PRISM RESOURCES INC.

Consolidated Financial Statements

December 31, 2016
and
December 31, 2015

(Expressed in Canadian Dollars)

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Prism Resources Inc.,

We have audited the accompanying consolidated financial statements of Prism Resources Inc. which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has limited financial resources, and no assurances that sufficient funding, including adequate financing, will be available. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
May 1, 2017

PRISM RESOURCES INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31,	
	2016	2015
	$	$
Assets		
Current Assets		
Cash and cash equivalents	**630,582**	221,289
Amounts receivable	**29,582**	1,139
Prepaid expenses	**32,661**	16,083
	692,825	238,511
Investment (note 3)	**600**	400
Exploration and evaluation assets (note 4)	**1,099,979**	241,999
Property, plant and equipment (note 5)	**2,676**	-
	1,796,080	480,910
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**55,548**	36,752
Equity		
Share capital (note 6)	**16,054,697**	13,550,395
Reserves	**603,610**	406,680
Accumulated other comprehensive loss	**(7,400)**	(7,600)
Deficit	**(14,910,375)**	(13,505,317)
	1,740,532	444,158
	1,796,080	480,910

See accompanying notes to the consolidated financial statements

Nature and continuance of operations (note 1)

Approved by the Board of Directors and authorized for issue on May 1, 2017.

"Robert Baxter"
Robert Baxter, Director

"Scott M. Ross"
Scott Ross, CFO

PRISM RESOURCES INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2016	2015
	$	$
Operating costs and expenses		
Bank charges and interest	**1,688**	253
Depreciation	**1,015**	-
Exploration and evaluation expenditures (note 4)	**436,943**	94,713
Foreign exchange	**14,319**	-
Legal and accounting	**88,185**	25,764
Marketing	**3,013**	3,215
Management fees	**215,161**	-
Office and miscellaneous	**5,576**	320
Shareholder relations	**10,134**	5,498
Share-based payments	**196,930**	-
Travel and accommodation	**39,326**	634
Trust and filing fees	**33,761**	12,639
Loss before other items	**(1,046,051)**	(143,036)
Write-off of exploration and evaluation assets (note 4)	**(360,420)**	-
Interest income	**1,413**	4,313
Net loss for the year	**(1,405,058)**	(138,723)
Other comprehensive income (loss)		
Fair value adjustment, net of tax, on available-for-sale financial instruments:		
Investment	**200**	(200)
Other comprehensive income (loss) for the year	**200**	(200)
Comprehensive loss for the year	**(1,404,858)**	(138,923)
Weighted average number of common shares outstanding	**34,749,479**	23,025,593
Basic and diluted loss per share	**$ (0.04)**	$ (0.01)

See accompanying notes to the consolidated financial statements

PRISM RESOURCES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the years ended December 31,	
	2016	2015
	$	$
Cash provided by (used for):		
Operating activities		
Net loss for the year	**(1,405,058)**	(138,723)
Items not involving cash:		
Write-off of exploration and evaluation assets	**360,420**	-
Depreciation	**1,015**	-
Share-based payments	**196,930**	-
Changes in non-cash operating capital:		
Amounts receivable	**(28,443)**	(155)
Prepaid expenses	**(16,578)**	(14,483)
Accounts payable and accrued liabilities	**5,365**	(7,280)
Cash used in operating activities	**(886,349)**	(160,641)
Investing activities		
Exploration and evaluation assets	**(221,969)**	(102,824)
Purchase of property, plant and equipment	**(3,691)**	-
Cash used in investing activities	**(225,660)**	(102,824)
Financing activities		
Proceeds from issuance of common shares	**1,585,382**	-
Share issue costs	**(64,080)**	-
Cash from financing activities	**1,521,302**	-
Increase (decrease) in cash and cash equivalents	**409,293**	(263,465)
Cash and cash equivalents, beginning of the year	**221,289**	484,754
Cash and cash equivalents, end of the year	**630,582**	221,289
Supplemental cash flow information:		
Interest received	1,413	4,313
Exploration and evaluation expenditures included in accounts payable	13,431	-
5,750,000 common shares issued to acquire the Huampar Project	575,000	-
4,080,000 common shares issued to acquire the Huampar Project	408,000	-
640,800 common shares issued as finders fees	64,080	-
Cash and cash equivalents consist of:		
Cash	**630,582**	113
Short-term investment	**-**	221,176
	630,582	221,289

