SAVANNAH GOLD CORP.

(Formerly Mexigold Corp.)

Consolidated Financial Statements

December 31, 2016 and 2015

Expressed in Canadian Dollars

SAVANNAH GOLD CORP.

(Formerly Mexigold Corp.)

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Savannah Gold Corp. (formerly Mexigold Corp.):

We have audited the accompanying consolidated financial statements of Savannah Gold Corp. (formerly Mexigold Corp.), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 that 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 Savannah Gold Corp. (formerly Mexigold Corp.) 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Savannah Gold Corp.'s (formerly Mexigold Corp.) ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 21, 2017

SAVANNAH GOLD CORP.
(Formerly Mexigold Corp.)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes		**December 31, 2016**		December 31, 2015
Assets					
Current assets:					
Cash		**$**	**484**	$	3,066
Receivables	3		**15,726**		11,096
Prepaids			**1,250**		1,250
			17,460		15,412
Property and equipment	4		**372**		737
		$	**17,832**	$	16,149
Liabilities and Shareholders' Deficiency					
Current liabilities:					
Trade payables and accrued liabilities	5	**$**	**126,565**	$	152,976
Due to related parties	7		**284,862**		187,127
			411,427		340,103
Shareholders' deficiency:					
Share capital	6		**13,426,805**		13,426,805
Reserves	6		**1,148,143**		1,143,158
Deficit			**(14,968,543)**		(14,893,917)
			(393,595)		(323,954)
		$	**17,832**	$	16,149

Nature and continuance of operations (Note 1)

Subsequent events (Note 10)

On behalf of the directors:

"Praveen Varshney"
Director

"Mervyn Pinto"
Director

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

SAVANNAH GOLD CORP.
(Formerly Mexigold Corp.)

Consolidated Statement of Changes in Deficiency
(Expressed in Canadian Dollars)

	Share Capital		Reserves			
	Number of Shares	Amount	Equity Reserve	Foreign Currency Reserve	Deficit	Total Deficiency
Balance, December 31, 2014	15,230,153	$ 13,426,805	$ 1,223,755	$ (79,306)	$ (14,745,207)	**$ (173,953)**
Foreign currency translation	–	–	–	(1,291)	–	(1,291)
Net loss for the year	–	–	–	–	(148,710)	(148,710)
Balance, December 31, 2015	15,230,153	13,426,805	1,223,755	(80,597)	(14,893,917)	**(323,954)**
Foreign currency translation	–	–	–	4,985	–	4,985
Net loss for the year	–	–	–	–	(74,626)	(74,626)
Balance, December 31, 2016	**15,230,153**	**$ 13,426,805**	**$ 1,223,755**	**$ (75,612)**	**$ (14,968,543)**	**$ (393,595)**

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

SAVANNAH GOLD CORP.
(Formerly Mexigold Corp.)

Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

	Notes		2016		2015
Expenses:					
Amortization	4	**$**	**365**	$	679
Gain on debt settlement	5		**(47,712)**		–
General and administrative	7		**67,467**		80,002
Management fees	7		**30,000**		45,000
Professional fees			**7,612**		12,561
Regulatory and transfer agent fees			**16,894**		10,468
Net loss for the year			**(74,626)**		(148,710)
Other comprehensive income (loss)					
Exchange differences on translating foreign operations			**4,985**		(1,291)
Comprehensive loss for the year		**$**	**(69,641)**	$	(150,001)
Loss per common share					
-Basic and diluted		**$**	**(0.03)**	$	(0.05)
Weighted average number of common shares outstanding –Basic and diluted*			**3,046,031**		3,046,031

*Loss per common share and weighted average number of common shares have been retroactively restated to reflect consolidation of the Company's share capital effective March 3, 2017 (Note 10).

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

SAVANNAH GOLD CORP.
(Formerly Mexigold Corp.)

Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

		2016		2015
Cash provided by (used in):				
Operating :				
Net loss for the year	**$**	**(74,626)**	$	(148,710)
Items not affecting cash				
Amortization		**365**		679
Gain on debt settlement		**(47,712)**		–
Change in non-cash working capital:				
Receivables		**(4,630)**		(5,331)
Prepaids		–		(1,250)
Trade payables and accrued liabilities		**21,301**		47,602
Due to related parties		**69,235**		86,427
		(36,067)		(20,583)
Financing:				
Loans from related parties		**28,500**		23,500
		28,500		23,500
Effect of foreign exchange		**4,985**		(1,291)
Change in cash		**(2,582)**		1,626
Cash, beginning		**3,066**		1,440
Cash, ending	**$**	**484**	$	3,066

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Savannah Gold Corp. ("Savannah" or the "Company", formerly Mexigold Corp.) was incorporated on August 19, 1998 under the laws of British Columbia. The Company is listed on the NEX board of the TSX Venture Exchange ("TSX-V") under the symbol SAV.H.

