

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED July 31, 2016.

E TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number: 001-33125

SILVER BULL RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Nevada

State or other jurisdiction of
incorporation or organization

91-1766677

(I.R.S. Employer
Identification No.)

777 Dunsmuir Street, Suite 1610

Vancouver, B.C. V7Y 1K4

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 604-687-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes R No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes R No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company:

Large accelerated filer ☐

Accelerated filer ☐

(Do not check if a smaller reporting company)

Non-accelerated filer ☐

Smaller reporting company R

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No R

As of September 13, 2016, there were 174,774,967 shares of the registrant's \$0.01 par value common stock outstanding, the registrant's only outstanding class of voting securities.

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	July 31, 2016	October 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,511,172	\$ 950,878
Value-added tax receivable, net of allowance for uncollectible taxes of \$91,043 and \$103,429, respectively (Note 6)	110,550	132,207
Income tax receivable	—	2,596
Other receivables	7,334	18,400
Prepaid expenses and deposits	52,756	135,421
Assets held for sale (Note 7)	28,794	—
Total Current Assets	1,710,606	1,239,502
Office and mining equipment, net (Note 8)	232,413	305,614
Property concessions (Note 9)	5,004,386	5,593,263
Goodwill (Note 10)	2,058,031	2,058,031
TOTAL ASSETS	\$ 9,005,436	\$ 9,196,410
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 173,810	\$ 119,371
Accrued liabilities and expenses	290,706	282,933
Income tax payable	2,000	5,436
Total Current Liabilities	466,516	407,740
COMMITMENTS AND CONTINGENCIES (Notes 1, 11 and 16)		
STOCKHOLDERS' EQUITY (Notes 11, 12, 13 and 14)		
Common stock, \$0.01 par value; 300,000,000 shares authorized, 174,774,967 and 159,072,657 shares issued and outstanding, respectively	1,747,749	1,590,726
Additional paid-in capital	126,477,586	125,025,319
Deficit accumulated during exploration stage	(119,903,662)	(118,046,936)
Other comprehensive income	217,247	219,561
Total Stockholders' Equity	8,538,920	8,788,670
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 9,005,436	\$ 9,196,410

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2016	2015	2016	2015
REVENUES	\$ —	\$ —	\$ —	\$ —
EXPLORATION AND PROPERTY HOLDING COSTS				
Exploration and property holding costs	179,253	240,496	383,836	651,163
Depreciation, asset and property concessions' impairment (Notes 8 and 9)	566,510	13,479	624,640	46,060
TOTAL EXPLORATION AND PROPERTY HOLDING COSTS	745,763	253,975	1,008,476	697,223
GENERAL AND ADMINISTRATIVE EXPENSES				
Personnel	113,866	125,560	329,788	410,724
Office and administrative	139,192	103,396	322,934	387,859
Professional services	24,847	82,048	191,958	247,493
Directors' fees	33,411	48,104	102,162	154,664
Provision for uncollectible value-added taxes	1,231	3,217	1,292	9,452
Depreciation	—	—	—	889
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	312,547	362,325	948,134	1,211,081
LOSS FROM OPERATIONS	(1,058,310)	(616,300)	(1,956,610)	(1,908,304)
OTHER (EXPENSES) INCOME				
Interest and investment income	148	132	729	772
Interest and finance costs	(715)	—	(2,143)	—
Foreign currency transaction loss	(22,977)	(16,396)	(32,037)	(102,395)
Miscellaneous income (Note 7)	4,387	—	133,825	—
TOTAL OTHER (EXPENSES) INCOME	(19,157)	(16,264)	100,374	(101,623)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(1,077,467)	(632,564)	(1,856,236)	(2,009,927)
INCOME TAX EXPENSE	174	1,509	490	6,150
LOSS FROM CONTINUING OPERATIONS	(1,077,641)	(634,073)	(1,856,726)	(2,016,077)
Loss from discontinued operations, net of income taxes (Note 4)	—	—	—	(159,277)
(Loss) gain on sale of assets of discontinued operations, net of income taxes (Note 4)	—	(1,182)	—	284,224
NET LOSS	\$ (1,077,641)	\$ (635,255)	\$ (1,856,726)	\$ (1,891,130)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustments	2,582	88	(2,314)	53,412
Realized foreign currency translation gain on sale of assets of discontinued operations (Note 4)	—	—	—	7,163
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	2,582	88	(2,314)	60,575
COMPREHENSIVE LOSS	\$ (1,075,059)	\$ (635,167)	\$ (1,859,040)	\$ (1,830,555)
BASIC AND DILUTED NET LOSS PER COMMON SHARE				
Loss from continuing operation	\$ (0.01)	\$ —	\$ (0.01)	\$ (0.01)
Loss from discontinued operations	—	—	—	—
Net loss	\$ (0.01)	\$ —	\$ (0.01)	\$ (0.01)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 5)	166,757,070	159,072,657	161,652,825	159,072,657

