MEXICAN GOLD CORP

(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended March 31, 2017

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE TO SHAREHOLDERS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Mexican Gold Corp. (formerly Source Exploration Corp.) (the "Corporation") were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation’s circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

In accordance with National Instrument 51-102 released by the Canadian Securities Administration, the Corporation discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended March 31, 2017.

MEXICAN GOLD CORP

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

		As at March 31, 2017		As at June 30, 2016
ASSETS				
Current assets				
Cash	$	**1,098,557**	$	44,377
Accounts receivable		**12,033**		-
Prepaids and deposits		**290,969**		17,658
Total current assets		**1,401,559**		62,035
Non-current assets				
Equipment and leaseholds (note 4)		**1,793**		9,857
Total assets	$	**1,403,352**	$	71,892
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 8)	$	**736,521**	$	716,105
Total liabilities		**736,521**		716,105
EQUITY (DEFICIENCY)				
Share capital (note 6)		**20,017,983**		17,660,298
Reserves		**2,482,680**		2,403,585
Foreign currency translation		**(24,497)**		(23,596)
Deficit		**(21,809,335)**		(20,684,500)
Total equity (deficiency)		**666,831**		(644,213)
Total liabilities and equity (deficiency)	$	**1,403,352**	$	71,892

Nature of business and going concern (note 1)
Commitments (note 9)
Subsequent events (note 10)

Approved on behalf of the Board:

"Brian Robertson" , Director

"David Baker" , Director

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MEXICAN GOLD CORP

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
REVENUE				
Interest income	**$ 17**	$ 724	**$ 405**	$ 3,395
EXPENSES				
Depreciation	**2,688**	2,689	**8,064**	8,730
Exploration and evaluation expenditures (note 5)	**418,901**	139,216	**531,721**	205,598
General and administrative	**182,006**	116,800	**468,106**	568,373
Professional fees	**26,816**	6,518	**63,501**	30,773
Share-based payments (note 6(iv))	**17,346**	-	**17,346**	2,268
Expense (recovery) of Value Added Tax	**39,241**	18,328	**36,502**	(91,706)
Total expenses	**686,998**	283,551	**1,125,240**	724,036
Loss from the operating activities	**(686,981)**	(282,827)	**(1,124,835)**	(720,641)
Loss for the period	**(686,981)**	(282,827)	**(1,124,835)**	(720,641)
Exchange differences on translation of foreign operations	**1,957**	(6,032)	**(901)**	(3,832)
Comprehensive loss for the period	**$ (685,024)**	$ (288,859)	**$ (1,125,736)**	$ (724,473)
Basic and diluted net loss per common share (note 7)	**$ (0.04)**	$ (0.03)	**$ (0.07)**	$ (0.08)
Weighted average number of common shares outstanding (note 7)	**17,793,906**	8,711,403	**15,217,210**	8,711,403

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MEXICAN GOLD CORP

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
OPERATING ACTIVITIES		
Loss for the period	**$ (1,124,835)**	$ (720,641)
Adjustments for:		
Depreciation	**8,064**	8,730
Share-based payments	**17,346**	2,268
	(1,099,425)	(709,643)
Non-cash working capital items:		
Accounts receivable	**(12,033)**	4,312
Prepaids and deposits	**(273,311)**	38,764
Accounts payable and accrued liabilities	**20,416**	359,963
Cash used in operating activities	**(1,364,353)**	(306,604)
INVESTMENT ACTIVITY		
Purchase of investments	**-**	118,124
Net cash provided by investment activity	**-**	118,124
FINANCING ACTIVITIES		
Issuance of common shares	**2,628,875**	-
Cost of issuance	**(209,441)**	-
Net cash provided by financing activities	**2,419,434**	-
Net change in cash	**1,055,081**	(188,480)
Cash, beginning of period	**44,377**	208,936
Effect of exchange rate on cash held	**(901)**	(3,832)
Cash, end of period	**$ 1,098,557**	$ 16,624