On August 22, 2016, the Company changed its name from Mexigold Corp. to Savannah Gold Corp. and its stock symbol from MAU.H to SAV.H. The Company also consolidated its share capital on a ratio of one new post-consolidated common share for every two old pre-consolidated common shares. All shares and per share references in these financial statements have been retroactively restated accordingly unless noted otherwise.

On March 1, 2011, the Company incorporated a wholly-owned Canadian subsidiary, 0904254 BC Ltd. ("0904254 BC"). On March 4, 2011, the Company also incorporated a Mexican subsidiary, Mexigold Resources SA de CV ("MAU Mexico"), whereby the Company owns 99% and 0904254 BC owns 1% of MAU Mexico.

The Company's head office and principal address is Suite 2050-1055 West Georgia Street, PO Box 11121, Vancouver, BC, V6E 3P3. The registered and records office is Suite 400-725 Granville Street, Vancouver, BC, V7Y 1G5.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company continues to identify and evaluate business opportunities in the resource sector and other industries. The Company's continuing operations are dependent upon its ability to raise adequate financing to pursue these opportunities and to commence profitable operations in the future. To date, the Company has not generated any revenues and was not able to finance day to day activities through operations. During the year ended December 31, 2016, the Company incurred a net loss of $74,626 (2015 - $148,710), and, as of this date, the Company's accumulated deficit is $14,968,543.

These uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company may continue to have capital requirements in excess of its currently available resources. The Company will require financing in the future to continue in business, and there can be no assurance that such financing will be available or, if available, that it will be on reasonable terms.

These consolidated financial statements do not give effect to any adjustments to the amounts or classification of assets and liabilities, which might be necessary should the Company be unable to continue in existence.

These financial statements were authorized for issue on April 21, 2017 by the directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of Compliance

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

Basis of Presentation

The consolidated financial statements of the Company have been prepared on an accrual and historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. Subsidiaries are all corporations over which the Company is able directly or indirectly, to control the financial and operational policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

		Percentage owned	
	Country of incorporation	December 31, 2016	December 31, 2015
0904254 BC	Canada	100%	100%
MAU Mexico	Mexico	100%(1)	100%(1)

(1) The Company owns 99% and 0904254 BC owns 1% of MAU Mexico

Assets, liabilities, revenues and expenses of the subsidiaries are recognized in accordance with the Company's accounting policies. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Significant estimates and assumptions (cont'd)

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful life of property and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability of VAT recoverable, recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the determination of the functional currency of the Company and its subsidiaries.

Foreign Currency Translation

The functional currency of each of the Company's entities 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 functional and presentation currency. The functional currency of the subsidiary of the Company that has operations in Mexico is the Mexican Peso.

<u>Foreign currency transactions, balances and translation:</u>

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 monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

***Foreign currency translation** (cont'd)*

Translation of operations with a different functional currency:

The financial results and position of foreign operations whose functional currency is different from the Company's functional currency are translated to the Company's presentation currency as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency reserve in the statement of comprehensive loss. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Share-based Payments

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 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. For stock options, the cost of the option is expensed or capitalized as an addition to non-monetary assets depending on the reason for the grant. The corresponding amount is recorded to the option reserve. The fair value of options granted is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Cash and Cash Equivalent

Cash and cash equivalent include cash on hand and short-term, highly liquid Canadian dollar denominated guaranteed investment certificates that are readily convertible to known amounts of cash.

Financial Instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale. The Company classifies its financial liabilities as either at fair value through profit or loss and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

***Financial Instruments** (cont'd)*

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Transaction costs are expensed as incurred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the transaction value, including transaction costs, and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. Held-to-maturity investments are recognized on a trade-date basis and initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Available-for-sale financial assets are measured initially at their fair value including transaction costs directly attributable to the acquisition. They are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

***Financial Instruments** (cont'd)*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

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

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.

The Company has classified its cash deposit as at FVTPL. Trade payables and due to related parties are classified as other financial liabilities, all of which are measured at amortized cost. Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Income Taxes

Income tax expense comprise of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Loss Per Share

Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Property and equipment

Property and equipment is recorded at cost less accumulated impairment losses. Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of property and equipment.

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Property and equipment *(cont'd)*

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Amortization is calculated at the following rates and basis:

Computer equipment	55% declining balance
Furniture	20% declining balance
Leasehold improvements	20% straight-line

Adoption of new accounting standards

The following amendments to certain accounting standards were effective for annual periods beginning on or after January 1, 2016 and have been adopted by the Company. There was no material impact on the consolidated financial statements arising from the implementation of these standards.

