CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2016

AUDITORS' REPORT

STATEMENTS OF FINANCIAL POSITION

STATEMENTS OF COMPREHENSIVE LOSS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
San Marco Resources Inc.

We have audited the accompanying consolidated financial statements of San Marco Resources Inc., which comprise the consolidated statements of financial position as at November 30, 2016 and 2015, and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity 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.

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of San Marco Resources Inc. as at November 30, 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 conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about San Marco Resources Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

February 28, 2017

SAN MARCO RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(*Expressed in Canadian Dollars)*

	November 30, 2016	November 30, 2015	December 1, 2014
		Restated – Note 3	Restated – Note 3
ASSETS			
Current assets			
Cash	$ 520,207	$ 126,291	$ 34,435
Marketable securities (Note 5)	3,055	5,833	15,998
Receivables (Note 6)	33,398	11,324	26,271
Prepaid expenses	3,976	3,173	2,451
	560,636	146,621	79,155
Non-current assets			
Reclamation deposit (Note 7)	2,000	2,000	2,000
Equipment	2,182	2,101	10,380
Exploration advances (Note 8)	3,477	2,650	3,365
Mineral properties (Note 8)	79,165	24,654	157,577
Total assets	$ 647,460	$ 178,026	$ 252,477
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities (Notes 9 and 10)	$ 85,974	$ 45,964	$ 75,902
Loans from directors (Note 10)	-	-	45,179
	85,974	45,964	121,081
Non-current liabilities			
Deferred tax liability (Note 16)	-	-	12,000
Total liabilities	85,974	45,964	133,081
Shareholders' equity			
Share capital (Note 11)	10,976,378	9,732,162	9,141,643
Equity reserves (Note 11)	1,704,443	1,558,673	1,424,771
Deficit	(12,119,335)	(11,158,773)	(10,447,018)
	561,486	132,062	119,396
Total liabilities and equity	$ 647,460	$ 178,026	$ 252,477

Nature of operations and going concern (Note 1)
Subsequent Event (Note 17)

APPROVED AND AUTHORIZED BY THE DIRECTORS ON FEBRUARY 28, 2017:

" C. PRENTER " , Director

" R. STUART ANGUS " , Director

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

SAN MARCO RESOURCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED NOVEMBER 30

	2016	2015
EXPENSES		Restated – Note 3
Accounting and audit fees (Note 10)	$ 81,930	$ 90,420
Depreciation	2,343	7,525
Exploration and evaluation expenses (Note 8)	499,856	286,569
Foreign exchange loss	10,511	7,131
Insurance	8,583	12,693
Interest expense	-	814
Interest income	(1,575)	(954)
Investor relations	22,689	20,590
Legal and professional fees (Note 10)	49,268	38,101
Management and administration fees (Note 10)	51,700	15,623
Office and administration expenses	24,348	31,252
Other income	-	(8,714)
Share-based payments (Note 11)	181,121	8,469
Transfer agent and filing fees	20,470	29,417
Travel	6,540	4,917
Unrealized loss on marketable securities (Note 5)	2,778	10,165
Write-down of mineral properties (Note 8)	-	169,737
LOSS FOR THE YEAR BEFORE TAXES	(960,562)	(723,755)
Deferred tax recovery – Mexican mining royalty (Note 16)	-	12,000
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ (960,562)	$ (711,755)
Basic and diluted loss per common share	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	35,656,171	23,628,137

SAN MARCO RESOURCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED NOVEMBER 30

		2016		2015
OPERATING ACTIVITIES				Restated – Note 3
Loss and comprehensive loss for the year	**$**	(960,562)	$	(711,755)
Items not affecting cash:				
Depreciation		2,343		7,525
Foreign exchange		485		715
Gain on disposal of equipment		-		(879)
Interest expense accrued		-		814
Share-based payments		181,121		8,469
Unrealized loss on marketable securities		2,778		10,165
Common shares issued for property investigation		90,000		-
Write-down of mineral properties		-		169,737
Deferred tax recovery		-		(12,000)
Changes in non-cash working capital items:				
Receivables		(22,074)		14,947
Prepaid expenses		(803)		(722)
Exploration advances		(1,312)		-
Accounts payable and accrued liabilities		40,010		(29,938)
Interest paid		-		(993)
Net cash used in operating activities		(668,014)		(543,915)
INVESTING ACTIVITIES				
Mineral properties		(54,511)		(36,814)
Acquisition of equipment		(2,424)		-
Proceeds from disposal of equipment		-		1,633
Net cash used in investing activities		(56,935)		(35,181)
FINANCING ACTIVITIES				
Proceeds from private placements		439,550		648,375
Share issuance costs		(14,585)		(50,073)
Proceeds from warrant exercise		693,900		117,650
Loans repaid to directors		-		(45,000)
Net cash provided by financing activities		1,118,865		670,952
INCREASE IN CASH		393,916		91,856
CASH, BEGINNING OF THE YEAR		126,291		34,435
CASH, END OF THE YEAR	**$**	520,207	**$**	126,291