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MEXICAN GOLD CORP

Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital		Reserves				
	Number of Shares	Amount	Warrants	Equity Settled Employee Benefits	Foreign Currency Translation	Deficit	Total
Balance, June 30, 2015	**8,711,399**	**$ 17,644,455**	**$ 81,135**	**$ 2,320,182**	**$ (15,586)**	**$ (19,739,342)**	**$ 290,844**
Share-based payments (note 6(iv))	-	-	-	2,268	-	-	2,268
Comprehensive loss for the period	-	-	-	-	(3,832)	(720,641)	(724,473)
Balance, March 31, 2016	**8,711,399**	**$ 17,644,455**	**$ 81,135**	**$ 2,322,450**	**$ (19,418)**	**$ (20,459,983)**	**$ (431,361)**
Shares issued for mineral properties (note 6(ii))	52,970	15,843	-	-	-	-	15,843
Comprehensive loss for the period	-	-	-	-	(4,178)	(224,517)	(228,695)
Balance, June 30, 2016	**8,764,369**	**$ 17,660,298**	**$ 81,135**	**$ 2,322,450**	**$ (23,596)**	**$ (20,684,500)**	**$ (644,213)**
Private placement (note 6(ii))	17,525,833	2,628,875	-	-	-	-	2,628,875
Share issue cost	-	(271,190)	61,749	-	-	-	(209,441)
Share based payments (note 6(iv))	-	-	-	17,346	-	-	17,346
Comprehensive loss for the period	-	-	-	-	(901)	(1,124,835)	(1,125,736)
Balance, March 31, 2017	**26,290,202**	**$ 20,017,983**	**$ 142,884**	**$ 2,339,796**	**$ (24,497)**	**$ (21,809,335)**	**$ 666,831**

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

1. NATURE OF BUSINESS AND GOING CONCERN

Mexican Gold Corp. (formerly Source Exploration Corp.) (the “Corporation”) was incorporated under the Business Corporation’s Act (Alberta) on October 5, 2006, and is engaged in the acquisition, exploration, and evaluation of mineral properties. On January 17, 2011 the Corporation received all necessary approvals to continue into the jurisdiction of Ontario. On April 20, 2017, the Corporation filed Articles of Amendment to change its name to Mexican Gold Corp. The Corporation's shareholders approved a special resolution to change the name of the Corporation at the Corporation's special meeting of shareholders held on April 12, 2017. Effective at the start of trading on April 26, 2017, the Corporation commenced trading on the TSX Venture Exchange under the new name and the new stock symbol "MEX".

The Corporation is in the process of exploring and evaluating its mineral properties and, on the basis of the information to date, has not yet determined whether any of the properties contain economically recoverable reserves. The recovery of expenditures on the mineral properties is dependent upon the existence of economically recoverable mineralization, the Corporation securing and maintaining title and beneficial interest in the properties, and the ability of the Corporation to obtain the necessary financing to complete the exploration and development and future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

Going concern

The Corporation has incurred a net loss of $1,124,835 and has an accumulated deficit of $21,809,335. In addition, the Corporation had a working capital of $665,038 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Corporation’s ability to continue as a going concern. Included in the working capital is cash of $1,098,557 and accounts payable and accrued liabilities of $736,521. Current liabilities included approximately $418,139 accrued for salaries deferred by executives and employees and fees owed to the Board in the Corporation’s efforts to conserve cash. These salaries and fees were accrued and were settled in shares subsequent to March 31, 2017. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Corporation’s ability to continue as a going concern is dependent upon its ability to fund its exploration and evaluation programs. Management plans to secure the necessary financing through the issue of new equity. Nevertheless, there is no assurance that these initiatives will be successful.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended June 30, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Corporation's consolidated financial statements for the year ended June 30, 2016.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in the preparation of the Corporation's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in note 2 to the Corporation's consolidated financial statements for the year ended June 30, 2016.

The unaudited condensed consolidated interim financial statements of the Corporation for the period ended March 31, 2017 approved and authorized by the Board of Directors on May 24, 2017.

(a) Change in accounting policies

There have been no changes to accounting policies during the nine months ended March 31, 2017.