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

	Common Stock		Additional	Accumulated	Other	
	Number of	Amount	Paid-in	Deficit	Comprehensive	Total
	Shares		Capital		Income	
Balance, October 31, 2015	159,072,657	\$ 1,590,726	\$ 125,025,319	\$ (118,046,936)	\$ 219,561	\$ 8,788,670
Issuance of common stock as follows:						
- for cash at a price of Canadian dollar ("CDN") \$0.13 per share with attached warrants less offering costs of \$56,487 (Note 12)	11,362,310	113,623	967,533	—	—	1,081,156
- for cash at a price of \$CDN 0.15 per share with attached warrants less offering costs of \$63,093 (Note 12)	4,340,000	43,400	398,236	—	—	441,636
Stock option and warrants activity as follows:						
- Stock-based compensation for options issued to directors, officers and employees	—	—	74,877	—	—	74,877
- fair value of warrants issued to agent in connection with the \$CDN 0.15 per share private placement (Notes 12 and 14)	—	—	11,621	—	—	11,621
Other comprehensive loss	—	—	—	—	(2,314)	(2,314)
Net loss for the nine month period ended July 31, 2016	—	—	—	(1,856,726)	—	(1,856,726)
Balance, July 31, 2016	174,774,967	\$ 1,747,749	\$ 126,477,586	\$ (119,903,662)	\$ 217,247	\$ 8,538,920

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended July 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,856,726)	\$ (1,891,130)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and asset impairment	624,640	50,254
Provision for uncollectible value-added taxes	1,292	9,452
Gain on sale of assets of discontinued operations (Note 4)	—	(284,224)
Gain on sale of office and mining equipment (Note 7)	(132,912)	—
Other income	(913)	—
Foreign currency transaction loss	19,483	174,485
Stock options issued for compensation	74,877	92,795
Changes in operating assets and liabilities:		
Value-added tax receivable	4,695	(7,313)
Income taxes receivable	2,399	1,822
Other receivables	10,348	(1,849)
Prepaid expenses and deposit	81,360	107,508
Accounts payable	54,760	(139,531)
Accrued liabilities and expenses	14,642	(28,135)
Income tax payable	(3,436)	4,509
Net cash used in operating activities	<u>(1,105,491)</u>	<u>(1,911,357)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Other assets	—	80,238
Proceeds from sale of equipment	141,285	—
Acquisition of property concessions	—	(30,000)
Net proceeds from sale of discontinued operations (Note 4)	—	1,361,701
Net cash provided by investing activities	<u>141,285</u>	<u>1,411,939</u>
CASH FLOWS FROM FINANCING ACTIVITY:		
Proceeds from issuance of common stock, net of offering costs (Note 12)	1,534,413	—
Net cash provided by financing activity	<u>1,534,413</u>	<u>—</u>
Effect of exchange rates on cash and cash equivalents	(9,913)	(18,257)
Net increase (decrease) in cash and cash equivalents	560,294	(517,675)
Cash and cash equivalents, beginning of period	950,878	1,886,169
Cash and cash equivalents, end of period	<u><u>\$ 1,511,172</u></u>	<u><u>\$ 1,368,494</u></u>

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (CONTINUED)

	Nine Months Ended July 31,	
	2016	2015
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	\$ 4,848	\$ 4,261
Interest paid	\$ 2,143	\$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Warrants issued for financing fees (Note 14)	\$ 11,621	\$ —

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

NOTE 1 – ORGANIZATION, DESCRIPTION OF BUSINESS AND GOING CONCERN

Silver Bull Resources, Inc. (the "Company") was incorporated in the State of Nevada on November 8, 1993 as the Cadgie Company for the purpose of acquiring and developing mineral properties. The Cadgie Company was a spin-off from its predecessor, Precious Metal Mines, Inc. On June 28, 1996, the Company's name was changed to Metalline Mining Company. On April 21, 2011, the Company's name was changed to Silver Bull Resources, Inc. The Company's fiscal year-end is October 31. The Company has not realized any revenues from its planned operations and is considered an exploration stage company. The Company has not established any reserves with respect to its exploration projects and may never enter into the development stage with respect to any of its projects.

The Company engages in the business of mineral exploration. The Company currently owns or has the option to acquire a number of property concessions in Mexico (collectively known as the "Sierra Mojada Property"). The Company conducts its operations in Mexico through its wholly-owned subsidiary corporations, Minera Metalin S.A. de C.V. ("Minera") and Contratistas de Sierra Mojada S.A. de C.V. ("Contratistas") and through Minera's wholly-owned subsidiary Minas de Coahuila SBR S.A. de C.V. ("Minas").