Supplemental disclosures with respect to cash flows (Note 14)

SAN MARCO RESOURCES INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital Common Shares Number	Share Capital Common Shares $	Equity Reserves $	Deficit $	Total Shareholders' Equity $
				Restated – Note 3	
Balance at November 30, 2014	12,283,712	9,141,643	1,424,771	(10,447,018)	119,396
Private placement	12,967,500	648,375	-	-	648,375
Fair value of finders' fee	248,500	12,425	-	-	12,425
Warrant exercise	2,353,000	117,650	-	-	117,650
Issuance costs – Cash	-	(50,073)	-	-	(50,073)
Issuance costs – Units	-	(12,425)	-	-	(12,425)
Issuance costs – Warrants	-	(125,433)	125,433	-	-
Share-based payments	-	-	8,469	-	8,469
Loss and comprehensive loss for the year	-	-	-	(711,755)	(711,755)
Balance at November 30, 2015	27,852,712	9,732,162	1,558,673	(11,158,773)	132,062
Private placement	8,791,000	439,550	-	-	439,550
Fair value of finders' fee - Shares	391,370	23,482	-	-	23,482
Issuance costs – Cash	-	(14,585)	-	-	(14,585)
Issuance costs – Shares	-	(23,482)	-	-	(23,482)
Warrant exercise	8,746,000	693,900	-	-	693,900
Fair value of warrants exercised	-	35,351	(35,351)	-	-
Shares issued for property investigation rights	1,000,000	90,000	-	-	90,000
Share-based payments	-	-	181,121	-	181,121
Loss and comprehensive loss for the year	-	-	-	(960,562)	(960,562)
Balance at November 30, 2016	46,781,082	10,976,378	1,704,443	(12,119,335)	561,486

1. NATURE OF OPERATIONS AND GOING CONCERN

San Marco Resources Inc. ("San Marco" or the "Company") was incorporated on September 27, 2005 under the *Business Corporations Act* of British Columbia. The Company's mailing address is Suite 302 – 8047 199 Street, Langley, BC, V2Y 0E2. The registered and records office address is Suite 704 – 595 Howe Street, Vancouver, BC, V6C 2T5.

The Company is engaged in the acquisition and exploration of precious metal properties in Mexico.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain resources that are economically recoverable. The realization of amounts shown for mineral properties and related deferred costs is dependent upon the discovery and exploitation of economically recoverable resources, the ability of the Company to obtain necessary financing to complete development, and attaining future profitable production or proceeds from the disposition of such properties.

These consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At November 30, 2016, the Company had working capital of $474,662 (2015 - $100,657) but had not yet achieved profitable operations and had an accumulated deficit of $12,119,335 (2015 - $11,158,773) since its inception. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These material uncertainties may cast significant doubt on the entity's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

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"). The policies presented in Note 4 were consistently applied to all periods presented.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as financial instruments at fair value through profit and loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

(Expressed in Canadian Dollars)

3. EFFECT OF CHANGE IN ACCOUNTING POLICY

Effective December 1, 2015, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources, the Company voluntarily changed its accounting policy for its exploration and evaluation ("E&E") expenditures, to expense exploration and evaluation costs in the Statement of Comprehensive Loss in the period in which they were incurred whereas previously all of the E&E expenditures had been capitalized on the Statement of Financial Position.

The Company has determined that this change in accounting policy enhances the reliability of the financial statements because of the difficulty associated with demonstrating that these costs meet the definition of an asset. The Company also has determined that reflecting its E&E expenditures in the Statement of Comprehensive Loss and categorizing them as part of its operating activities in the Statement of Cash Flows better reflects the economic substance of its operations during the fiscal periods presented. This change in accounting policy has been applied retrospectively.