- *Amendments to IAS 1 Presentation of Financial Statements:* The amendments clarify guidance on materiality and aggregation, use of subtotals, aggregation and disaggregation of financial statement line items, the order of the notes to the financial statements and disclosure of significant accounting policies.
- *Amendments to IFRS 10 Consolidated Financial Statements; IFRS 12 Disclosure of Interest in Other Entities; IAS 28 Investments in Associates and Joint Ventures*: The amendments address issues in applying the consolidation exception for investment entities.
- *IFRS 11, Joint Arrangements:* The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- *Amendments to IAS 16 and IAS 38:* The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.
- *Amendments to IAS 27 Equity Method in Separate Financial Statements:* The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Recent accounting pronouncements

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective. The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

- *IFRS 9, Financial Instruments*

  IFRS 9, Financial instruments, was issued by the IASB on July 24, 2014 and will replace IAS 39, Financial instruments: recognition and measurement ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

- *IFRS 15, Revenue from Contracts with Customers*

  IFRS 15, Revenue from Contracts and Customers, was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

- *IFRS 16 – Leases*

  IFRS 16, the new standard contains a single lessee accounting model, which eliminates the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 for public entities with early adoption permitted.

3. RECEIVABLE

	December 31, 2016	December 31, 2015
Government sales tax	$ 15,726	$ 11,096

(Expressed in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

	Computer Equipment	Leasehold Improvements	Furniture	Total
Cost:				
At December 31, 2014, 2015 and 2016	$ 2,687	$ 2,308	$ 1,034	**$ 6,029**
Amortization:				
At December 31, 2014	$ 2,477	$ 1,616	$ 520	**$ 4,613**
Amortization	115	461	103	679
At December 31, 2015	2,592	2,077	623	**5,292**
Amortization	52	231	82	365
At December 31, 2016	$ 2,644	$ 2,308	$ 705	**$ 5,657**
Net book value:				
At December 31, 2015	$ 95	$ 231	$ 411	**$ 737**
At December 31, 2016	$ 43	$ –	$ 329	**$ 372**

5. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2016	December 31, 2015
Trade payables	$ 91,140	$ 62,165
Trade payables of MAU Mexico	24,925	73,861
Accrued liabilities	10,500	16,950
	$ 126,565	$ 152,976

During the year ended December 31, 2016, the Company recorded a gain of $47,712 on settlement of trade payables of MAU Mexico.

6. SHARE CAPITAL

Authorized share capital

Unlimited common shares with no par value.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (cont'd)

Issued and outstanding

During the year ended December 31, 2016, the Company consolidated its share capital on a ratio of one new post-consolidated common share for every two old pre-consolidated common shares. As of December 31, 2016 the Company had 15,230,153 issued and outstanding common shares.

There were no transactions affecting share capital during the year ended December 31, 2015.

Stock options

The Company adopted a 10% rolling stock option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the policies of the TSX-V where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options. Options granted fully vest on the date of grant, except for options issued to consultants which vest in stages over 12 months with no more than 25% of the options vesting in any 3 month period.

A summary of the Company's stock option transactions at December 31, 2016 and 2015 is presented below:

	December 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	375,000	$ 0.96	375,000	$ 0.96
Expired / forfeited	(375,000)	0.96	–	–
Options outstanding, end of year	–	$ –	375,000	$ 0.96

Reserves

Equity reserve records items recognized as share-based payments until such time that the stock options and agent's warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency reserve records exchange differences arising from translation of the Company's subsidiary's' results and financial position from their functional currencies into the presentation currency.

7. RELATED PARTY TRANSACTIONS

The Company entered into an agreement with Varshney Capital Corp. ("VCC"), a company controlled by two common directors, to provide management and administrative services to the Company in exchange for a monthly fee of $5,000 and $3,000, respectively.

On July 1, 2015, the Company renewed its agreement with VCC for management and administrative services for a monthly fee of $2,500 and $3,000, respectively, for a term of 3 years. The agreement will automatically renew annually thereafter until notice is provided to the Company for termination.

During the year ended December 31, 2016, the Company incurred $30,000 (2015 - $45,000) for management fees and $36,000 (2015 - $36,000) for administrative fees to VCC.

As at December 31, 2016, $221,550 (December 31, 2015 - $152,250) was due to VCC for management and administrative fees and $62,000 (December 31, 2015 - $33,500) was due to VCC for an operating loan. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. The amounts were paid subsequent to December 31, 2016.

As at December 31, 2016, $1,312 (December 31, 2015 - $1,377) was due to directors of the Company for reimbursement of expenses. The amount was paid subsequent to December 31, 2016.

8. FINANCIAL RISK AND CAPITAL MANAGEMENT

As at December 31, 2016, the Company's financial instruments include cash, trade payables and due to related parties. Trade payables and due to related parties are classified as other financial liabilities. The carrying value of these financial instruments approximates their fair value due to their short-term maturity.