On April 16, 2010, Metalline Mining Delaware, Inc., a wholly-owned subsidiary of the Company, was merged with and into Dome Ventures Corporation ("Dome"). As a result, Dome became a wholly-owned subsidiary of the Company. Dome has a wholly-owned subsidiary Dome Asia Inc. ("Dome Asia"), which is incorporated in the British Virgin Islands. Dome Asia has a wholly-owned subsidiary incorporated in Gabon, African Resources SARL Gabon ("African Resources"), as well as a 99.99%-owned subsidiary, Dome Minerals Nigeria Limited, incorporated in Nigeria. In January 2015, the Company completed the sale of its subsidiary Dome International Global Inc. ("Dome International"), including Dome International's wholly-owned subsidiary Dome Ventures SARL Gabon ("Dome Gabon"), which held the Ndjole prospect in Gabon.

The Company's efforts and expenditures have been concentrated on the exploration of properties, principally in the Sierra Mojada Property located in Coahuila, Mexico. The Company has not determined whether its exploration properties contain ore reserves that are economically recoverable. The ultimate realization of the Company's investment in exploration properties is dependent upon the success of future property sales, the existence of economically recoverable reserves, and the ability of the Company to obtain financing or make other arrangements for exploration, development, and future profitable production activities. The ultimate realization of the Company's investment in exploration properties cannot be determined at this time.

Going Concern

Since its inception in November 1993, the Company has not generated revenue and has incurred a deficit of \$119,903,662. Accordingly, the Company has not generated cash flow from operations, and since inception the Company has relied primarily upon proceeds from private placements and registered direct offerings of the Company's equity securities and warrant exercises as the primary sources of financing to fund the Company's operations. As of July 31, 2016, the Company had working capital of \$1,244,090 and cash and cash equivalents of \$1,511,172. The Company's continuation as a going concern is dependent upon several possible financing and strategic options not limited to the following: obtaining adequate equity financing, joint venture opportunities on the Sierra Mojada Property, and asset divestitures. However, there is no assurance that the Company will be successful in pursuing these financing and strategic options. Accordingly, even after taking into account the proceeds from the Company's recent private placements, there is substantial doubt as to whether the Company's existing cash resources and working capital are sufficient to enable the Company to continue its operations for the next 12 months as a going concern.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary in the event the Company can no longer continue as a going concern.

NOTE 2 – BASIS OF PRESENTATION

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and applicable rules of the U.S. Securities and Exchange Commission ("SEC") regarding interim reporting. All intercompany transactions and balances have been eliminated during consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet at October 31, 2015 was derived from the audited consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2015.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, except as disclosed in Note 3. In the opinion of management, the unaudited interim condensed consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented. Uncertainties with respect to estimates and assumptions are inherent in the preparation of the Company's condensed consolidated financial statements; accordingly, operating results for the nine months ended July 31, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 2016.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are defined in the Company's consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2015 filed on January 19, 2016, except as follows.

Recent Accounting Pronouncements Adopted in the Nine-Month Period Ended July 31, 2016

Effective November 1, 2015, the Company adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." Under ASU 2014-08, only disposals representing a strategic shift in operations are presented as discontinued operations. In addition, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide additional information about the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which amends several aspects of the accounting for share-based payment transaction, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. These changes become effective for the Company's fiscal year beginning November 1, 2017. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize assets and liabilities for the rights and obligations created by most leases on the balance sheet. These changes become effective for the Company's fiscal year beginning November 1, 2019. Modified retrospective adoption for all leases existing at, or entered into after, the date of initial application, is required with an option to use certain transition relief. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which (i) requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, (ii) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (iii) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and (iv) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. These changes become effective for the Company's fiscal year beginning November 1, 2018. Early application is permitted. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. These changes become effective for the Company's fiscal year beginning November 1, 2017. Early application is permitted. The Company has not determined the effects of this update on the Company's financial position, and disclosures at this time.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," which eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. These changes become effective for the Company's fiscal year beginning November 1, 2016. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In August 2015, the FASB issued ASU 2015-14, "Deferral of the Effective Date," which defers the effective date of ASU 2014-09, "Revenue from Contracts with Customers" to become effective for the Company's fiscal year beginning November 1, 2018. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," which provides a revised, simpler measurement for inventory to be measured at the lower of cost and net realizable value. These changes become effective for the Company's fiscal year beginning November 1, 2017. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be presented as a reduction to the carrying amount of that debt liability, not as an asset. These changes become effective prospectively for the Company's fiscal year beginning November 1, 2016. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which amends the consolidation requirements in Accounting Standards Codification 810. These changes become effective prospectively for the Company's fiscal year beginning November 1, 2016. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability To Continue as a Going Concern." ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The update provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments are effective for the Company's fiscal year and interim periods within those years beginning after November 1, 2017. Early application is permitted. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the SEC did not or are not believed to have a material impact on the Company's present or future consolidated financial statements.