See accompanying notes to consolidated financial statements

PRISM RESOURCES INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of shares (note 6)	Share capital (note 6)	Reserves (note 6)	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
		$	$	$	$	$
December 31, 2014	23,025,593	13,550,395	406,680	(7,400)	(13,366,594)	583,081
Unrealized loss on available-for-sale investment	-	-	-	(200)	-	(200)
Net loss for year	-	-	-	-	(138,723)	(138,723)
December 31, 2015	23,025,593	13,550,395	406,680	(7,600)	(13,505,317)	444,158
Private placement (note 6)	15,854,000	1,585,382	-	-	-	1,585,382
Shares issued per acquisition agreement (1)	5,750,000	575,000	-	-	-	575,000
Finders' shares (1)	640,800	64,080	-	-	-	64,080
Shares issued per service agreement (1)	780,000	78,000	-	-	-	78,000
Transaction shares (1)	3,300,000	330,000	-	-	-	330,000
Share issue costs (note 6)	-	(128,160)	-	-	-	(128,160)
Share-based payments	-	-	196,930			196,930
Unrealized loss on available-for-sale investment	-	-	-	200	-	200
Net loss for year	-	-	-	-	(1,405,058)	(1,405,058)
December 31, 2016	**49,350,393**	**16,054,697**	**603,610**	**(7,400)**	**(14,910,375)**	**1,740,532**

See accompanying notes to consolidated financial statements

(1) See notes 4 and 6

(Expressed in Canadian dollars)

1) NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Canada Business Corporations Act and its principal activity is the acquisition and exploration of mineral properties. The address of the Company's corporate office is 214-3540 West 41 Avenue, Vancouver, BC, V6N 3E6.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has working capital of $637,277 as at December 31, 2016 (2015 - $201,759) and equity of $1,740,532 as at December 31, 2016 (2015 - $444,158). The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise additional financing to maintain its working capital.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated statements of financial position. These material uncertainties cast doubt about the appropriateness of the going concern assumption.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on the historical cost basis and include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions are eliminated on consolidation. The presentation and functional currency of the Company is the Canadian dollar.

Consolidation

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
0938980 B.C. Ltd.	British Columbia, Canada	100%	Holding Company
Compañia Minera Prism Peru S.A.C.	Peru	100%	Holding Company

b) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, deposits in banks and highly liquid investments having terms to maturity of 90 days or less when acquired.

c) Significant accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2) SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The determination that the Company will continue as a going concern for the next year; and
- The determination that there have been no events or changes in circumstances that indicate the carrying amount of the exploration and evaluation assets may not be recoverable.

d) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Where the effects of including all outstanding options and warrants would be anti-dilutive, no dilution is calculated and the diluted loss per share is presented as the same as basic loss per share.

e) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Share capital

The proceeds from the exercise of stock options and warrants and the cost initially recognized on their issuance are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Commissions paid to agents, and other related share issuance costs, such as legal, auditing and printing, on the issue of the Company's shares are charged directly to share capital.

Valuation of equity units issued in private placements

The Company does not attribute any fair value to warrants that are issued as part of private placement units.

g) Share-based payments

The Company's Stock Option Plan allows employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the share-based payment is measured using the Black-Scholes option pricing model. The fair value of the share-based payment is recognized as an expense or capitalized to exploration and evaluation assets with a corresponding increase in reserves. Consideration received on the exercise of stock options is recorded as share capital and the related reserves amount is transferred to share capital from reserves.

2) SIGNIFICANT ACCOUNTING POLICIES (*continued*)

h) Financial instruments

Financial assets

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

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash and cash equivalents is included in this category of financial assets.

ii. Loans and receivables

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

iii. Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. Investment is included in this category of financial assets.

Management assesses the carrying value of AFS financial assets at each reporting period and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss.

Financial liabilities

The Company's financial liabilities are classified as borrowings and other financial liabilities.

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity dates. Accounts payable and accrued liabilities is included in this category of financial liabilities.

The Company does not have any derivative financial assets and liabilities.

2) SIGNIFICANT ACCOUNTING POLICIES (*continued*)

i) Accounting standards, interpretations and amendments to existing standards that are not yet effective

Future Changes in Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC but were not yet effective as at December 31, 2016. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its consolidated financial statements. Pronouncements that are not applicable to the Company have been excluded from those described below.