Consolidated Statement of Financial Position as at December 1, 2014

	As previously reported $	Effect of change in accounting policy $	As restated under new policy $
Non-current assets			
Mineral properties (i)	707,820	(550,243)	157,577
Total assets	802,720	(550,243)	252,477
Non-current liabilities			
Deferred tax liability (ii)	39,000	(27,000)	12,000
Total liabilities	160,081	(27,000)	133,081
Shareholders' equity			
Deficit (i) (ii)	(9,923,775)	(523,243)	(10,447,018)
Total shareholders' equity	642,639	(523,243)	119,396
Total liabilities and shareholders' equity	802,720	(550,243)	252,477

(Expressed in Canadian Dollars)

Consolidated Statement of Financial Position as at November 30, 2015

	As previously reported $	Effect of change in accounting policy $	As restated under new policy $
Non-current assets			
Mineral properties (i)	385,414	(360,760)	24,654
Total assets	538,786	(360,760)	178,026
Liabilities and shareholders' equity			
Deficit (i) (ii)	(10,798,013)	(360,760)	(11,158,773)
Total shareholders' equity	492,822	(360,760)	132,062
Total liabilities and shareholders' equity	538,786	(360,760)	178,026

Consolidated Statement of Comprehensive Loss for the year ended November 30, 2015

	As previously reported $	Effect of change in accounting policy $	As restated under new policy $
Expenses			
Exploration and evaluation expenses (i)	31,241	255,328	286,569
Write-down of mineral properties	614,548	(444,811)	169,737
Deferred tax – Mexican mining royalty (ii)	(39,000)	27,000	(12,000)
Loss and Comprehensive Loss	874,238	(162,483)	711,755

(Expressed in Canadian Dollars)

Consolidated Statement of Cash Flows for the year ended November 30, 2015

	As previously reported $	Effect of change in accounting policy $	As restated under new policy $
Operating Activities			
Loss and comprehensive loss for the year	(874,238)	162,483	(711,755)
Write-down of mineral properties	614,548	(444,811)	169,737
Deferred tax expense	(39,000)	27,000	(12,000)
Changes in non-cash working capital items:			
Accounts payable and accrued liabilities	(14,185)	(15,753)	(29,938)
Cash used in operating activities	(272,834)	(271,081)	(543,915)
Investing Activities			
Mineral properties (iii)	(307,895)	271,081	(36,814)
Cash used in investing activities	(306,262)	271,081	(35,181)

(i) Exploration and evaluation expenditures previously recorded as an asset were expensed and amounts previously recorded by way of an impairment of the expenditures previously recorded as an asset were reversed.
(ii) Deferred tax liability was adjusted for the revised tax effected temporary difference between the accounting and the tax basis of mineral properties.
(iii) Acquisition cost of mineral properties form part of investing activities while the expenditures on exploration related activities are considered part of the Company's operations.

4. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The principal subsidiaries of the Company, their activities, and their geographic locations as at November 30, 2016 were as follows:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
San Marco Resources Mexico S.A. de C.V.	Mexico	100%	Mineral Exploration
841432 B.C. Limited	Canada	100%	Holding Company

The transactions among the entities in the group pertain to the transfer of funds and payment of third party costs. All inter-group transactions and balances have been eliminated upon consolidation.

Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgments, estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are, but are not limited to, the following:

Critical accounting judgments

(i) Impairment of mineral properties: The net carrying value of each mineral property and its related concessions is reviewed regularly for conditions that are indicators of impairment. This review requires judgment as the Company does not have proven and probable reserves that enable future cash flows to be compared to the carrying values. Factors considered in assessment of asset impairment include, but are not limited to, accessibility, title, environmental or political factors that could affect the properties' values, whether there has been any accumulation of costs significantly in excess of the amounts originally expected for the properties' acquisition, development, or cost of holding, whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future, and whether the Company has necessary funds to be able to maintain or continue acquiring interests in mineral properties. During the year ended November 30, 2015, the Company evaluated its future plans with respect to its individual properties and wrote off capitalized acquisition costs where work was not planned (Note 8). The Company considers its capitalized acquisition costs to be appropriate as at November 30, 2016.

(ii) Income taxes: Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. The recognition of deferred tax assets requires management to assess the likelihood that the Company will generate taxable income in future periods to utilize the deferred tax assets. Due to a history of losses, deferred tax assets have not been recognized.

(iii) Going concern: The preparation of these financial statements requires management to make judgements regarding the going concern of the Company as previously discussed in Note 1.

(iv) Functional currencies: The functional currency of an entity is the currency of the primary economic environment in which an entity operates. The determination of an entity's functional currency requires judgment based on analysis of relevant criteria. The Company conducted an analysis of the factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates* ("IAS 21") and determined the functional currencies of the Company and its subsidiaries to be the Canadian dollar.