The Company's financial instruments are exposed to credit risk, liquidity risk, and market risks.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and receivables. The Company minimizes its exposure to credit risk by placing its cash with a Canadian Chartered bank. While there is concentration of risk by holding all funds with one institution, management assesses credit risk of cash as low due to the high credit quality rating the institution has with the rating agencies. As at December 31, 2016, the Company had cash of $484 (December 31, 2015 - $3,066).

The Company's secondary exposure to credit risk is on its receivable. This risk is minimal as receivables consist of refundable government sales taxes of $15,726 (December 31, 2015 - $11,096).

Currency risk
The Company's current operations are not exposed to significant foreign currency risk. However, the Company is exposed to foreign currency risk on fluctuations related to trade payables of the Mexican subsidiary of approximately $24,925 (Note 5) that are denominated in US Dollars. The Company does not hedge its exposure to foreign exchange risk on these items.

8. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The fair value of the Company's financial instruments is relatively unaffected by changes in interest rates. The interest rate risk on its bank deposit, which earns interest at a variable rate, is minimal due to a low balance of the deposit.

Liquidity and funding risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company tries to achieve this by maintaining sufficient cash to cover current liabilities as they mature.

As at December 31, 2016, the Company had a working capital deficiency of $393,967 (December 31, 2015 - $324,691). In order to pay its current liabilities of $411,427 that are due within 12 months and to continue operations, additional funding will be required. During the past 12 months, the Company has relied on loans from a related party to assist short-term working capital needs.

Subsequent to the year ended December 31, 2016, the Company completed two equity financings, raising total gross proceeds of $855,000 (Note 10).

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. While the Company has been successful in raising capital in the past, there is no guarantee it will be able to do so in the future.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations. The Company's policy and objective is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and option reserve, net of accumulated deficit. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company invests all capital in surplus to its immediate operational needs in short-term liquid and highly-rated financial instruments, such as cash held with major financial institutions. The Company does not pay out dividends.

There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

9. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES

December 31,	2016	2015
Loss for the year before income taxes	$ (74,626)	$ (148,710)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(19,403)	(38,665)
Expiration of non-capital losses	–	69,632
Change in valuation allowance	19,403	(30,967)
Income tax recovery	$ –	$ –

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

December 31,	2016	2015
Mexican exploration and evaluation assets	$ 329,237	$ 329,237
Canadian loss carry-forwards	2,840,245	2,771,984
Mexican loss carry-forwards	2,318,336	2,318,336
Property and equipment	1,326,008	1,325,643
Investment tax credits	880,752	880,752
	$ 7,694,578	$ 7,625,952

(Expressed in Canadian Dollars)

9. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian loss carry-forwards	Mexican loss (gain) carry-forwards	Property and equipment	Investment tax credits
2019	$ –	$ –	$ –	$ 200,745
2020	–	–	–	276,113
2021	–	1,203,436	–	46,200
2022	–	748,551	–	117,272
2023	–	317,258	–	240,422
2024	–	33,248	–	–
2025	–	15,843	–	–
2026	213,426	–	–	–
2027	308,423	–	–	–
2028	212,794	–	–	–
2029	187,351	–	–	–
2030	220,183	–	–	–
2031	595,458	–	–	–
2032	350,213	–	–	–
2033	245,439	–	–	–
2034	237,172	–	–	–
2035	195,525	–	–	–
2036	74,261	–		
No expiry	–	–	1,326,008	–
	$ 2,840,245	$ 2,318,336	$1,326,008	$ 880,752

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. Accordingly, the potential future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these consolidated financial statements.

10. SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2016:

a) On February 27, 2017, the Company received a short-term loan of $150,000 from a related party. The loan was repaid from the proceeds of the Company's private placement that was completed in March 2017.

b) On March 1, 2017, the Company terminated its management and administrative services agreement with VCC (Note 7).

10. SUBSEQUENT EVENTS (cont'd)

c) On March 3, 2017, the Company consolidated its share capital on a ratio of five old common shares for every one new post-consolidated share. On completion of the consolidation, the Company had 3,046,021 issued and outstanding common shares.

d) On March 13, 2017, the Company completed a non-brokered private placement of 1,700,000 post consolidated common shares at a price of $0.15 per common share, for total gross proceeds of $255,000.

e) On April 12, 2017, the Company completed a non-brokered private placement of 3,000,000 units at a price of $0.20 per unit, for aggregate gross proceeds of $600,000. Each unit consists of one common share of the Company and one-half of one transferable common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of $0.40 until April 10, 2019, subject to acceleration. The Company paid finder's fees of $29,750 and issued 148,750 non-transferable finder's warrants to certain agents in accordance with applicable securities laws and the policies of the Exchange. The finder's warrants were issued on the same terms as the unit warrants.