NOTE 4 – DISCONTINUED OPERATIONS

On January 23, 2015, the Company closed the sale to BHK Mining Corp. (formerly BHK Resources, Inc.) of 100% of the issued and outstanding securities of the Company's former subsidiary, Dome International, which holds, indirectly, a 100% interest in the Ndjole concession. Under the terms of the share purchase agreement, the Company received cash consideration of \$1,500,000 and reimbursement of the Company's expenses of \$75,000 in cash. In addition, the Company incurred transaction costs of \$213,299. As a result of this transaction, the Company realized a gain on the sale of assets of discontinued operations of \$284,224, net of income taxes.

The following table details selected financial information included in the income from discontinued operations for the three months and nine months ended July 31, 2016 and 2015.

	For the Three Months Ended July 31,		For the Nine Months Ended July 31,	
	2016	2015	2016	2015
Exploration and property holding costs	\$ —	\$ —	\$ —	\$ 85,542
Depreciation and asset impairment	—	—	—	3,305
Foreign currency transaction loss	—	—	—	70,430
Loss (gain) on sale of assets of discontinued operations, net of income taxes	—	1,182	—	(284,224)
Loss (income) from discontinued operations, net of income taxes	<u>\$ —</u>	<u>\$ 1,182</u>	<u>\$ —</u>	<u>\$ (124,947)</u>

NOTE 5 – LOSS PER SHARE

The Company had stock options and warrants outstanding at July 31, 2016 and 2015 that upon exercise were issuable into 27,320,568 and 9,807,858 shares of the Company's common stock, respectively. They were not included in the calculation of loss per share because they would have been anti-dilutive.

NOTE 6 – VALUE-ADDED TAX RECEIVABLE

Value-added tax ("VAT") receivable relates to VAT paid in Mexico and Gabon. The Company estimates net VAT of \$110,550 will be received within 12 months of the balance sheet date. The allowance for uncollectible VAT taxes was estimated by management based upon a number of factors, including the length of time the tax returns have been outstanding, responses received from tax authorities, general economic conditions in Mexico and Gabon and estimated net recovery after commissions. During the nine months ended July 31, 2016, an additional provision for uncollectible VAT of \$1,292 has been recorded.

A summary of the changes in the allowance for uncollectible VAT taxes for the nine months ended July 31, 2016 is as follows:

Allowance for uncollectible VAT taxes – October 31, 2015	\$ 103,429
Provision for uncollectible VAT taxes	1,292
Foreign currency translation adjustment	(12,224)
Write-off VAT receivable	(1,454)
Allowance for uncollectible VAT taxes – July 31, 2016	<u>\$ 91,043</u>

NOTE 7 – ASSETS HELD FOR SALE

The Company has classified certain fixed assets as assets held for sale as at July 31, 2016 as these assets were approved for immediate sale in their present condition, the assets were expected to be sold within one year and management has an active program to locate buyers for these assets.

As at July 31, 2016, the assets held for sale had a net book value of \$28,794. An impairment of \$7,554 was recorded on assets held for sale during the nine months ended July 31, 2016. During the nine months ended July 31, 2016, the Company recorded a gain on sale of office and mining equipment of \$132,912, which is included in miscellaneous income in the condensed consolidated statements of operations and comprehensive loss.

NOTE 8 – OFFICE AND MINING EQUIPMENT

The following is a summary of the Company's office and mining equipment at July 31, 2016 and October 31, 2015, respectively:

	July 31, 2016	October 31, 2015
Mining equipment	\$ 292,316	\$ 504,451
Vehicles	53,451	81,261
Buildings and structures	182,436	191,966
Computer equipment and software	83,701	83,701
Well equipment	39,637	39,637
Office equipment	52,931	52,931
	<u>704,472</u>	<u>953,947</u>
Less: Accumulated depreciation	(472,059)	(648,333)
Office and mining equipment, net	<u>\$ 232,413</u>	<u>\$ 305,614</u>

NOTE 9 – PROPERTY CONCESSIONS

The following is a summary of the Company's property concessions in Sierra Mojada, Mexico as at July 31, 2016 and October 31, 2015, respectively:

Property concessions – October 31, 2015	\$ 5,593,263
Impairment	(588,877)
Property concessions – July 31, 2016	<u>\$ 5,004,386</u>

During the nine months ended July 31, 2016, the Company decided to reduce the Company's concession holdings in Sierra Mojada, Mexico. As a result, the Company has written off the capitalized property concession balance related to these concessions of \$588,877.