Critical accounting estimates

(i) Equity-settled transactions: The cost of equity-settled transactions, such as stock options or warrants, is determined by calculating the fair value at the date when the equity award is granted or issued using the Black-Scholes option pricing model. The inputs to the Black-Scholes pricing model require significant estimation. Expected volatility is estimated based on historical stock price observations of the Company's common shares. The risk-free interest rate for the expected term of the award is based on the yields of government bond. The Company uses historic data to estimate the timing of option exercises and forfeiture rates, which may not be representative of future results. Changes in these assumptions, especially the volatility and the expected life determination, could have a material impact on the Company's statement of comprehensive loss.

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of comprehensive loss. Financial assets available-for-sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive loss/income, net of tax. Financial assets and liabilities held-to-maturity, loans and receivables, and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company has classified its cash and marketable securities as financial assets at FVTPL, its receivables as loans and receivables, and its reclamation deposit as financial asset held-to-maturity. All of the Company's current liabilities are classified as other financial liabilities.

Impairment of Financial Assets

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets. If such evidence exists, the Company recognizes an impairment loss as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive income/loss that is reclassified to the statement of comprehensive loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale financial assets are not reversed.

Exploration and evaluation expenditures

Costs directly related to the acquisition of mineral properties are capitalized. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration, evaluation and property maintenance costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are expensed as incurred up to the date of establishing that property costs are economically recoverable and that the project is technically feasible.

Impairment of non-financial assets

At the end of each reporting period, the Company's non-financial assets, other than deferred tax assets, are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

In the case of the amount capitalized as acquisition costs of mineral properties, if no economically viable ore body is discovered, such costs are expensed in the period that the property is determined to be uneconomical or abandoned.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the straight-line method at the following annual rates:

Computer equipment	20%
Computer software	100%
Furniture and equipment	20%
Vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations.

Share-based payments

The Company has a plan for granting stock options to directors, employees and consultants as described in Note 11c. The fair value of stock options granted to employees is recognized as share-based payments over the vesting period and credited to equity reserves. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as share-based payments from the date of grant to the reporting date and credited to equity reserves. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to equity reserves are recorded as share capital. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned value based on the residual value method. The value, if any, is allocated to equity reserves. Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

Income taxes

Income tax expense comprises 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 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 statement of financial position 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.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (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.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The following have not yet been adopted by the Company.

- IFRS 11 *Joint Arrangements*: Amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business, effective for annual periods beginning on or after January 1, 2016.
- IAS 1 *Presentation of Financial Statements*: Amendments as part of an overall disclosure initiative to improve the effectiveness of disclosure in financial statements, effective for annual periods beginning on or after January 1, 2016.
- IAS 12 *Income Taxes*: Amendments to clarify the recognition of a deferred tax asset for unrealized losses, effective for annual periods beginning on or after January 1, 2017.
- IFRS 9 *Financial Instruments*: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 *Revenue from contracts with customers*: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 *Leases*: New standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model, effective for annual periods beginning on or after January 1, 2019.

The Company does not expect the impact of such changes on the financial statements to be material.

(Expressed in Canadian Dollars)

5. MARKETABLE SECURITIES

The Company holds 17,500 common shares of Patriot Minefinders Inc. These shares were originally valued at $360,272 and obtained pursuant to an option agreement on the Company's La Buena property.

	November 30, 2016			November 30, 2015		
	# of Shares		Amount	# of Shares		Amount
Opening balance	17,500	$	5,833	17,500	$	15,998
Mark-to-Market valuation	-		(2,778)	-		(10,165)
	17,500	$	3,055	17,500	$	5,833

6. RECEIVABLES

The Company's receivables arise from two main sources: goods and services tax ("GST") receivable due from Canadian government taxation authorities and value added tax ("VAT") due from Mexican government taxation authorities. The receivables balance is broken down as follows:

		November 30, 2016		November 30, 2015
VAT receivable	$	28,991	$	9,376
GST receivable		4,407		1,948
	$	33,398	$	11,324

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value.

7. RECLAMATION DEPOSIT

On July 18, 2016, the Company renewed a $2,000 (2015 - $2,000) reclamation deposit with respect to its Alwin Copper Property. This deposit bears interest at 0.05% per annum and matures on July 18, 2017.