(b) Recent accounting pronouncements

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Corporation is currently assessing the impact of this pronouncement.

IFRS 16 Leases ("IFRS 16") was issued by IASB in January 2016. IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off statement of financial position operating leases. Instead, there is a single, on statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

(Expressed in Canadian Dollars)

3. SEGMENTED INFORMATION

The Corporation currently operates in one operating segment, the exploration of mineral properties in Mexico. Management of the Corporation makes decisions about allocating resources based on the one operating segment. A geographic summary of identifiable assets, liabilities, and operating activities by country is as follows:

As at March 31, 2017

	Canada	Mexico	Total
Segmented Assets	$ 1,390,177	$ 13,175	$ 1,403,352
Segmented Liabilities	$ 714,276	$ 22,245	$ 736,521

For the Three Months ended March 31, 2017

	Canada	Mexico	Total
Operating activities			
Depreciation	$ 2,688	$ -	$ 2,688
Exploration and evaluation expenditures	68,110	350,791	418,901
General and administrative	179,216	2,790	182,006
Professional fees	26,825	(9)	26,816
Share-based payments	17,346	-	17,346
Write-off of Value Added Tax	-	39,241	39,241
Total	$ 294,185	$ 392,813	$ 686,998

For the Nine Months ended March 31, 2017

	Canada	Mexico	Total
Operating activities			
Depreciation	$ 8,064	$ -	$ 8,064
Exploration and evaluation expenditures	99,974	431,747	531,721
General and administrative	451,815	16,291	468,106
Professional fees	62,962	539	63,501
Share-based payments	17,346	-	17,346
Recovery of Value Added Tax	-	36,502	36,502
Total	$ 640,161	$ 485,079	$ 1,125,240

As at June 30, 2016

	Canada	Mexico	Total
Segmented Assets	$ 43,598	$ 28,294	$ 71,892
Segmented Liabilities	$ 701,317	$ 14,788	$ 716,105

For the Three Months ended March 31, 2016

	Canada	Mexico	Total
Operating activities			
Depreciation	$ 2,689	$ -	$ 2,689
Exploration and evaluation expenditures	-	139,216	139,216
General and administrative	110,913	5,887	116,800
Professional fees	4,149	2,369	6,518
Recovery of Value Added Tax	-	18,328	18,328
Total	$ 117,751	$ 165,800	$ 283,551

(Expressed in Canadian Dollars)

3. SEGMENTED INFORMATION (CONTINUED)

For the Nine Months ended March 31, 2016

	Canada	Mexico	Total
Operating activities			
Depreciation	$ 8,730	$ -	$ 8,730
Exploration and evaluation expenditures	16,322	189,276	205,598
General and administrative	533,194	35,179	568,373
Professional fees	13,126	17,647	30,773
Share-based payments	2,268	-	2,268
Recovery of Value Added Tax	-	(91,706)	(91,706)
Total	$ 573,640	$ 150,396	$ 724,036

4. EQUIPMENT AND LEASEHOLDS

Cost	**Office / Computer Equipment**	**Leasehold Improvements**	**Total**
Balance, June 30, 2015	$ 20,075	$ 53,760	$ 73,835
Balance, June 30, 2016	$ 20,075	$ 53,760	$ 73,835
Balance, March 31, 2017	$ 20,075	$ 53,760	$ 73,835

Accumulated depreciation	**Office / Computer Equipment**	**Leasehold Improvements**	**Total**
Balance, June 30, 2015	$ 19,409	$ 33,152	$ 52,561
Depreciation for the year	666	10,751	11,417
Balance, June 30, 2016	20,075	43,903	63,978
Depreciation for the period	-	8,064	8,064
Balance, March 31, 2017	$ 20,075	$ 51,967	$ 72,042

Carrying Value	**Office / Computer Equipment**	**Leasehold Improvements**	**Total**
Balance, June 30, 2016	**$ -**	**$ 9,857**	**$ 9,857**
Balance, March 31, 2017	**$ -**	**$ 1,793**	**$ 1,793**