NOTE 10 – GOODWILL

Goodwill represents the excess, at the date of acquisition, of the purchase price of the business acquired over the fair value of the net tangible and intangible assets acquired. On July 31, 2016, the Company elected to perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Based on this assessment, management determined it is not more likely than not that the fair value of the reporting unit is less than its carrying amount. The Company performs its annual goodwill impairment tests at April 30th of each fiscal year.

The following is a summary of the Company's goodwill balance as at July 31, 2016 and October 31, 2015, respectively:

Goodwill – October 31, 2015	\$ 2,058,031
Goodwill – July 31, 2016	<u>\$ 2,058,031</u>

NOTE 11 – SHAREHOLDER RIGHTS PLAN

On June 11, 2007, the board of directors adopted a shareholders' right plan through the adoption of a Rights Agreement, which became effective immediately. In connection with the adoption of the Rights Agreement, the board of directors declared a distribution of one share of common stock purchase right (a "Right") for each outstanding share of the Company's common stock, payable to shareholders of record at the close of business on June 22, 2007. In accordance with the Rights Agreement, one Right is attached to each share of Company common stock issued since that date. Each Right is attached to the underlying common stock and will remain with the common stock if the stock is sold or transferred. As of July 31, 2016, there are 174,774,967 shares outstanding with Rights attached.

In certain circumstances, in the event that any person acquires beneficial ownership of 20% or more of the outstanding stock of the Company's common stock, each holder of a Right, other than the acquirer, would be entitled to receive, upon payment of the purchase price, which is initially set at \$20 per Right, a number of shares of the Company's common stock having a value equal to two times such purchase price. The Rights will expire on June 11, 2017.

NOTE 12 – COMMON STOCK

On May 19, 2016, June 3, 2016 and June 29, 2016, the Company completed a three tranche private placement for an aggregate of 11,362,310 units at a purchase price of \$CDN 0.13 per unit (the "\$CDN 0.13 Unit") for aggregate gross proceeds of \$1,137,643 (\$CDN 1,477,100). Each \$CDN 0.13 Unit consists of one share of the Company's common stock and one warrant (the "\$CDN 0.13 Warrant"). Each \$CDN 0.13 Warrant entitles the holder thereof to acquire one share of common stock at a price of \$CDN 0.16 for the period of 12 months from the closing of the tranche of the private placement. If the closing price of the common stock of the Company on the OTCQB Venture Marketplace is \$0.18 or higher for five consecutive trading days, then the \$CDN 0.13 Warrant will expire 30 trading days from such fifth consecutive day. The Company paid an 8% finder's fee totaling \$19,644 to certain agents with respect to certain purchasers who were introduced by these agents. The Company incurred other costs of \$36,843 related to this private placement.

On July 20, 2016, the Company completed a private placement of an aggregate of 4,340,000 units at a purchase price of \$CDN 0.15 per unit (the "\$CDN 0.15 Unit") for aggregate gross proceeds of \$504,729 (\$CDN 651,000). Each \$CDN 0.15 Unit consists of one share of the Company's common stock and one warrant (the "\$CDN 0.15 Warrant"). Each \$CDN 0.15 Warrant entitles the holder thereof to acquire one share of common stock at a price of \$CDN 0.16 for the period of 36 months from the closing of the private placement. If, commencing on the date that is four months after the closing of the private placement, the closing price of the common stock on the TSX is higher than \$CDN 0.30 for 20 consecutive trading days, then on the 20th consecutive trading day (the "Acceleration Trigger Date") the expiry date of the \$CDN 0.15 Warrants may be accelerated to the 20th trading day after the Acceleration Trigger Date by the issuance, within three trading days of the Acceleration Trigger Date, of a news release announcing such acceleration. The Company paid a 6% finder's fee totaling \$23,326 to a placement agent with respect to certain purchasers who were introduced by this agent. In addition, the placement agent received 200,400 non-transferable warrants (the "Placement Agent's Warrants"). Each Placement Agent's Warrant entitles the placement agent to acquire one share of common stock until the date that is two years following closing of the private placement at \$CDN 0.205 and is subject to the acceleration provision noted above. The fair value of the Placement Agent's Warrants was determined to be \$11,621 (Note 14), and the Company incurred other offering costs of \$28,146.

No common stock was issued during the nine months ended July 31, 2015.