The following standards or amendments are effective for annual periods beginning on or after January 1, 2017.

1) IFRS 9 – Financial Instruments (annual periods beginning January 1, 2018)
2) IFRS 15 – Revenue from Contracts with Customers (annual periods beginning January 1, 2018)
3) IFRS 16 – Leases (annual periods being January 1, 2019)

j) Exploration and evaluation assets and expenditures

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

Expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be transferred to property, plant and equipment and amortized on the unit-of production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

k) Functional currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's function and presentation currency. The functional currency of the subsidiary that has operations in Peru is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(Expressed in Canadian dollars)

2) SIGNIFICANT ACCOUNTING POLICIES (*continued*)

l) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	**Depreciation rate**
Computer hardware	55%

3) INVESTMENT

	2016		2015	
Available-for-sale	Number of Shares	$	Number of Shares	$
Manson Creek Resources Ltd. - cost	40,000	8,000	40,000	8,000
Unrealized loss	-	(7,400)	-	(7,600)
Balance - fair value	40,000	600	40,000	400

4) EXPLORATION AND EVALUATION ASSETS

	Huampar Project, Peru	Cerro Oro Property, Colombia	Total
Acquisition costs	$	$	$
Balance January 1, 2015	-	139,175	139,175
Additions during the year	-	102,824	102,824
Balance, December 31, 2015	-	241,999	241,999
Additions during the year	1,099,979	118,421	1,218,400
Written-off	-	(360,420)	(360,420)
Balance, December 31, 2016	1,099,979	-	1,099,979

Cerro Oro Project, Colombia

On June 23, 2014, the Company entered into a share purchase agreement ("SPA") and a shareholder agreement ("SA") with Miranda Gold Corp. ("Miranda"), effectively forming a corporate option to joint venture on the Cerro Oro property. Pursuant to the SPA, Miranda assigned 70% of the shares of Miranda Gold Columbia V Ltd. ("MAD V") to 0938980 B.C. Ltd. MAD V was to be the corporate vehicle that would ultimately hold the Colombian corporation that held the Cerro Oro Option. The activities of MAD V were governed by the SA. The project was abandoned by the Company during the current year, and it withdrew from the joint venture and all associated deferred expenditures were written off as of December 31, 2016. Prior to abandoning the project, the Company:

4) EXPLORATION AND EVALUATION ASSETS (*continued*)

Cerro Oro Project, Colombia *(continued)*

- Issued 200,000 common shares of the Company to Miranda;
- Reimbursed Miranda for $US 90,000 in lease fees paid to the underlying lessor and $19,930 for certain expenditures incurred prior to the execution of the SA;
- Incurred $US 700,000 in exploration expenditures; and
- Made an option payment of $US 90,000 ($CDN 118,421) on April 18, 2016.

Huampar Project, Peru

On June 13, 2016, the Company entered into an assignment and assumption agreement (the "Agreement") with Trevali Mining Corporation ("Trevali"), Nueva Condor S.A. ("Nueva") and a private individual ("PI") whereby the Company replaced the contractual position of Trevali in the Share Purchase Agreement ("SPA") between Trevali, Nueva and PI dated January 3, 2012. Under the SPA, Trevali has the right to acquire fom PI 53,137,866 shares of Nueva representing 100% of the capital stock of Nueva. The sole interest of the Company in purchasing the shares of Nueva is to acquire ownership of its mining rights in order to develop mining activities. Pursuant to the terms and conditions of the Agreement:

The Company:

- Is in the process of completing the share purchase agreement;
- Issued 5,750,000 of its common shares to Trevali on the closing date as consideration for the Nueva shares;
- Paid $US 35,000 to Trevali as consideration for the additional mining properties; and
- Amended, with PI, certain sections of the SPA as described.

