Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars)

MEXICAN GOLD CORP

(An Exploration Stage Company)

For the three and six months ended December 31, 2017

MEXICAN GOLD CORP

NOTICE TO SHAREHOLDERS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(Stated in Canadian Dollars)
(Unaudited)

As at	December 31 2017 $	June 30 2017 $
ASSETS		
Current assets		
Cash and cash equivalents	**737,516**	834,057
Accounts receivable	**16,884**	35,854
Prepaids and deposits	**339,905**	524,908
Total current assets	**1,094,305**	1,394,819
Total assets	**1,094,305**	1,394,819
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**190,186**	136,189
EQUITY		
Share capital *[note 6]*	**23,307,604**	22,328,103
Equity settled employee benefits *[note 6]*	**3,083,136**	2,758,568
Foreign currency translation	**(94,545)**	1,462
Deficit	**(25,392,076)**	(23,829,503)
Total equity	**904,119**	1,258,630
Total liabilities and equity	**1,094,305**	1,394,819

Nature of Business and Going Concern [note 1]
Commitments [note 9]

See accompanying notes to the condensed consolidated interim financial statements

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on February 21, 2018.

They are signed on the Corporation's behalf by:

"Brian Robertson"	*"Ali Zamani"*
Director	Director

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)
(Unaudited)

	For the three months ended December 31		For the six months ended December 31	
	2017	2016	**2017**	2016
	$	$	**$**	$
REVENUE				
Interest income	**-**	222	**-**	388
EXPENSES				
Depreciation	**-**	2,688	**-**	5,376
Exploration and evaluation *[note 5]*	**448,649**	71,285	**624,236**	112,820
General and administrative *[note 8]*	**431,744**	143,590	**655,977**	286,100
Professional fees	**4,784**	15,517	**22,858**	36,685
Share-based payments *[note 6]*	**181,746**	-	**360,569**	-
Expense (recovery) of Value Added Tax	**(101,067)**	5,237	**(101,067)**	(2,739)
Total expenses	**965,856**	238,317	**1,562,573**	438,242
Loss from operating activities	**(965,856)**	(238,095)	**(1,562,573)**	(437,854)
Loss for the period	**(965,856)**	(238,095)	**(1,562,573)**	(437,854)
Exchange differences on translation of foreign operations	**(94,545)**	16,997	**(94,545)**	(2,858)
Comprehensive loss for the period	**(1,060,401)**	(221,098)	**(1,657,118)**	(440,712)
Basic and diluted loss per share	**(0.03)**	(0.02)	**(0.05)**	(0.05)

See accompanying notes to the condensed consolidated interim financial statements

MEXICAN GOLD CORP

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED DECEMBER 31

(Stated in Canadian Dollars)
(Unaudited)

	2017 **$**	2016 $
OPERATING ACTIVITIES		
Loss for the period	**(1,657,118)**	(437,854)
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Depreciation	**-**	5,376
Share-based payments	**360,569**	-
Shares issued as compensation	**20,000**	-
	(1,276,549)	(432,478)
Changes in non-cash working capital balances related to operations		
Accounts receivable	**112,504**	(12,992)
Prepaids and deposits	**185,004**	5,697
Accounts payable and accrued liabilities	**53,545**	104,677
Cash used in operating activities	**(925,496)**	(335,096)
FINANCING ACTIVITIES		
Shares issued in private placements	**-**	778,875
Proceeds from the exercise of share purchase warrants	**923,500**	-
Share issue costs	**-**	(99,898)
Subscription receipts	**-**	75,000
Cash provided by financing activities	**923,500**	753,977
Increase (decrease) in cash and cash equivalents during period	**(1,996)**	418,881
Cash and cash equivalents, beginning of period	**834,057**	44,377
Effect of exchange rate on cash held	**(94,545)**	(2,858)
Cash and cash equivalents, end of period	**737,516**	460,400

See accompanying notes to the condensed consolidated interim financial statements

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Stated in Canadian Dollars)
(Unaudited)