(Expressed in Canadian Dollars)

8. MINERAL PROPERTIES

A summary of capitalized acquisition costs is as follows:

	CUATRO DE MAYO PROJECT	ANGELES PROJECT	TOTAL MINERAL PROPERTIES
Balance at December 1, 2014	$ 7,201	$ 150,376	$ 157,577
Cash payments	36,814	-	36,814
Mineral property impairment	(19,361)	(150,376)	(169,737)
Balance at November 30, 2015	$ 24,654	$ -	$ 24,654
Cash payment	54,511	-	54,511
Balance at November 30, 2016	$ 79,165	$ -	$ 79,165

Exploration and evaluation expenses incurred during the years ended November 30, 2016 and 2015 are as follows:

	Year Ended November 30, 2016	Year Ended November 30, 2015
Cuatro de Mayo		
Field and general	$ 5,617	$ 15,892
Geological consulting	75,739	145,725
Mineral rights	17,714	37,241
Sampling, prospecting, study	1,857	29,272
Travel expenses	17,254	19,441
	118,181	247,571
Angeles		
Field and general	582	-
Geological consulting	19,279	2,065
Mineral rights	1,974	2,134
Sampling, prospecting, study	1,763	-
Travel expenses	5,627	-
	29,225	4,199
Aqua Zarca		
Field and general	852	-
Geological consulting	6,186	-
Mineral rights	4,622	-
Sampling, prospecting, study	1,504	-
Travel expenses	1,706	-
	14,870	-

(Expressed in Canadian Dollars)

	Year Ended November 30, 2016	Year Ended November 30, 2015
La Caridad Este		
Field and general	1,352	-
Geological consulting	10,843	-
Sampling, prospecting, study	135	-
Travel expenses	3,528	-
	15,858	-
La Pitahaya		
Field and general	945	-
Geological consulting	9,598	-
Mineral rights	6,158	-
Sampling, prospecting, study	1,848	-
Travel expenses	1,945	-
	20,494	-
Los Carlos		
Mineral rights	-	2,908
Geological consulting	-	650
	-	3,558
Ofelia		
Field and general	330	-
Geological consulting	5,199	-
Sampling, prospecting, study	540	-
Travel expenses	2,429	-
	8,498	-
Suzanne		
Geological consulting	2,795	-
Sampling, prospecting, study	367	-
Travel expenses	353	-
	3,515	-
Property Investigation		
Field and general	1,477	-
Geological consulting	58,339	17,990
Geophysics, topographic, mapping	15,442	-
GlobeTrotters Alliance Agreement	90,000	-
Management fees	49,700	13,251
Mineral rights	64,698	-
Sampling, prospecting, study	5,749	
Travel expenses	3,810	
	289,215	31,241
Expenses for the year	$ 499,856	$ 286,569

Title to mining properties

Title to mining properties involves certain inherent risks, including the difficulties of determining the validity of title and the potential for problems arising from numerous transfers of historical mining properties. The Company has diligently investigated the rights of ownership to all of the mineral concessions in which it has an interest and, to the best of its knowledge, such ownership rights are valid and in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

Exploration Advances

Exploration advances represent advance payments to geologists used for exploration activities. The amounts on deposit at November 30, 2016 were $3,477 (2015 - $2,650).

Cuatro de Mayo

On January 22, 2015, the Company signed an option agreement with Argonaut Gold Inc. ("Argonaut") to acquire a concession in the El Chunibas area of the Cuatro de Mayo District in northern Mexico, for cash payments of US$50,000 over two years. The Company paid $12,250 (US$10,000) during fiscal 2015 and the remaining $54,511 (US$40,000) during the year ended November 30, 2016. Argonaut retains a 1% net smelter return ("NSR") royalty on any future production, one half of which can be purchased by the Company for US$100,000.

On January 27, 2015, the Company acquired 100% ownership of an additional claim in the El Chunibas area of the Cuatro de Mayo District in northern Mexico for $12,404 (US$10,000). There is no retained interest or future royalty payable to the counterparty to the acquisition agreement, a private Mexican citizen.

On February 10, 2015, the Company acquired from Argonaut a 100% interest in the Mariana I and Mariana II property concessions which are in the vicinity of the Cuatro de Mayo project. The payment terms consisted of a 1% royalty to Argonaut on future production from the property, one half of which could be purchased back by the Company for US$2,000,000, and a one-time bonus payment of US$6 per ounce of gold contained in the Proven and Probable categories, payable at the commencement of commercial production. The option on the smaller Mariana II concession was cancelled during the year ended November 30, 2015.

On May 13, 2014, the Company was granted an option to acquire a 100% interest in a property in the Cuatro de Mayo district in Mexico for US$2,000,000 over 5 years ($12,160 or US$10,000 paid May 13, 2015). As part of the option agreement, the Company issued 10,000 common shares during the year ended November 30, 2014, valued at $1,750 to the vendor. During the year ended November 30, 2015, the Company cancelled this option agreement and wrote off acquisition costs of $19,361 relating to this property.

