39,308	152,121	988,123
Transfer	223,601	-	146,232	1,810,218	(2,180,051)	-
Changes due to revision	62,054	-	-	-	-	62,054
Balance, May 31, 2015	33,582,163	2,692,313	3,679,314	6,279,013	208,769	46,441,572
Additions	16,581	-	-	1,460	-	18,041
Disposal	-	-	-	(46,906)	-	(46,906)
Changes due to revision	(348,620)	-	-	-	-	(348,620)
Balance, February 29, 2016	33,250,124	2,692,313	3,679,314	6,233,567	208,769	46,064,087
Accumulated Depletion and Amortization:						
Balance, May 31, 2014	(24,369,416)	-	(699,304)	(1,933,743)	-	(27,002,463)
Depletion and amortization	(1,614,948)	-	(214,741)	(375,473)	-	(2,205,162)
Impairment	(2,953,000)	(1,047,000)	-	-	-	(4,000,000)
Balance, May 31, 2015	(28,937,364)	(1,047,000)	(914,045)	(2,309,216)	-	(33,207,625)
Depletion and amortization	(493,051)	-	(161,164)	(434,696)	-	(1,088,911)
Disposal	-	-	-	31,279	-	31,279
Balance, February 29, 2016	(29,430,415)	(1,047,000)	(1,075,209)	(2,712,633)	-	(34,265,257)
Carrying Value:						
Balance, May 31, 2015	4,644,799	1,645,313	2,765,269	3,969,797	208,769	13,233,947
Balance, February 29, 2016	3,819,709	1,645,313	2,604,105	3,520,934	208,769	11,798,830

(a) *Mina Real Property*

The Mina Real Property comprises six concessions located near Tepic, Mexico.

(b) *San Francisco Property*

The San Francisco Property comprises twelve concessions located approximately 60 kilometres west of the Company’s mill on the Mina Real Property.

(Unaudited - Expressed in Canadian Dollars)

8. Advances

	9% Advances $	12% Advances $	Total $
Principal			
Balance, May 31, 2014	1,172,357	271,006	1,443,363
Advances received	65,000	1,572,270	1,637,270
Repayment of principal	(14,695)	(1,000)	(15,695)
Foreign exchange adjustment	69,952	84,170	154,122
Balance, May 31, 2015	1,292,614	1,926,446	3,219,060
Advances received	-	753,387	753,387
Repayment of principal	(38,919)	(103,878)	(142,797)
Foreign exchange adjustment	44,567	152,307	196,874
Balance, February 29, 2016	1,298,262	2,728,262	4,026,524
Interest			
Balance, May 31, 2014	154,113	244,218	398,331
Interest	111,716	100,782	212,498
Repayment of interest	(11,736)	-	(11,736)
Foreign exchange adjustment	9,171	39,496	48,667
Balance, May 31, 2015	263,264	384,496	647,760
Interest	88,135	223,810	311,945
Repayment of interest	(1,179)	(838)	(2,017)
Foreign exchange adjustment	8,248	36,001	44,249
Balance, February 29, 2016	358,468	643,469	1,001,937

(a) The 9% Advances bear interest at a rate of 9% per annum and have no fixed terms of repayment. As at February 29, 2016 $1,285,943 (May 31, 2015 - $1,258,697) of the 9% Advances are due to the President of the Company and private corporations controlled or affiliated with the Chairman of the Company.

(b) The 12% Advances bear interest at a rate of 12% per annum and have no fixed terms of repayment. As at February 29, 2016 $2,688,526 (May 31, 2015 - $1,889,820) of the 12% Advances are due to the President of the Company, directors of the Company and private corporations controlled or affiliated with the Chairman of the Company.

9. Debentures

	Liability Component $	Equity Component $	Total $
Balance, May 31, 2014	842,421	243,299	1,085,720
Accretion on debt	107,579	-	107,579
Balance, May 31, 2015 and February 29, 2016	950,000	243,299	1,193,299

On May 31, 2013 the Company completed a $950,000 secured convertible debenture financing (the “Debentures”). The Debentures had a maturity date of December 31, 2014. In connection with the debenture financing, the Company also issued common share purchase warrants to the lenders which entitled them to purchase up to 475,000 common shares of the Company at an exercise price of $1.00 per common share until December 31, 2014. The value assigned to the warrants was $9,500. The Debentures were subject to a monthly interest charge equivalent to $12.67 multiplied by the greater of: (a) the monthly production of mineralized material from the Company’s San Francisco Property, and (b) the average monthly production of mineralized material from the San Francisco Property, provided, however, that the monthly interest has a minimum monthly payment of $5,067 per month and a maximum payment of $15,833 per month.

(Unaudited - Expressed in Canadian Dollars)

9. Debentures (continued)

On December 31, 2014 the Debentures matured and the Company was unable to retire amounts owing. The Debentures continue to accrue interest under the original terms. The holders of the Debentures have not demanded repayment of principal or accrued interest. As at February 29, 2016, $677,000 of the Debentures are held by directors of the Company.