	Share Capital			Reserves				
Issued and outstanding:	Number of Shares	Share Capital	Shares subscribed	Warrants	Equity Settled Employee Benefits	Foreign currency translation	Deficit	Total Equity
Balance as at June 30, 2016	8,764,369	17,660,298	-	81,135	2,322,450	(23,596)	(20,684,500)	(644,213)
Private placements	5,192,500	778,875	-	-	-	-	-	778,875
Share issue costs	-	(144,871)	-	44,973	-	-	-	(99,898)
Loss and comprehensive loss for the period	-	-	-	-	-	(2,858)	(437,854)	(440,712)
Share subscriptions	-	-	75,000	-	-	-	-	75,000
Balance as at December 31, 2016	13,956,869	18,294,302	75,000	126,108	2,322,450	(26,454)	(21,122,354)	(330,948)
Private placements	18,323,603	3,647,081	(75,000)	-	-	-	-	3,572,081
Exercise of warrants	231,628	57,907	-	-	-	-	-	57,907
Issue Finder's warrants	-	-	-	40,852	-	-	-	40,852
Share issue costs	-	(170,126)	-	-	-	-	-	(170,126)
Share-based payments	-	-	-	-	269,158	-	-	269,158
Shares issued to settle debt	1,663,129	498,939	-	-	-	-	-	498,939
Loss and comprehensive loss for the period	-	-	-	-	-	27,916	(2,707,149)	(2,679,233)
Balance as at June 30, 2017	34,175,229	22,328,103	-	166,960	2,591,608	1,462	(23,829,503)	1,258,630
Exercise of warrants	3,766,000	959,500	-	(36,000)	-	-	-	923,500
Share-based payments	-	-	-	-	360,569	-	-	360,569
Shares issued as compensation	78,431	20,000	-	-	-	-	-	20,000
Loss and comprehensive loss for the period	-	-	-	-	-	(96,007)	(1,562,573)	(1,658,580)
Balance as at December 31, 2017	**38,019,660**	**23,307,603**	**-**	**130,960**	**2,952,177**	**(94,545)**	**(25,392,076)**	**904,119**

See accompanying notes to the condensed consolidated interim financial statements

(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the six months ended December 31, 2017
(with comparative figures for the year ended June 30, 2017)

1. NATURE OF BUSINESS AND GOING CONCERN

Mexican Gold Corp. (formerly Source Exploration Corp.) (the "Corporation") was incorporated under the Business Corporation's Act (Alberta) on October 5, 2006, and is engaged in the acquisition, exploration, and evaluation of mineral properties. On January 17, 2011 the Corporation received all necessary approvals to continue into the jurisdiction of Ontario.

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

Going concern

At December 31, 2017 the Corporation had not yet achieved profitable production, had accumulated losses of $25,392,076, had a current working capital balance of $904,119 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Corporation's ability to continue as a going concern. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended June 30, 2017.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Corporation's consolidated financial statements for the year ended June 30, 2017, with the exception of certain amendments to accounting standards issued by the IASB, which were effective January 1, 2014. These amendments did not have a significant impact on the Corporation's audited condensed consolidated interim financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in the preparation of the Corporation's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in note 2 to the Corporation's consolidated financial statements for the year ended June 30, 2017.

(Stated in Canadian Dollars)

The unaudited condensed consolidated interim financial statements of the Corporation for the period ended December 31, 2017 were approved and authorized by the Board of Directors on February 21, 2018.

Statement of Compliance

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

Basis of Consolidation

The Corporation's financial statements consolidate those of the parent Corporation and its subsidiary undertakings drawn up to December 31, 2017. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtains and exercises control through more than half of the voting rights.

	Percentage of ownership	Jurisdiction	Principal activity
Roca Verde Exploracion Mexico, S.A. de C.V. ("Roca Verde")	100%	Mexico	Mineral exploration

All transactions and balances between the Corporation and its subsidiary are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of its subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Profit or loss and other comprehensive income or loss of a subsidiary acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements have been prepared on the basis of all IFRS and interpretations effective as at December 31, 2017.

The following standards were applied for the periods beginning on or after January 1, 2017 and had no material effect on the Corporation's financial statements:

Accounting Standards issued and effective January 1, 2017

→ Amendments to IAS 7 - Statement of Cash Flows require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning January 1, 2017.

→ Amendments to IAS 12 - Deferred Tax Assets for Unrealized Losses apply retrospectively for periods beginning on or after January 1, 2017 and earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of carrying amount of an assets and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount. The Corporation intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning January 1, 2017.

The additional required disclosures of applying the above standard were incorporated in the notes to these financial statements.

The Corporation has not applied the following revised or new IFRS that have been issued but were not yet effective at December 31, 2017.