Angeles

During the year ended November 30, 2013, the Company acquired a 100% interest in the La Gloria concession (part of Angeles project) for US$65,000. Management does not have significant work planned on the project and therefore, the related acquisition costs totaling $150,376 were written off to operations during the year ended November 30, 2015.

Property Investigation

The Company expends ongoing efforts on evaluation of potential opportunities for acquisition of mineral properties. During the year ended November 30, 2016, the Company incurred $289,215 (2015 - $31,241) in property investigation costs of which $49,700 (2015 - $13,251) pertained to the allocation of the management fees incurred to the Company's chief executive officer (Note 10).

(Expressed in Canadian Dollars)

On May 3, 2016, the Company entered into an Exploration Alliance Agreement with GlobeTrotters Resources Group Inc. ("GlobeTrotters") to generate and acquire new high potential mineral targets primarily in the state of Sonora, Mexico. The Company was granted an exclusive three-year license to use the data generated from GlobeTrotters' analysis, filtering and initial target selection through the imagery and data files which GlobeTrotters acquired from the state of Sonora. The data from GlobTrotters has resulted in identification of various properties, such as La Caridad Este, La Pithaya, Aqua Zarca, Ofelia, and Suzanne.

Pursuant to the Exploration Alliance Agreement, the Company will hold all interest in properties acquired as part of the collaborative effort with GlobeTrotters entitled to a 2% NSR royalty on all properties in which San Marco acquires a 100% interest. For properties in which the Company acquires less than 100% interest, it will pay GlobeTrotters 20% of all future consideration received in respect of the property, reducing to 10% after the commencement of commercial production. As consideration for the acquisition of the license, the Company issued 1,000,000 common shares to GlobeTrotters on May 20, 2016, valued at $90,000, which was recognized as property investigation costs within exploration and evaluation expenses.

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

		November 30, 2016		November 30, 2015
Accounts payable	$	65,974	$	21,890
Accrued liabilities		20,000		24,074
	$	85,974	$	45,964

10. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole.

The remuneration of the directors, chief executive officer and the chief financial officer were as follows:

		November 30, 2016		November 30, 2015
Management fees(1)	$	118,400	$	87,500
Share-based payments		130,695		3,934
	$	249,095	$	91,434

(i) Management fees are included in management and administration fees (2016 - $51,700; 2015 - $15,623) and exploration and evaluation expenses (2016 - $66,700; 2015- $71,877) in these consolidated financial statements.

(Expressed in Canadian Dollars)

At November 30, 2016, there was $Nil (2015 - $7,875) included in accounts payable and accrued liabilities that was owing to the chief executive officer for management fees.

Transactions with other related parties

Certain of the Company's officers render services to the Company through companies in which they are an officer, director, or partner.

The following companies are related parties through association of the Company's officers:

	Nature of transactions
Avisar Chartered Professional Accountants	Accounting fees
Northwest Law Group	Legal fees

The Company incurred the following fees and expenses with related parties as follows:

		November 30, 2016		November 30, 2015
Accounting fees	$	53,500	$	51,000
Legal fees		30,903		4,153
Share issuance costs		11,540		9,486
	$	95,943	$	64,639

At November 30, 2016, there was $6,535 (2015 - $9,120) included in accounts payable and accrued liabilities that was owing to these related parties for accounting and legal fees.

Other transactions with related parties

During November 2014, certain directors of the Company provided loans totaling $45,000 to the Company. The loans bore interest at 10% per annum and were due on demand. During the year ended November 30, 2015, the Company accrued $728 (2014 - $179) in interest on such loans. The loans were repaid on January 30, 2015. Total interest paid on the loans amounted to $907.

11. SHARE CAPITAL AND EQUITY RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

Fiscal 2016 Activity:

On April 22, 2016, the Company completed a private placement of 8,791,000 units at $0.05 per unit for total proceeds of $439,550. Each unit consisted of one common share and one non-transferable warrant, with each warrant exercisable to purchase a further share for a period of three years at $0.05 per share in the first year, $0.10 per share in the second year and $0.15 per share in the third year. The expiry of the warrants may be accelerated if the closing price of the Company's shares equals or exceeds, for 15 consecutive trading days,

(Expressed in Canadian Dollars)

$0.10 per share in the first year, $0.20 per share in the second year or $0.30 per share in the third year. A total of 391,370 shares with fair value of $23,482 were issued as fees to qualified finders in respect of a portion of the units sold. The Company also incurred cash costs of $14,585 with respect to the private placement, of which $11,540 was incurred to a related party (Note 10). Three insiders of the Company purchased a total of 900,000 units in the placement.