NOTE 13 – STOCK OPTIONS

The Company has two active stock option plans. Under the 2006 Stock Option Plan (the "2006 Plan"), the Company may grant non-statutory and incentive options to employees, directors and consultants for up to a total of 5,000,000 shares of common stock. Under the 2010 Stock Option and Stock Bonus Plan (the "2010 Plan"), the lesser of (i) 30,000,000 shares or (ii) 10% of the total shares outstanding are reserved for issuance upon the exercise of options or the grant of stock bonuses.

Options are typically granted with an exercise price equal to the closing market price of the Company's stock at the date of grant, have a graded vesting schedule over approximately one to two years and have a contractual term of two to 10 years.

A summary of the range of assumptions used to value stock options granted for the nine months ended July 31, 2016 and 2015 are as follows:

Options	Nine Months Ended July 31,	
	2016	2015
Expected volatility	65% - 70%	—
Risk-free interest rate	0.83% - 0.98%	—
Dividend yield	—	—
Expected term (in years)	2.50 - 3.50	—

During the nine months ended July 31, 2016, the Company granted options to acquire 4,075,000 shares of common stock with a weighted-average grant-date fair value of \$0.02 per share and an exercise price of \$CDN 0.075 per share. No options were exercised during the nine months ended July 31, 2016.

No options were granted or exercised during the nine months ended July 31, 2015.

The following is a summary of stock option activity for the nine months ended July 31, 2016:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at October 31, 2015	8,657,858	\$ 0.46	2.36	\$ —
Granted	4,075,000	\$ 0.06		
Expired	(800,000)	\$ 1.00		
Forfeited or Cancelled	(515,000)	\$ 0.46		
Outstanding at July 31, 2016	11,417,858	\$ 0.28	2.81	\$ 452,570
Exercisable at July 31, 2016	8,226,193	\$ 0.35	2.21	\$ 150,857

The Company recognized stock-based compensation costs for stock options of \$74,877 and \$92,795 for the nine months ended July 31, 2016 and 2015, respectively. As of July 31, 2016, there was \$44,507 of total unrecognized compensation expense, which is expected to be recognized over a weighted average period of 0.57 years.

Summarized information about stock options outstanding and exercisable at July 31, 2016 is as follows:

Options Outstanding				Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.06	4,075,000	4.57	\$ 0.06	1,358,334	\$ 0.06
0.26	2,525,000	2.86	0.26	2,050,001	0.26
0.37	1,705,000	1.90	0.37	1,705,000	0.37
0.44 – 0.60	3,070,000	0.95	0.51	3,070,000	0.51
2.18	42,858	1.47	2.18	42,858	2.18
\$ 0.06 - 2.18	11,417,858	2.81	\$ 0.28	8,226,193	\$ 0.35

NOTE 14 - WARRANTS

A summary of warrant activity for the nine months ended July 31, 2016 is as follows:

Warrants	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at October 31, 2015	—	\$ —	—	—
Issued in the \$CDN 0.13 Unit private placement (Note 12)	11,362,310	\$ 0.12		
Issued in the \$CDN 0.15 Unit private placement (Note 12)	4,340,000	\$ 0.12		
Placement Agent's Warrants (Note 12)	200,400	\$ 0.16		
Outstanding and exercisable at July 31, 2016	15,902,710	\$ 0.12	1.44	\$ 723,916

During the nine months ended July 31, 2016, the Company issued 11,362,310 warrants with an exercise price of \$CDN 0.16 in connection with the \$CDN 0.13 Unit private placement (Note 12).

During the nine months ended July 31, 2016, the Company issued 4,340,000 warrants with an exercise price of \$CDN 0.16 in connection with the \$CDN 0.15 Unit private placement and issued 200,400 compensation warrants to a placement agent with an exercise price of \$CDN 0.205 (Note 12). The fair value of the Placement Agent's Warrants was determined to be \$11,621 based upon the Black-Scholes pricing model using risk free interest rate of 0.73%, expected volatility of 89%, dividend yield of 0%, and a contractual term of two years.

On August 5, 2016, the warrant expiry acceleration clause contained in the \$CDN 0.13 Warrants was triggered following a period of five consecutive trading days in which the closing price of the common shares of the Company on the OTCQB Venture Marketplace was \$0.18 or higher. In total, 11,362,310 \$CDN 0.13 Warrants have been accelerated with a new expiration date of September 19, 2016.

No warrants were issued or exercised during the nine months ended July 31, 2015.

Summarized information about warrants outstanding and exercisable at July 31, 2016 is as follows:

Warrants Outstanding and Exercisable			
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$ 0.12	15,702,310	1.44	\$ 0.12
0.16	200,400	1.97	0.16
\$ 0.12 – 0.16	15,902,710	1.44	\$ 0.12

NOTE 15 – FINANCIAL INSTRUMENTS

Fair Value Measurements

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of financial assets or the assumption of liabilities carried at amortized cost, in which case the transaction costs adjust the carrying amount.