Pursuant to the terms and conditions of the amended SPA, the Company will:

- Pay to PI a Net Smelter Return Royalty ("NSR") equal to 3% of the actual spot market value of the mineral production obtained from the mining rights received. An estimate of the 3% NSR will be calculated by Nueva at the end of each calendar quarter and the actual NSR will be calculated at the end of each calendar year. The Company has the following successive options to acquire the NSR partially as follows – the first 1% for $US 1,500,000 (Option 1); and the second 1% for $US 2,000,000 (Option 2). Options 1 and 2 are valid for six years from the date of the Agreement.
- Issue common shares of the Company as follows - 2,000,000 common shares to PI (issued); 1,000,000 shares to PI provided he has complied with obligations specified in the SPA (issued); 200,000 common shares to another individual provided PI has complied with an obligation specified in the SPA (issued); and 100,000 shares to another individual provided he has complied with obligations specified in the SPA (issued).
- Pay cash to PI as follows - $US 245,000 in 49 monthly instalments of $US 5,000 from the date of TSXV approval; and 5% of the amount of credits listed in the SPA that are recognized by the bankruptcy authority in the Eventual Bankruptcy Procedure, as defined, once the relevant credits have been recognized.
- Pay on behalf of PI $US 65,000 to a Peruvian company pursuant to a promissory note between PI and the company on or before 90 days after TSXV approval and subject to obligations of PI.
- Pay Soles 30,000 to Servicios Knowhow y Gestiones S.A.C. en liquidacion ("SKG") in exchange for the transfer of all credits that SKG might have against Nueva.
- From the second anniversary of the date of the Agreement, and provided that PI has complied with specified provisions of the SPA, pay to PI minimum annual compensation of $US 100,000 as a forward payment for the NSR. This minimum amount is to be paid until the year following the date on which the Company starts production in the mining rights and the NSR begins to accrue. These forward payments will be offset against the NSR once it begins to accrue.

The Company also issued 780,000 common shares as a finder's fee for this transaction to an arm-length's party.

The Company received TSXV approval and the Agreement closed on July 21, 2016.

(Expressed in Canadian dollars)

5) PROPERTY, PLANT AND EQUIPMENT

	Computer Hardware
Cost	**$**
Balance, January 1, 2015 and December 31, 2015	-
Additions	3,691
Balance, December 31, 2016	3,691
Depreciation	
Balance, January 1, 2015 and December 31, 2015	-
Additions	1,015
Balance, December 31, 2016	1,015
Net Book Value	
Balance, January 1, 2015 and December 31, 2015	-
Balance, December 31, 2016	**2,676**

6) SHARE CAPITAL

a) Authorized share capital of the Company is unlimited.

Issued Share Capital

For the Year Ended December 31, 2016:

On July 21, 2016, the Agreement with Trevali, Nueva and PI closed. The Company issued 5,750,000 common shares to Trevali at a deemed price of $0.10 per share and paid $US 30,000 to Trevali (See note 4). 3,300,000 transaction shares were also issued in connection with this Agreement.

On July 21, 2016, the Company issued 780,000 common shares to an arms-length finder in consideration for services provided in respect of the Agreement.

On July 21, 2016, the Company completed a non-brokered private placement pursuant to which the Company issued 15,854,000 units consisting of one common share and one half of one common share purchase warrant at a price of $0.10 per unit for gross proceeds of $1,585,382. Each warrant has an exercise price of $0.13 per common share and is exercisable until July 21, 2019. In connection with the private placement, the Company paid finder's fees of $64,080 in cash, and issued 640,800 finders units consisting of one common share and one common share purchase warrant exercisable at $0.13 per common share until July 21, 2019 to certain qualified arm's length finders in compliance with policies of the TSX Venture Exchange. These finders units were valued at $64,080.

Effective July 27, 2016, trading in the Company's common shares took place on the TSXV under the trading symbol "PRS". The TSXV granted final approval regarding the NEX reactivation and concurrent application for graduation to Tier 2 of the TSXV. Reactivation pursuant to Policy 2.6 was based on the acquisition transaction pursuant to the Agreement.

For the Year Ended December 31, 2015

No shares were issued during the year ended December 31, 2015.

b) Share purchase options

On July 29, 2016, the Company granted Directors, Consultants and Officers of the Company stock options to purchase a total of 2,950,000 common shares exercisable at a price of $0.10 per common share until July 29, 2019.

(Expressed in Canadian dollars)

6) SHARE CAPITAL (*continued*)

On September 20, 2016, the Company granted an officer stock options to purchase a total of 300,000 common shares exercisable at a price of $0.17 per common share until September 20, 2019.

On November 25, 2016, the Company granted a consultant stock options to purchase a total of 250,000 common shares exercisable at a price of $0.19 per common share until November 25, 2019. Of these options, 25% vested immediately, 25% will vest three months after the date of grant, and an additional 25% vesting on each three month anniversary thereafter.