During the year ended November 30, 2016, a total of 8,746,000 common share purchase warrants, with a weighted average exercise price of $0.08 per share, were exercised for total gross proceeds of $693,900.

On May 20, 2016, the Company issued 1,000,000 common shares with a fair value on the date of issuance of $90,000 to GlobeTrotters pursuant to the Exploration Alliance Agreement (Note 8).

Fiscal 2015 Activity:

On December 22, 2014, pursuant to a shareholders' special resolution, the Company consolidated its shares on the basis of one new share for every five old shares. There were cash costs of $2,070 associated with this transaction.

On January 28, 2015, the Company completed a non-brokered private placement of 12,967,500 units at $0.05 per unit for gross proceeds of $648,375. Each unit consisted of one common share and one non-transferrable warrant. Each warrant is exercisable to purchase a further common share of the Company for three years, at $0.05 within the first year, $0.10 within the second year and $0.15 within the third year. The warrants have an accelerated provision such that the expiry date can be reduced to 20 trading days after notice thereof if, after May 28, 2015, the closing price of the Company's common shares for 15 consecutive trading days equals or exceeds $0.20 in the first year, $0.25 in the second year or $0.30 in the third year. Finders' fees of $20,825 in cash and legal fees of $17,692 were paid and, as well, 248,500 units were issued, representing 7% of the value of the units issued. In addition, the Company issued 950,000 broker warrants, exercisable on the same terms as the warrants contained in the units. The fair value of the broker warrants was estimated as at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	0.50%
Expected life of options	2 years
Expected dividend yield	0%
Expected stock price volatility	227%
Weighted average fair value per option	$0.037

Also, during the year ended November 30, 2015, the Company completed a warrant exercise incentive program with respect to 14,567,500 warrants, whereby warrant holders exercising warrants prior to October 30, 2015 would receive an additional non-transferable share purchase warrant entitling the holder to acquire one common share at an exercise price of $0.05 until October 16, 2018. The 1,198,500 warrants issued as finders' fees were not part of the program. As a result of this program, 2,353,000 warrants were exercised at $0.05 per share for gross proceeds of $117,650. In association with this transaction, 2,353,000 incentive warrants, entitling the holder to acquire one common share at an exercise price of $0.05 until October 16, 2018, were issued. There were cash costs of $9,486 associated with this transaction (Note 10). The fair value of the incentive warrants was estimated as at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

(Expressed in Canadian Dollars)

Risk free interest rate	0.56%
Expected life of options	3 years
Expected dividend yield	0%
Expected stock price volatility	215%
Weighted average fair value per option	$0.038

c) Stock options

The Company has a 10% rolling stock option plan whereby the Company may from time to time, in accordance with the TSX Venture Exchange ("Exchange") requirements, grant to directors, officers, employees and consultants options to purchase common shares of the Company. Based on the current issued capital, the Company has 4,678,108 common shares available for option exercisable under the Plan, which number includes currently outstanding options to purchase a total of 3,210,000 common shares. The options can be granted for a maximum of 5 years, the vesting provisions are determined by the Board of Directors and, the exercise price of each option is required to be no less than the market price of the Company's stock as calculated immediately preceding the day of the grant and shall not be less than $0.10 per share.

The Company's stock option transactions are as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding at November 30, 2014	1,385,000	$0.78
Granted	300,000	$0.10
Forfeited	(300,000)	$0.62
Expired	(40,000)	$1.50
Options outstanding at November 30, 2015	1,345,000	$0.64
Granted	2,150,000	$0.11
Forfeited	(100,000)	$0.10
Expired	(185,000)	$1.51
Options outstanding at November 30, 2016	3,210,000	$0.26
Options exercisable at November 30, 2016	2,160,000	$0.33

On June 6, 2016, the Company granted options to directors, officers and consultants to purchase a total of 1,800,000 shares at a price of $0.10 per share for five years. The options vest, as to 25% each, on granting and on the next three, six and nine months.

On August 15, 2016, the Company granted an option to a consultant to purchase a total of 250,000 shares at a price of $0.20 per share for five years. The options vest, as to 25% each, on granting and on the next three, six and nine months.

On November 16, 2016, the Company granted an option to a consultant to purchase a total of 100,000 common shares of the Company at an exercise price of $0.20 per share for five years. The options vest, as to 25% each, on granting and on the next three, six and nine months.