During the nine months ended February 29, 2016 the Company recognized $128,949 (2015 - $138,465) of interest expense of which the Company paid $25,000 (2015 - $nil). As at February 29, 2016, $594,041 (May 31, 2015 - $490,092) of interest remained unpaid and is included in interest payable.

10. Indebtedness

	February 29, 2016 $	May 31, 2015 $
Amount due to United Coal Holdings Limited ("United Coal")	1,815,500	1,823,000
Amount due to E-Energy Ventures Inc. ("E-Energy")	1,815,500	1,823,000
	3,631,000	3,646,000

On January 31, 2013 the Company exercised its options to re-acquire a 20% equity interest in Mina Real for a total of $5,500,000, to be paid over a 30 month period. The amounts due to E-Energy and United Coal are secured by the assets of the Company and interest is calculated at 9% per annum on the declining balance at the end of the month. During the nine months ended February 29, 2016 the Company repaid $15,000 (2015 - $190,000) of principal and recognized $245,353 (2015 - $239,938) of interest expense. As at February 29, 2016 $1,091,784 (May 31, 2015 - $846,431) of interest remained unpaid and is included in interest payable. Neither E-Energy nor United Coal have demanded payment of the amounts in arrears.

The Company, E-Energy and United Coal are related by way of a common director.

11. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

On September 29, 2015 the Company completed a non-brokered private placement financing of 1,700,000 units at a price of $0.03 per unit for $51,000. Each unit comprised one common share of the Company and one share purchase warrant exercisable to acquire one additional common share of the Company at a price of $0.05 per share on or before September 29, 2018. On October 1, 2015, 515,000 warrants were subsequently exercised and the Company issued a further 515,000 common shares for $25,750 The Company paid $1,005 for filing fees incurred on this private placement classified as share issue costs.

The President and a private corporation controlled or affiliated with the Chairman of the Company purchased 795,000 units and 515,000 units, respectively, of the private placement.

(Unaudited - Expressed in Canadian Dollars)

11. Share Capital (continued)

On July 17, 2015 the Company completed a non-brokered private placement financing of 2,300,000 units at a price of $0.035 per unit for $80,500. Each unit comprised one common share of the Company and one share purchase warrant exercisable to acquire one additional common share of the Company at a price of $0.05 per share on or before July 17, 2018. The warrants were subsequently exercised and the Company issued a further 2,300,000 common shares for $115,000. The Company paid $1,154 for filing fees incurred on this private placement classified as share issue costs.

The President and the Chairman of the Company purchased 1,150,000 units and 650,000 units, respectively, of the private placement.

During fiscal 2015 the Company did not complete any equity financings.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at February 29, 2016 and February 28, 2015 and the changes for the nine months ended on those dates is as follows:

	2016		2015	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of period	-	-	475,000	1.00
Issued	4,000,000	0.05	-	-
Exercised	(2,815,000)	0.05	-	-
Expired	-	-	(475,000)	1.00
Balance, end of period	1,185,000	0.05	-	-

As at February 29, 2016, 1,185,000 warrants remained outstanding and exercisable at an exercise price of $0.05 expiring September 29, 2018.

(d) *Share Option Plan*

The Company has established a fixed share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 1,364,597. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors.

No share options were granted or vested during the nine months ended February 29, 2016 or February 28, 2015.

A summary of the Company's share options at February 29, 2016 and February 28, 2015 and the changes for the nine months ended on those dates, is as follows:

	2016		2015	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of period	397,500	1.00	1,355,500	1.40
Expired	(397,500)	1.00	(745,000)	1.00
Balance, end of period	-	-	610,500	1.00

(Unaudited - Expressed in Canadian Dollars)

12. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During the nine months ended February 29, 2016 and February 28, 2015 the following amounts were incurred with respect to the Chairman, President and Chief Financial Officer of the Company:

	2016 $	2015 $
Management fees	99,000	99,000
Professional fees	45,317	43,012
	144,317	142,012

As at February 29, 2016, $563,134 (2015 - $445,679) remained unpaid and is included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During the nine months ended February 29, 2016 and February 28, 2015 the following amounts were incurred with respect to the non-executive directors and an officer of the Company:

	2015 $	2014 $
Professional fees	45,000	45,000

As at February 29, 2016, $204,000 (2015 - $145,000) remained unpaid and is included in accounts payable and accrued liabilities.

(ii) During the nine months ended February 29, 2016 the Company incurred a total of $48,000 (2015 - $42,750) to Chase Management Ltd. ("Chase"), a private corporation owned by the Chairman of the Company, for accounting and administration services provided by Chase personnel, excluding the Chairman. As at February 29, 2016, $10,178 (2015 - $10,700) remained unpaid and is included in accounts payable and accrued liabilities.

(c) See also Notes 8, 9, 10 and 11(b).