The three levels of the fair value hierarchy are as follows:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of July 31, 2016 and October 31, 2015, the Company had no financial assets or liabilities required to be reported for fair value purposes.

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, other receivables, accounts payable and accrued liabilities and expenses approximate fair value at July 31, 2016 and October 31, 2015 due to the short maturities of these financial instruments.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. To mitigate exposure to credit risk on financial assets the Company has established policies to ensure liquidity of funds and ensure that counterparties demonstrate minimum acceptable creditworthiness.

The Company maintains its U.S. dollar and \$CDN cash and cash equivalents in bank and demand deposit accounts with major financial institutions with high credit standings. Cash deposits held in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 and \$CDN cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation ("CDIC") for up to \$CDN 100,000. Certain United States and Canadian bank accounts held by the Company exceed these federally insured limits or are uninsured as they related to U.S. dollar deposits held in Canadian financial institutions. As of July 31, 2016 and October 31, 2015, the Company's cash and cash equivalent balances held in United States and Canadian financial institutions included \$1,430,623 and \$854,979 respectively, which was not insured by the FDIC or CDIC. The Company has not experienced any losses on such accounts and management believes that using major financial institutions with high credit ratings mitigates the credit risk in cash and cash equivalents.

The Company also maintains cash in bank accounts in Mexico and Gabon. These accounts are denominated in the local currency and are considered uninsured. As of July 31, 2016 and October 31, 2015, the U.S. dollar equivalent balance for these accounts was \$3,816 and \$19,393, respectively.

Interest Rate Risk

The Company holds substantially all of the Company's cash and cash equivalents in bank and demand deposit accounts with major financial institutions. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash and cash equivalent balances during the nine months ended July 31, 2016, a 1% decrease in interest rates would have resulted in a reduction of approximately \$317 in interest income for the period.

Foreign Currency Exchange Risk

Certain purchases of labor, operating supplies and capital assets are denominated in \$CDN, Mexican Pesos ("MXN"), Central African Francs ("CFA") or other currencies. As a result, currency exchange fluctuations may impact the costs of the Company's operations. Specifically, the appreciation of the \$MXN, \$CDN or \$CFA against the U.S. dollar may result in an increase in operating expenses and capital costs in U.S. dollar terms. As of July 31, 2016, the Company maintained the majority of its cash balance in U.S. dollars. The Company currently does not engage in any currency hedging activities.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Compliance with Environmental Regulations

The Company's activities are subject to laws and regulations controlling not only the exploration and mining of mineral properties, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays or affect the economics of a project, and cause changes or delays in the Company's activities.

Property Concessions in Mexico

To properly maintain property concessions in Mexico, the Company is required to pay a semi-annual fee to the Mexican government and complete annual assessment work.

Royalty

The Company has agreed to pay a 2% net smelter return royalty on certain property concessions within the Sierra Mojada Property based on revenues generated from production. Total payments under this royalty are limited to \$6.875 million (the "Royalty").

Office Lease Commitment

The Company entered into a six-month office sub-lease agreement from July 1, 2016 to December 31, 2016 for the Company's corporate office in Vancouver, Canada. The monthly lease payment is \$CDN 4,300. The lease payments remaining during fiscal 2016 and during fiscal 2017 are \$CDN 12,900 and \$CDN 8,600. As of July 31, 2016, one U.S. dollar approximates \$CDN 1.31.

Litigation and Claims

On May 20, 2014, a local cooperative named Sociedad Cooperativa de Exploración Minera Mineros Norteños, S.C.L. ("Mineros Norteños") filed an action in the Local First Civil Court in the District of Morelos, State of Chihuahua, Mexico, against the Company's subsidiary, Minera, claiming that Minera breached an agreement regarding the development of the Sierra Mojada project. On January 19, 2015, the case was moved to the Second District Court (of federal jurisdiction). Mineros Norteños is seeking payment of the Royalty, including interest at a rate of 6% per annum since August 30, 2004, notwithstanding that no revenue has been produced from the applicable mining concessions, and it is also seeking payment of wages to the cooperative's members since August 30, 2004, notwithstanding that none of the individuals were ever hired or performed work for Minera under this agreement and Minera never committed to hiring them. The Company and the Company's Mexican legal counsel believe that this claim is without merit and have asserted all applicable defenses. All necessary testimony and evidence has been produced before the court and the Company expects to receive the judgment of the court prior to the end of the first quarter of 2017. The Company has not accrued any amounts in its unaudited interim condensed consolidated financial statements with respect to this claim.