Accounting standards issued and effective January 1, 2018

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the financial statements:

→ IFRS 15, Revenue from Contracts with Customers establishes an single model in accounting for revenue arising from contracts with customers. This will supercede current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations

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→ IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities.

Accounting standards issued and effective January 1, 2019

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the financial statements:

→ IFRS 16, Leases introduces new requirements for the classification and measurement of leases.

(Stated in Canadian Dollars)

4. SEGMENTED INFORMATION

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

For the period ended December 31, 2017

	Canada $	Mexico $	Total $
Segmented Assets	**1,064,623**	**29,684**	**1,094,307**
Segmented Liabilities	**(174,646)**	**(15,540)**	**(190,186)**
Operating activities			
Depreciation	-	-	**-**
Exploration and evaluation	133,086	491,150	**624,236**
General and administrative	586,022	69,955	**655,977**
Professional fees	22,858	-	**22,858**
Share-based payments	360,569	-	**360,569**
Expense (recovery) of Value Added Tax	-	(101,067)	**(101,067)**
Total	**1,102,535**	**460,038**	**1,562,573**

For the period ended December 31, 2016

	Canada $	Mexico $	Total $
Segmented Assets	420,348	69,486	489,834
Segmented Liabilities	800,067	20,715	820,782
Operating activities			
Depreciation	5,376	-	5,376
Exploration and evaluation	31,864	80,956	112,820
General and administrative	272,599	13,501	286,100
Professional fees	36,137	548	36,685
Expense (recovery) of Value Added Tax	-	(2,739)	(2,739)
Interest income			
Interest income			
Total	345,976	92,266	438,242

(Stated in Canadian Dollars)

5. EXPLORATION AND EVALUATION

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

	Las Minas and La Miqueta $	**Period ended December 31, 2017** $	**Year ended June 30, 2017** $	**Inception to date total** $
Analytical	**-**	**-**	1,288	376,149
Geological and consulting	**212,181**	**212,181**	307,996	3,471,664
Transportation and accommodation	**23,920**	**23,920**	22,123	201,094
Drilling	**292,806**	**292,806**	434,540	5,906,786
Geophysical	**22,819**	**22,819**	-	97,498
Operational support	**43,285**	**43,285**	-	319,251
Other	**1,067**	**1,067**	96,196	402,026
Subtotal	**596,078**	**596,078**	862,143	10,774,468
Acquisition costs / Option payments	**28,158**	**28,158**	995,493	1,864,856
Total expenditures	**624,236**	**624,236**	1,857,636	12,639,324

Las Minas and La Miqueta

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

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

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

Option agreement extended to 2016

On June 6, 2013, the Corporation extended the option agreement to acquire the Pepe, Pepe Tres, and San Jose concessions located at the Las Minas property in Veracruz State, Mexico, and further revised on November 20,

2013. The amended agreement extended the term of the option agreement by an additional two years to December 5, 2015. Scheduled payments as per the terms of the amended agreement were US $130,000 over a 6 month period ending May 5, 2014, US $150,000 on December 5, 2014, with a final payment of US $1,300,000 on December 5, 2015. All payments are subject to VAT. The Corporation also retained the right to exercise the option at the latest on December 5, 2013 upon payment of US $1,000,000 as per the terms of the original option agreement on October 13, 2010.

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

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

On November 21, 2016, the Corporation announced another successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property.

The new agreement extends the term of the option agreement by an additional one year to December 5, 2017 for consideration equal to US$180,000, payable in equal monthly installments over a six month period and commencing no later than December 7, 2016 (Cdn$246,482).

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

Extension of Las Minas option agreement to 2017

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

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

- US $12,500 (paid) cash consideration and $12,500 (issued) in common shares of Mexican Gold as soon as is practicable following acceptance of the extension of the option agreement by the TSXV;
- US $12,500 (paid) cash consideration and US $12,500 (issued) in common shares of Mexican Gold on April 22, 2016 (see note 5(ii)); and
- Final option payment due on May 3, 2015 extended to May 3, 2017 and reduced from US $500,000 to US $150,000 (Cdn$195,723).

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

Acquisition of Pepe, Pepe Tres and San Jose concessions

On June 8, 2017, the Corporation through its wholly owned subsidiary, Roca Verde, entered into a definitive purchase and sale agreement (the "Purchase Agreement") to acquire a 100% interest in the Pepe, Pepe Tres and San Jose concessions (the "Concessions") at its Las Minas property from the current owners (the "Owners"). The Concessions form the core of the Las Minas property and encompass six highly mineralized zones, including the El Dorado/Juan Bran and Santa Cruz zones.