During the current year, the Company recognized share-based payments expense in the amount of $196,930 (December 31, 2015 - $nil) related to these option grants.

No options were granted during the year ended December 31, 2015.

Option pricing models require the input of highly-subjective assumptions, particularly as to the expected price volatility of the stock and the expected life of the option. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants and warrant issuances.

The following is a summary of the changes in the Company's outstanding stock options:

	2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Balance, beginning of the year	1,600,000	0.32	1,600,000	0.32
Granted during the year	3,500,000	0.11	-	-
Cancelled during the year	(250,000)	0.32	-	-
Balance, end of the year	4,850,000	0.17	1,600,000	0.32
Exercisable end of the year	4,662,500	0.17	1,600,000	-
Weighted average years to expiry		2.0		1.40

The fair value of stock options granted in the year ending December 31, 2016 was estimated based on the Black-Scholes option pricing model using a share price of $0.10-$0.19 (2015- $nil), volatility of 78.23% - 82.56% (2015 – nil%), risk free interest rate of 0.75% - 0.59% (2015 – nil%), expected life of 3 years (2015 – nil years) and expected dividend yield of nil (2015 – nil). The weighted average fair value of options granted in 2016 was $0.06 (2015 - $nil), comprised of $0.11 for options with an exercise price less than market price on the date of grant and $0.06 for those with the same price.

Option pricing models require the input of subjective assumptions including the expected price volatility, and expected option life. Changes in these assumptions may have a significant impact on the fair value calculation.

(Expressed in Canadian dollars)

6) SHARE CAPITAL (*continued*)

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

Exercise Price	Options Outstanding	Weighted Average Remaining Life (years)	Expiry Dates (mm/dd/yyyy)	Options exercisable
$				
0.32	950,000	0.08	05/23/2017	950,000
0.32	400,000	0.03	05/25/2017	400,000
0.10	2,950,000*	1.57	07/29/2019	2,950,000
0.17	300,000	0.17	09/20/2019	300,000
0.19	250,000	0.15	11/25/2019	62,500
Balance, December 31, 2016	**4,850,000**	**2.0**		**4,662,500**

*300,000 subsequently cancelled

c) Share purchase warrants

The following is a summary of the changes in the Company's outstanding warrants:

	December 31, 2016		December 31, 2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
		$		$
Balance, beginning of the year	-	-	-	-
Granted during the year	8,567,800	0.13	-	-
Balance and exercisable, end of the year	8,567,800	0.13	-	-
Weighted average years to expiry		2.56		-

7) NET PROFIT INTEREST

The Company has a 7.5% Net Profits Interest in certain mining claims in the Porcupine Mining District of Ontario.

8) RELATED PARTY TRANSACTIONS

Related Party Balances

The following amounts due to related parties are included in accounts payable and accrued liabilities:

	December 31, 2016	December 31, 2015
	$	$
Directors and companies controlled by directors of the Company	17,000	-

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(Expressed in Canadian dollars)

8) RELATED PARTY TRANSACTIONS (*continued*)

Related Party Transactions

The Company incurred the following transactions with either directors of the Company or companies controlled by Company directors:

	2016	2015
	$	$
Management fees	160,380	-
Directors' fees	48,500	-
	208,880	-

Key Management Personnel Compensation

	2016	2015
	$	$
Management fees	160,380	-
Share-based payments	173,430	-
	333,810	-

See note 9.

9) COMMITTMENTS

During the year, the Company entered into the following consulting agreements:

- On July 1, 2016, $240,000 per year for the consultant to serve as the Company's President and Chief Executive Officer for an indefinite term;
- On July 1, 2016, $42,000 per year for the consultant to serve as the Company's Corporate Secretary for an indefinite term; and
- On September 15, 2016, $160,000 per year for the consultant to serve as the Company's Vice President, Exploration ("VPE") for an initial term of one year.

Pursuant to the consulting agreements, the consultants are entitled to:

- Certain benefits coverage;
- Participation in the Company's stock option plan;
- One year's fees and benefits if the engagement is terminated without cause;
- Two years' (VPE one year) fees and benefits if the consultant elects to terminate the engagement after 30 days from a change of control; and
- Two years' (VPE one year) fees and benefits and the immediate vesting of all granted and unvested stock options if the Company terminates the engagement within 12 months of a change of control without cause.

The VPE is entitled to a 25% performance bonus, assessed on the base annual fee, within 30 days of each contract year end subject to the Board of Directors.