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION

Accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consist of the following:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016	Inception to date
Analytical	**$ -**	$ -	**$ 650**	$ -	$ 375,511
Geological and consulting	**95,496**	1,208	**140,280**	24,489	3,091,767
Transportation and accommodation	**13,023**	-	**13,023**	-	168,074
Drilling	**154,373**	-	**154,373**	-	5,333,813
Geophysical	**-**	-	**-**	-	74,679
Operational support	**-**	-	**-**	-	275,966
Other	**32,623**	22,839	**57,363**	29,333	362,126
Subtotal	**295,515**	24,047	**365,689**	53,822	9,681,936
Acquisition costs / Option payments	**123,386**	115,169	**166,032**	151,776	1,007,237
Total expenditures	**$ 418,901**	$ 139,216	**$ 531,721**	$ 205,598	$ 10,689,173

Las Minas and La Miqueta

On October 13, 2010, the Corporation's 100% owned Mexican subsidiary Roca Verde Exploracion de Mexico entered into exclusive Letters of Intent to acquire the Las Minas and La Miqueta properties, collectively named the Las Minas Project. The project is comprised of five privately held mineral concessions covering approximately 1,271 hectares in the core of the Las Minas district in the State of Veracruz, Mexico. The Project is located approximately 270 kilometres east of Mexico City and is accessible by road.

Pursuant to the terms of the original Las Minas property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US$190,000 plus VAT over the next 36 months and a final payment of US$1,000,000 plus VAT upon exercising the option. The Vendors retained a 1.5% Net Smelter Return (NSR) subject to an exclusive buyback provision allowing the Corporation to purchase one third or a 0.5% NSR for US$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to complete a work program which required $200,000 in expenditures to maintain the concessions in good standing during the three year term of the agreement.

Pursuant to the terms of the original La Miqueta property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US$95,000 plus VAT over 36 months beginning October 13, 2010 and a final payment of US$500,000 plus VAT upon exercising the option. The Vendors retained a 1.5% Net Smelter Return (NSR) subject to an exclusive buyback provision that allowed the Corporation to purchase one third or a 0.5% NSR for US$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to keep the property in good standing with respect to concession taxes. During 2012, an extension agreement was executed to extend the deadline for the final payment by 12 months.

5. EXPLORATION AND EVALUATION (CONTINUED)

Option agreement extended to 2016

On June 6, 2013, the Corporation extended the option agreement to acquire the Pepe, Pepe Tres, and San Jose concessions located at the Las Minas property in Veracruz State, Mexico, and further revised on November 20, 2013. The amended agreement extended the term of the option agreement by an additional two years to December 5, 2015. Scheduled payments as per the terms of the amended agreement were US $130,000 over a 6 month period ending May 5, 2014, US $150,000 on December 5, 2014, with a final payment of US $1,300,000 on December 5, 2015. All payments are subject to VAT. The Corporation also retained the right to exercise the option at the latest on December 5, 2013 upon payment of US $1,000,000 as per the terms of the original option agreement on October 13, 2010.

On October 1, 2015, the Corporation announced the successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property. These concessions are part of the six concessions held under option or wholly owned by Source at Las Minas, Veracruz State, Mexico.

The new agreement extends the term of the option agreement by an additional one year to December 5, 2016. The payment for granting the extension was US$165,000, payable in equal monthly installments over a six month period and commencing at the latest on December 7, 2015.

On November 21, 2016, the Corporation announced that it has entered into a new agreement extending the term of the option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property for an additional one year to December 5, 2017. Consideration for the extension totalled US$180,000, payable in equal monthly installments over a six month period and commencing no later than December 5, 2016. All payments are subject to VAT.

All other terms of the original agreement of November 30, 2010 and prior extension agreement of May 21, 2013 remained unchanged.

Extension of Las Minas option agreement to 2017

On April 23, 2015, the Corporation signed a two year extension to its option agreement to acquire the Pueblo Nuevo and La Luz 1 concessions located at its Las Minas property. These concessions are part of the concessions held under option or wholly owned by Roca Verde, (the wholly owned subsidiary of Source) at Las Minas, Veracruz State, Mexico.