13. Provision for Site Restoration

	Nine Months Ended February 29, 2016 $	Year Ended May 31, 2015 $
Balance, beginning of period	1,091,286	973,529
Accretion	46,576	55,703
Revision of estimates	(196,475)	104,470
Foreign exchange	(60,460)	(42,416)
Balance, end of period	880,927	1,091,286

(Unaudited - Expressed in Canadian Dollars)

13. **Provision for Site Restoration** (continued)

The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligation is US $1,100,000 which, as at February 29, 2016, has been discounted using a credit adjusted pre-tax risk free rate of 6.07% (May 31, 2015 - 5.83%) and an inflation rate of 2.87% (May 31, 2015 - 2.88%). The present value of the reclamation liability may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur. The settlement of the obligation is anticipated to occur through to fiscal 2023.

14. Financing Expense

Financing expense for the nine months ended February 29, 2016 and February 28, 2015 are as follows:

	Note	2016 $	2015 $
Interest expense			
Advances	8	311,946	129,510
Debentures	9	128,949	138,465
Indebtedness	10	245,353	239,938
		686,248	507,913
Accretion on debentures	9	-	107,579
		686,248	615,492

15. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following five categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; available-for-sale; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	February 29, 2016 $	May 31, 2015 $
Cash	FVTPL	11,590	20,536
Amounts receivable	Loans and receivables	856,616	916,412
Accounts payable and accrued liabilities	Other financial liabilities	(7,075,196)	(6,497,686)
Interest payable	Other financial liabilities	(2,687,762)	(1,984,283)
Advances	Other financial liabilities	(4,026,524)	(3,219,060)
Indebtedness	Other financial liabilities	(3,631,000)	(3,646,000)
Debentures	Other financial liabilities	(950,000)	(950,000)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

(Unaudited - Expressed in Canadian Dollars)

15. Financial Instruments and Risk Management (continued)

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, accounts payable and accrued liabilities, interest payable and advances approximate their fair value due to their short-term nature. The recorded amounts for advances, indebtedness and debentures approximate fair value and they have interest at market rates for similar debt. The Company's fair value of cash under the fair value hierarchy are measured using Level 1 inputs.

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at February 29, 2016				
	Carrying Amount $	Contractual Cash Flows $	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $
Cash	11,590	11,590	11,590	-	-
Amounts receivable	856,616	856,616	856,616	-	-
Accounts payable and accrued liabilities	(7,075,196)	(7,075,196)	(7,075,196)	-	-
Interest payable	(2,687,762)	(2,687,762)	(2,687,762)	-	-
Advances	(4,026,524)	(4,026,524)	(4,026,524)	-	-
Indebtedness	(3,631,000)	(3,631,000)	(3,631,000)	-	-
Debentures	(950,000)	(950,000)	(950,000)	-	-

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears a floating rate of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Commodity Price Risk

The Company is subject to risk from fluctuations in the market prices of silver and gold. Silver and gold prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control. The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties. If metal prices decline for a prolonged period below the cost of production of the Company's Mina Real mine, it may not be economically feasible to continue production.

15. Financial Instruments and Risk Management (continued)

During the nine months ended February 29, 2016 and February 28, 2015 the Company did not hedge silver and gold prices.

(c) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and the Company's operating expenses are incurred in Canadian Dollars and Mexican Pesos. The Company also has advances denominated in US Dollars. Management believes the foreign exchange risk related to currency conversions are minimal and therefore does not hedge its foreign exchange risk. At February 29, 2016, 1 Canadian Dollar was equal to 13.39 Mexican Pesos and 0.74 US Dollar.

Balances are as follows:

	Mexican Pesos	United States Dollars	CDN $ Equivalent
Cash	69,662	533	5,923
Amounts receivable	2,023,886	520,838	854,984
IVA tax receivable	5,716,231	-	426,903
Inventories	6,973,478	-	547,261
Accounts payable and accrued liabilities	(72,045,791)	(631,299)	(6,233,673)
Interest payable	-	(378,543)	(511,544)
Advances	-	(2,397,563)	(3,239,950)
	(57,262,534)	(2,886,034)	(8,150,096)

Based on the net exposures as of February 29, 2016 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Mexican Peso and the US Dollar would result in the Company's comprehensive loss being approximately $850,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

16. Supplemental Cash Flow

During the nine months ended February 29, 2016 and February 28, 2015 non-cash activities were conducted by the Company as follows:

	2016 $	2015 $
Operating activities		
Provision for site restoration	(312,770)	(104,851)
Accounts payable and accrued liabilities	35,850	406,469
	(276,920)	301,618
Investing activity		
Property, plant and equipment	276,920	(301,618)

(Unaudited - Expressed in Canadian Dollars)

17. Segmented Information

The Company operates in one reportable segment, the acquisition, exploration and development of exploration and evaluation assets. The Company's mineral operations are located in Mexico and its corporate assets, comprising mainly of cash, are located in Canada.

	February 29, 2016		
	Non-current Assets $	Revenues $	Net Loss $
Mineral operations (Mexico)	14,246,022	5,812,396	(3,188,508)
Corporate (Canada)	-	-	(1,037,192)
	14,246,022	5,812,396	(4,225,700)

	May 31, 2015		
	Non-current Assets $	Revenues $	Net Loss $
Mineral operations (Mexico)	15,561,669	10,711,934	(8,434,132)
Corporate (Canada)	-	-	(1,261,156)
	15,561,669	10,711,934	(9,695,288)