Pursuant to the terms of the Purchase Agreement, Roca Verde has agreed to acquire the Concessions in consideration for the following payments to the Owners:

- an initial payment of US$433,333 (Cdn$553,288) plus Value Added Tax, payable upon execution of the Purchase Agreement (the "Initial Payment");
- six equal payments of US$22,000 plus Value Added Tax, payable monthly commencing on December 5, 2017 with the final payment due on May 7, 2018 (the "Monthly Payments"); and
- a final payment of US$866,666 plus Value Added Tax, payable on or before December 5, 2018 (the "Final Payment" and, together with the Initial Payment and the Monthly Payments, the "Consideration").

The Initial Payment has been paid in full. If the Final Payment is made prior to the date on which any of the Monthly Payments are due, any Monthly Payment that would have been due after the date upon which the Final Payment is made shall no longer be payable. Upon payment of the Consideration, ownership and full title to the Concessions shall be automatically transferred to Roca Verde.

Pursuant to the terms of the Purchase Agreement, upon the transfer of the Concessions, the Owners shall retain a 1.5% NSR royalty (the "Royalty"), of which one third may be purchased by Roca Verde for US$500,000 plus Value Added Tax. Roca Verde has a right of first refusal on the Royalty in the event that the Owners intend to transfer all or part of the Royalty.

6. CAPITAL AND RESERVES

i. Authorized

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

ii. Details of share issuances

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

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

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

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

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

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

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

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

(v) On May 25, 2017, the Corporation closed a nonbrokered private placement of 5,990,270 units of the Corporation at a price of $0.30 per Unit for gross proceeds of up to $1,797,081. Each Unit consists of one common share of the Corporation and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one common share at a price of $0.45 per common share until May 25, 2019.

In connection with the private placement, the Corporation paid an aggregate of $22,785 in finder's fees to certain arm's length parties, representing 7% of the proceeds received from subscribers that were introduced by such parties, and issued 75,950 Finderѳ Warrants on the same terms as the Warrants. The Finder's Warrants were assigned a fair value of $24,076 using the BlackScholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 174% based on the Corporation's historical volatility; share price of $0.41; riskfree interest rate of 0.71% and an expected life of two years. The securities issued under the private placement are subject to a hold period under applicable Canadian securities laws which will expire on September 26, 2017.

(Stated in Canadian Dollars)

iii. Warrants

The following table reflects the continuity of warrants as at December 31, 2017:

Expiry Date	Exercise Price $	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	Closing Balance #
November 30, 2018	0.250	4,987,172	-	(76,000)	-	**4,911,172**
November 30, 2018*	0.250	270,920	-	-	-	**270,920**
March 03, 2019	0.250	12,307,033	-	(3,778,000)	-	**8,529,033**
March 03, 2019*	0.250	72,000	-	-	-	**72,000**
May 15, 2019	2.000	1,025,717	-	-	-	**1,025,717**
May 15, 2019*	2.000	51,738	-	-	-	**51,738**
May 25, 2019	0.450	5,990,270	-	-	-	**5,990,270**
May 25, 2019*	0.450	75,950	-	-	-	**75,950**
		24,780,800	-	(3,854,000)	-	**20,926,800**
Weighted average exercise price		-	-	0.25	-	**0.400**

* Finder's warrants.

The following table reflects the continuity of warrants as at June 30, 2016:

Expiry Date	Exercise Price $	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	Closing Balance #
November 30, 2018	0.250	4,987,172	-	-	-	**4,987,172**
November 30, 2018*	0.250	270,920	-	-	-	**270,920**
March 03, 2019	0.250	12,307,033	-	-	-	**12,307,033**
March 03, 2019*	0.250	72,000	-	-	-	**72,000**
May 15, 2019	2.000	1,025,717	-	-	-	**1,025,717**
May 15, 2019*	2.000	51,738	-	-	-	**51,738**
May 25, 2019	0.450	5,990,270	-	-	-	**5,990,270**
May 25, 2019*	0.450	75,950	-	-	-	**75,950**
		24,780,800	-	-	-	**24,780,800**
Weighted average exercise price		-	-	0.25	-	**0.400**

** Finder's warrants.

The fair value of the finder's warrants were estimated using the Black-Scholes option pricing model, with the following assumptions:

	2017	**2016**
Risk-free interest rate	**-**	1.5979 %
Annualized volatility****	**-**	170.32%
Expected dividend	**NIL**	NIL
Expected warrant life in years	**-**	5

**** Volatility was estimated based on the historical share price of the Corporation.

(Stated in Canadian Dollars)

iv. Share purchase option compensation plan

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the stock options outstanding as at December 31, 2017:

Expiry Date	**Exercise Price**	**Opening Balance**	**Granted**	**Exercised**	**Expired/ Cancelled**	**Closing Balance**
	$	#	#	#	#	#
August 29, 2017	2.000	51,500	-	-	(51,500)	-
June 20, 2019	1.350	374,000	-	-	(84,000)	290,000
March 20, 2020	0.800	199,000	-	-	(15,000)	184,000
September 01, 2020	0.800	14,000	-	-	(14,000)	-
May 24, 2022	0.350	400,000	-	-	-	400,000
May 29, 2022	0.360	100,000	-	-	-	100,000
March 07, 2027	0.300	1,250,000	-	-	-	1,250,000
May 29, 2027	0.360	950,000	-	-	-	950,000
May 29, 2027	0.550	250,000	-	-	-	250,000
November 20, 2017	0.360	-	200,000	-	-	200,000
December 12, 2017	0.350	-	167,466	-	-	167,466
		3,588,500	367,466	-	(164,500)	3,791,466
Weighted average exercise price		0.380	0.360	-	1.400	0.380

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $360,569 was recorded as compensation for the options vested during the period (2016 - $Nil was recorded as compensation during the period). As of December 31, 2017 there are 2,767,466 unvested stock options (2016- Nil unvested).

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2017	**2016**
Risk-free interest rate	**2.000%**	1.6743%
Annualized volatility*	**174.17% - 174.35%**	169.34%
Expected dividend	**NIL**	NIL
Expected option life in years	**10**	5

*Volatility was estimated based on the historical share price of the Corporation.

(Stated in Canadian Dollars)

7. LOSS PER SHARE

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

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

	2017	2016
Numerator:		
Net loss	**(1,657,118)**	(137,083)
Denominator:		
Weighted average number of common shares	**35,187,588**	57,626,235
Weighted average loss per share	**(0.05)**	-

8. RELATED PARTY TRANSACTIONS

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

	Nature of transactions
DRAX Services Limited	Corporate secretarial and filing services

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

[a] Included in general and administrative expenses are amounts totaling $7,500 (2016 - $2,133) for corporate secretarial and filing services provided by DRAX Services Limited, a company related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

(Stated in Canadian Dollars)

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	December 31, 2017	December 31, 2016
	$	$
Salary and wages	**63,416**	41,031
Share-based payments	**327,552**	-
Other compensation	**2,488**	2,833
	393,456	43,864

(i) As at December 31, 2017, the directors and key management were owed $79,824 (June 30, 2017 $79,824) and this amount was included in accounts payable and accrued liabilities.

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

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

	Number of common shares	Percentage of outstanding shares
Palisade Global Investments Ltd.	5,501,100	14.46%

The remaining 85.54% of the shares are widely held, which includes various small holdings which are owned by directors and officers of the Corporation. The holding can change at any time at the discretion of the owner.

(Stated in Canadian Dollars)

9. COMMITMENTS

The Corporation has commitments relating to property payments related to the Concessions held by the Corporation's subsidiary. The annual payments for the next fiscal years are as follow:

	$
2017	143,138
2018	1,127,672
	1,270,810

10. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

[a] Credit risk
Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Trade credit risk
The Corporation is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior period.

ii) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

iii) Derivative financial instruments
As at December 31, 2017, the Corporation has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit risk, it will only enter into derivative financial instruments with highly rate investment grade counterparties.

[b] Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. At December 31, 2017 the Corporation had a working capital balance of $904,119 which is sufficient to meet its upcoming liabilities.

Accounts payable and accrued liabilities are due within the current operating period.

[c] 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 market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

[d] Currency risk
The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar. The functional currency of the subsidiary is the Mexican Peso. As at December 31, 2017, there are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollar relative to Mexican Pesos could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At December 31, 2017 a 100 basis point decrease/increase in the Mexican Peso would result in a foreign exchange gain/loss of CDN$4,790.

The Corporation does not invest in derivatives to mitigate these risks.

11. MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and, acquire or dispose of mineral properties.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.