The new agreement extends the term of the option agreement by an additional two years to May 3, 2017. Scheduled payments per the terms of the agreement are as follows:

- US $12,500 (paid) cash consideration and $12,500 (issued) in common shares of Source as soon as is practicable following acceptance of the extension of the option agreement by the TSX Venture Exchange;
- US $12,500 (paid) cash consideration and US $12,500 (issued) in common shares of Source on April 22, 2016 (see note 6(ii)); and
- Final option payment due on May 3, 2015 extended to May 3, 2017 and reduced from US $500,000 to US $150,000.

All payments are subject to VAT. All other terms of the original agreement remain unchanged.

6. CAPITAL AND RESERVES

i) Authorized

The Corporation is authorized to issue an unlimited number of common shares.

ii) Details of share issuances

2016

Shares issued for mineral properties

On May 4, 2016, the Corporation issued 52,970 common shares of the Corporation valued at $15,843 (US$12,500) as an option payment on the Las Minas property.

2017

Private placements

(i) On November 30, 2016, the Corporation closed the first tranche of a non-brokered private placement of 5,192,500 units of the Corporation (the "Units") at a price of $0.15 per Unit for gross proceeds of $778,875. Each Unit consists of one common share of the Corporation and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one common share at a price of $0.25 per common share until November 30, 2018.

In connection with the private placement, the Corporation paid an aggregate of $42,438 in finder's fees to certain arm's length parties, representing 8% of the proceeds received from subscribers that were introduced by such parties, and issued 270,920 finder's warrants ("Finder's Warrants") on the same terms as the Warrants. The Finder's Warrants were assigned a fair value of $44,973 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 240% based on the Corporation's historical volatility; share price of $0.185; risk-free interest rate of 0.70% and an expected life of two years.

Pursuant to the terms of the Warrants and the Finder's Warrants, the Corporation has the right to accelerate the expiry date of the Warrants and the Finder's Warrants on notice to the holders of the Warrants and the Finder's Warrants, if at any time after March 31, 2017 the closing price of its common shares on a stock exchange in Canada is greater than $0.40 per common share for a period of 10 consecutive trading days, in which case the Warrants and the Finder's Warrants will expire 30 days after the date on which such notice is given. The securities issued under this tranche of the private placement are subject to a hold period under applicable Canadian securities laws which will expire on March 31, 2017.

(ii) On February 14, 2017, the Corporation closed the second tranche of a non-brokered private placement of 12,333,333 units of the Corporation at a price of $0.15 per Unit for gross proceeds of up to $1,850,000. Each Unit consists of one common share of the Corporation and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one common share for a period of twenty-four months from the closing date of the private placement (subject to acceleration of the expiry date) at a price of $0.25 per common share.

In connection with the private placement, the Corporation paid an aggregate of $57,724 in finder's fees to certain arm's length parties, representing 8% of the proceeds received from subscribers that were introduced by such parties, and issued 72,000 Finder's Warrants on the same terms as the Warrants. The Finder's Warrants were assigned a fair value of $16,776 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 176% based on the Corporation's historical volatility; share price of $0.29; risk-free interest rate of 0.76% and an expected life of two years.

(Expressed in Canadian Dollars)

6. CAPITAL AND RESERVES (CONTINUED)

ii) Details of share issuances (continued)

(ii) (continued) Pursuant to the terms of the Warrants and the Finder's Warrants, the Corporation has the right to accelerate the expiry date of the Warrants and the Finder's Warrants on notice to the holders of the Warrants and the Finder's Warrants, if at any time after July 4, 2017 the closing price of its common shares on a stock exchange in Canada is greater than $0.40 per common share for a period of 10 consecutive trading days, in which case the Warrants and the Finder's Warrants will expire 30 days after the date on which such notice is given. The securities issued under this tranche of the private placement are subject to a hold period under applicable Canadian securities laws which will expire on July 4, 2017.