On November 28, 2016, the Company entered into an Investor Relations Agreement for a one year term at $6,000 per month and an option to purchase 250,000 common shares of the Company at an exercise price of $0.19 per share.

10) CAPITAL MANAGEMENT

The Company's objectives for the management of capital are to safeguard the Company's ability to continue as a going concern, including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash to be its manageable capital. The Company's policy is to maintain sufficient cash balances to cover operating costs over a reasonable future period. The Company accesses capital markets as necessary and may also acquire additional funds where advantageous circumstances arise.

The Company currently has no externally-imposed capital requirements.

11) FINANCIAL INSTRUMENT RISKS

The Company's financial instruments are exposed to the following risks:

Credit Risk

The Company's primary exposure to credit risk is the risk of illiquidity of cash and cash equivalents amounting to $630,582 at December 31, 2016 (2015 - $221,289). As the Company's policy is to limit cash holdings to instruments issued by major Canadian and Peruvian banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities. The Company did maintain sufficient cash balances to meet this need at December 31, 2016.

Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. The majority of cash deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases. At December 31, 2016, the Company maintained all of its cash on deposit in chequing accounts with major Canadian and Peruvian banks.

Price Risk

The Company is exposed to price risk on its investment in shares of a resource company. Changes in the future pricing and demand for commodities can have a material impact on the value of this investment.

Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy 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.

(Expressed in Canadian dollars)

11) FINANCIAL INSTRUMENT RISKS (*continued*)

The fair value classification of the Company's financial instruments as at December 31, 2016 and 2015 is as follows:

		2016			2015		
	Fair Value Level	Fair value through profit or loss	Available-for-sale	Loans and receivables and other financial liabilities at amortized cost	Fair value through profit or loss	Available-for-sale	Loans and receivables and other financial liabilities at amortized cost
		$	$	$	$	$	$
Financial assets:							
Cash and cash equivalents	1	630,582	-	-	221,289	-	-
Investment	1	-	600	-	-	400	-
		630,582	600	-	221,289	400	-
Financial liabilities:							
Accounts payable and accrued liabilities		-	-	55,548	-	-	36,752
		-	-	55,548	-	-	36,752

During the years ended December 31, 2016 and 2015, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

12) INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2016	2015
	$	$
Net loss for the year	(1,405,058)	(138,723)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery	(365,315)	(36,068)
Net adjustment for deductible and non-deductible amounts	259,509	24,081
Unrecognized benefit of non-capital losses	105,806	11,987
Total income tax expense	-	-

The significant components of the Company's deferred income tax assets are as follows:

	2016	2015
	$	$
Deferred income tax assets:		
Mineral property tax pools	2,354,107	2,438,120
Non-capital loss carryforwards and share issue costs	231,536	114,140
	2,585,643	2,552,260
Valuation allowance	(2,585,643)	(2,552,260)
Net deferred tax assets	-	-

(Expressed in Canadian dollars)

12) INCOME TAXES *(continued)*

Subject to certain restrictions, the Company has mineral property expenditures at December 31, 2016 of approximately $10,154,000 (2015 - $9,619,000) available to reduce taxable income in future years. The Company also has non-capital losses available for deduction against future year's taxable income amounting to approximately $838,000 (2015 - $439,000). The Company has not recognized any future benefit for these tax losses and resource deductions, as it is not considered likely that they will be utilized. If unused, these tax losses will expire as follows:

	$
2026	30,000
2027	28,000
2028	35,000
2029	34,000
2030	45,000
2031	21,000
2032	93,000
2033	59,000
2034	42,000
2035	46,000
2037	405,000
	838,000

13) SUBSEQUENT EVENTS

Subsequent to December 31, 2016, 300,000 stock options granted to the former CFO with an exercise price of $0.10 per share until July 29, 2019 were cancelled.

On April 21, 2017, the Company closed a non-brokered private placement of 2,395,000 units at a price of $0.18 per unit. Each unit is comprised of one common share of the Company and one warrant to purchase an additional share at $0.35 on or before April 21, 2020, provided, however, the Company shall be entitled to accelerate the expiry of the warrant to a date 30 days following notice provided to the holder in the event the weighted volume average price of the Company shares exceeds $0.50 for any 20 consecutive trading days. The Company also paid $27,720 in finders' fees and issued 154,000 warrants with identical terms to the warrants above.