On February 15, 2016, Messrs. Jaime Valdez Farias and Maria Asuncion Perez Alonso (collectively, "Valdez") filed an action before the Local First Civil Court of Torreon, State of Coahuila, Mexico, against the Company's subsidiary, Minera, claiming that Minera had breached an agreement regarding the development of the Sierra Mojada project. Valdez seeks payment in the amount of \$5.9 million for the alleged breach of the agreement. On April 28, 2016, Minera filed its response to the complaint, asserting various defenses, including that Minera terminated the agreement before the payment obligations arose and that certain conditions precedent to such payment obligations were never satisfied by Valdez. The lawsuit is currently in the phase of evidence submission by the parties. The Company and the Company's Mexican legal have asserted all applicable defenses. The Company has not accrued any amounts in its unaudited interim condensed consolidated financial statements with respect to this claim.

From time to time, the Company is involved in other disputes, claims, proceedings and legal actions arising in the ordinary course of business. The Company intends to vigorously defend all claims against the Company, and pursue its full legal rights in cases where the Company has been harmed. Although the ultimate outcome of these proceedings cannot be accurately predicted due to the inherent uncertainty of litigation, in the opinion of management, based upon current information, no other currently pending or overtly threatened proceeding is expected to have a material adverse effect on the Company's business, financial condition or results of operations.

NOTE 17 – SEGMENT INFORMATION

The Company operates in a single reportable segment: the exploration of mineral property interests. The Company has mineral property interests in Sierra Mojada, Mexico.

Geographic information is approximately as follows:

	For the Three Months Ended		For the Nine Months Ended	
	July 31,		July 31,	
	2016	2015	2016	2015
Net loss for the period				
Mexico	\$ (755,000)	\$ (270,000)	\$ (880,000)	\$ (725,000)
Canada	(323,000)	(364,000)	(968,000)	(1,197,000)
Gabon	-	-	(9,000)	(94,000)
Loss from Continuing Operations	(1,078,000)	(634,000)	(1,857,000)	(2,016,000)
(Loss) income from discontinued operations	—	(1,000)	—	125,000
Net Loss	<u>\$ (1,078,000)</u>	<u>\$ (635,000)</u>	<u>\$ (1,857,000)</u>	<u>\$ (1,891,000)</u>

The following table details allocation of assets included in the accompanying balance sheet at July 31, 2016:

	Canada	Mexico	Gabon	Total
Cash and cash equivalents	\$ 1,507,000	\$ 3,000	\$ 1,000	\$ 1,511,000
Value-added tax receivable, net	-	111,000	-	111,000
Other receivables	6,000	1,000	-	7,000
Prepaid expenses and deposits	26,000	26,000	1,000	53,000
Assets held for sale	-	29,000	-	29,000
Office and mining equipment, net	-	232,000	-	232,000
Property concessions	-	5,004,000	-	5,004,000
Goodwill	-	2,058,000	-	2,058,000
	<u>\$ 1,539,000</u>	<u>\$ 7,464,000</u>	<u>\$ 2,000</u>	<u>\$ 9,005,000</u>

The following table details allocation of assets included in the accompanying balance sheet at October 31, 2015:

	Canada	Mexico	Gabon	Total
Cash and cash equivalents	\$ 932,000	\$ 18,000	\$ 1,000	\$ 951,000
Value-added tax receivable, net	-	132,000	-	132,000
Other receivables	10,000	11,000	-	21,000
Prepaid expenses and deposits	104,000	30,000	1,000	135,000
Office and mining equipment, net	-	306,000	-	306,000
Property concessions	-	5,593,000	-	5,593,000
Goodwill	-	2,058,000	-	2,058,000
	<u>\$ 1,046,000</u>	<u>\$ 8,148,000</u>	<u>\$ 2,000</u>	<u>\$ 9,196,000</u>

The Company has significant assets in Coahuila, Mexico. Although Mexico is generally considered economically stable, it is always possible that unanticipated events in Mexico could disrupt the Company's operations. Neither the Mexican government nor the Gabonese government requires foreign entities to maintain cash reserves in its respective country.

The following table details allocation of exploration and property holding costs for the exploration properties:

	For the Three Months Ended July 31,		For the Nine Months Ended July 31,	
	2016	2015	2016	2015
Exploration and property holding costs for the period				
Mexico Sierra Mojada	\$ (746,000)	\$ (254,000)	\$ (998,000)	\$ (685,000)
Gabon Mitzi	-	-	(10,000)	(12,000)
	<u>\$ (746,000)</u>	<u>\$ (254,000)</u>	<u>\$ (1,008,000)</u>	<u>\$ (697,000)</u>