iii) Warrants

The following table reflects the continuity of warrants for the periods below:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, June 30, 2015	**1,863,005**	**1.52**
Expired	(110,000)	1.25
Balance, March 31, 2016 and June 30, 2016	**1,753,005**	**1.54**
Issued	17,868,753	0.25
Balance, March 31, 2017	**19,621,758**	**0.56**

The following table reflects the warrants issued and outstanding as at March 31, 2017:

Expiry Date	Number of Warrants Outstanding	Exercise Price ($)
February 24, 2017	636,250	0.80
February 24, 2017 (1)	39,300	0.80
May 15, 2019	1,025,717	2.00
May 15, 2019 (1)	51,738	2.00
November 30, 2018	5,192,500	0.25
November 30, 2018 (1)	270,920	0.25
March 3, 2019	12,333,333	0.25
March 3, 2019 (1)	72,000	0.25
	19,621,758	**0.37**

(1) Finder's warrants

(Expressed in Canadian Dollars)

6. CAPITAL AND RESERVES (CONTINUED)

iv) Share purchase option compensation plan

The following tables reflect the continuity of stock options for the periods below:

	Number of Stock Options	Weighted Average Exercise Price ($)
Balance, June 30, 2015	**856,750**	**1.51**
Expired / Cancelled	(53,000)	2.80
Granted [(1)]	14,000	0.80
Balance, March 31, 2016	**817,750**	**1.42**
Expired / Cancelled	(142,750)	1.77
Balance, June 30, 2016	**675,000**	**1.34**
Granted [(2)]	1,450,000	0.30
Expired / Cancelled	(36,500)	0.98
Balance, March 31, 2017	**2,088,500**	**0.60**

[(1)] On September 1, 2015, the Corporation granted 14,000 options to an officer of the Corporation at a price of $0.80 per share. The fair value of these options at the date of grant of $0.162 was estimated using the Black-Scholes valuation model with the following assumptions: a five year expected term; a 146% expected volatility based on historical share prices; risk free interest rate of 0.72%; share price at the date of grant of $0.20; and an expected dividend yield of 0%. The grant date fair value assigned to these options was $2,268. These options vested immediately and will expire on September 1, 2020. For the nine months ended March 31, 2016, the Corporation recorded share-based payments of $2,268.

[(2)] On March 7, 2017, the Corporation granted 1,450,000 options to officers, directors and consultants of the Corporation at a price of $0.30 per share and an expiry date of March 7, 2027. The options will vest one-third after twelve, eighteen and twenty-four months respectively from the date of the grant. The fair value of these options at the date of grant of $0.278 was estimated using the Black-Scholes valuation model with the following assumptions: a five year expected term; a 164% expected volatility based on historical share prices; risk free interest rate of 1.73%; share price at the date of grant of $0.28; and an expected dividend yield of 0%. The grant date fair value assigned to these options was $365,570. For the nine months ended March 31, 2017, the Corporation recorded share-based payments of $17,346.

The following table reflects the stock options issued and outstanding as at March 31, 2017:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)
August 29, 2017	2.00	0.41	51,500	51,500
June 20, 2019	1.35	2.22	374,000	374,000
March 20, 2020	0.80	2.97	199,000	199,000
September 1, 2020	0.80	3.42	14,000	14,000
March 7, 2027	0.30	9.94	1,450,000	-
		7.62	**2,088,500**	**638,500**

(Expressed in Canadian Dollars)

7. NET LOSS PER COMMON SHARE

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Numerator				
Loss for the period	**$ (686,981)**	$ (282,827)	**$ (1,124,835)**	$ (720,641)
Denominator				
Weighted average number of common shares	**17,793,906**	8,711,403	**15,217,210**	8,711,403
Weighted average loss per share	**$ (0.04)**	$ (0.03)	**$ (0.07)**	$ (0.08)

8. RELATED PARTY TRANSACTIONS

The Corporation's related parties include directors and key management personnel and entities over which they have control or significant influence as described below.

	Nature of transactions
DRAX Services Limited ("DRAX")	Corporate secretarial and filing services
0702232 B.C. Ltd. (o/a D. Baker Capital Inc.)	Investor relations, consulting and office rental

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

- Included in general and administrative expenses for the three and nine months ended March 31, 2017 are amounts totaling $4,571 and $8,856, respectively (three and nine months ended March 31, 2016 - $2,068 and $6,349, respectively) for corporate secretarial and filing services provided by DRAX, a company related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation. As at March 31, 2017, DRAX was owed $1,939 (June 30, 2016 - $1,697) and this amount was included in accounts payable and accrued liabilities.

- Included in general and administrative expenditures for the three and nine months ended March 31, 2017 are amounts totaling $18,750 and $63,750, respectively (three and nine months ended March 31, 2016 - $22,500 and $67,500, respectively) for investor relations and consulting services and $nil (three and nine months ended March 31, 2016 - $4,286) for office rental provided by 0702232 B.C. Ltd. (o/a D. Baker Capital Limited), a company related to the Corporation through David Baker, Chairman and director of the Corporation. As at March 31, 2017, D. Baker Capital Inc. was owed $187,035 (June 30, 2016 - $100,804) and this amount was included in accounts payable and accrued liabilities. The Corporation received a short-term loan of $195,000 from D. Baker Capital Inc. which was fully repaid during the nine months ended March 31, 2017.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (CONTINUED)

Remuneration of directors and key management

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	**2016**	**2017**	**2016**
Salaries and wages (i)	**$ 23,750**	$ 44,344	**$ 112,438**	$ 264,358
Share-based payments	**10,091**	-	**10,091**	2,268
Directors fees (i)	**6,500**	3,000	**12,500**	27,000
	$ 40,341	$ 47,344	**$ 135,029**	$ 293,626

(i) On November 12, 2015, the Chief Executive Officer's ("CEO") temporary 50% salary reduction of his base salary was reinstated effective January 1, 2014 and all outstanding amounts were accrued. In addition, unpaid CEO salaries from July 15, 2015 to March 31, 2017 were also accrued. Directors' fees of $12,000 per annum were reinstated effective January 1, 2014 and all outstanding amounts were accrued.

As at March 31, 2017, the director and key management were owed $418,139 (June 30, 2016 - $341,313) and this amount was included in accounts payable and accrued liabilities.

To the knowledge of the directors and senior officers of the Corporation, as at March 31, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Corporation carrying more than 10% of the voting rights attached to all of the common shares of the Corporation other than as set out below:

	Number of common shares	**Percentage of outstanding shares (approx.)**
Palisade Global Investments Ltd.	3,383,000	12.87 %
Sterling Mining Company	3,800,000	14.45 %

The remaining 72.68% of the shares are widely held, which includes various small holdings which are owned by directors and officers of the Corporation. These holdings can change at any time at the discretion of the owners.

9. COMMITMENTS

The Corporation has commitments relating to property payment obligations related to the Las Minas property held by the Corporation's subsidiary. The annual payments for the next fiscal years are as follows:

2017	$ 279,510

10. SUBSEQUENT EVENTS

(i) On April 26, 2017, the Corporation announced that it has arranged a non-brokered private placement of up to 5,000,000 Units of the Corporation at a price of $0.30 per Unit for gross proceeds of up to $1,500,000. Each Unit will consist of one common share of the Corporation (a "Common Share") and one transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one Common Share at a price of $0.45 per Common Share for a period of twenty-four months from the closing date of the Private Placement.

On May 18, 2017, due to oversubscription, this private placement was increased by up to 1,000,000 Units for additional gross proceeds of up to $300,000.

In connection with the private placement, certain arm's length parties may receive a cash finder's fee payment equal to 7% of the gross proceeds of the Units that are sold to subscribers introduced by such parties. The finder's fee payment is subject to the approval of the TSX Venture Exchange.

(ii) On May 10, 2017, the Corporation has issued an aggregate of 1,052,129 common shares at a deemed price of $0.31 per Common Share and an aggregate of 611,000 common shares at a deemed price of $0.25 per common share to certain of its officers and/or directors in settlement of outstanding debt in the aggregate amount of $478,910.