(Expressed in Canadian Dollars)

The fair value of stock options granted to directors, officers and employees during the year ended November 30, 2016 was $144,310 (2015 - $4,188) and the fair value of stock options granted to consultants was $72,050 (2015 - $5,240). During the year ended November 30, 2016, the Company recognized $181,121 (2015 - $8,469) of share-based payments. The fair value of each option grant was estimated as at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	**2015**
Risk free interest rate	0.61%	0.53%
Expected life of options	2.5 years	2 years
Expected dividend yield	0%	0%
Expected stock price volatility	227%	221%
Weighted average fair value per option	$0.10	$0.04

As at November 30, 2016, the following stock options were outstanding:

Number of Options Outstanding	**Exercise Price**	**Expiry Date**
580,000	$0.65	November 14, 2017
380,000	$0.50	December 8, 2018
100,000	$0.10	March 20, 2020
100,000	$0.10	April 30, 2020
1,700,000	$0.10	June 6, 2021
250,000	$0.20	August 15, 2021
100,000	$0.20	November 16, 2021
3,210,000		

d) Warrants

The Company’s warrant transactions are as follows:

	Number of Warrants	**Weighted Average Exercise Price**
Warrants outstanding at November 30, 2014	1,600,000	$0.25
Issued	16,519,000	$0.05
Exercised	(2,353,000)	$0.05
Warrants outstanding at November 30, 2015	15,766,000	$0.05
Issued	8,791,000	$0.05
Exercised	(8,746,000)	$0.08
Warrants outstanding at November 30, 2016	15,811,000	$0.08

(Expressed in Canadian Dollars)

As at November 30, 2016, the following share purchase warrants were outstanding:

Number of Warrants Outstanding	Exercise Price	Expiry Date
8,281,000	$0.10[(1)]	January 28, 2018
1,430,000	$0.05	October 16, 2018
6,100,000	$0.05[(2)]	April 22, 2019
15,811,000		

(1) Each warrant is exercisable to purchase one common share of the Company for $0.10 until January 28, 2017 and for $0.15 until January 28, 2018.

(2) Each warrant is exercisable to purchase one common share of the Company for $0.05 until April 22, 2017, $0.10 until April 22, 2018 and $0.15 until April 22, 2019.

12. CAPITAL MANAGEMENT

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to meet the Company's exploration plans to ensure the on-going growth of the business.

The Company considers the items in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

As at November 30, 2016, the carrying values of the reclamation deposit, receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. Cash and marketable securities are measured at fair value.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Liquidity risk

Liquidity risk is managed by the Company by maintaining sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage and is dependent on obtaining regular funding in order to continue its exploration programs. Despite success with previous financings, there is no guarantee of obtaining future funding. The Company's cash is invested in business accounts with qualified institutions in Canada and are available on demand for the Company's programs. The Company is not invested in any asset backed commercial paper or auction rate securities.

(ii) Credit risk

The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash and reclamation deposit with high-credit quality financial institutions. Receivables are mainly due from government agencies in Canada and Mexico.

(iii) Foreign currency risk

The Company's mineral properties are located in Mexico and, therefore, a portion of work carried out in exploring and developing these properties is paid in Mexican pesos. Certain administrative costs incurred in Mexico are paid in US dollars.

The operating results and the financial position of the Company are reported in Canadian dollars. The Company's cash, receivables, accounts payable and accrued liabilities are held in different currencies and therefore the fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

At November 30, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Mexican Pesos:

	US Dollars	Mexican Peso
Cash	26,847	70,703
Marketable securities	2,275	-
Receivables	-	441,929
Accounts payable and accrued	(475)	(852,589)

Based on the above net exposures as at November 30, 2016, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease/increase of $4,274 in the Company's comprehensive loss. Likewise, a 10% depreciation or appreciation of the Canadian dollar against the Mexican Peso would result in a decrease/increase of $2,478 in the Company's comprehensive loss.

(iv) Interest risk

The Company invests its excess cash and reclamation deposit in demand deposits that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. Other interest rate risks arising from the Company's operations are not considered material.

(v) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors its marketable securities, stock market movements and commodity prices to determine appropriate actions.

The Company does not typically invest in equity securities and the maximum exposure to the price risk is represented by the changing fair value of such investments. Assuming all variables remain constant, a 10% increase/decrease in the quoted market price of the Company's investments would result in an increase/decrease in the Company's income of approximately $228.

(Expressed in Canadian Dollars)

(vi) Fair value hierarchy

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

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 fair values of cash and marketable securities are measured based on level 1 inputs of the fair value hierarchy.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash investing and financing activities		November 30, 2016		November 30, 2015
Share consideration for Alliance Agreement with GlobeTrotters (Note 8)	$	90,000	$	-
Fair market value of warrants exercised	$	35,351	$	-

15. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations in Canada and Mexico in one business segment being the exploration and development of mineral properties. Geographical information for the Company's significant non-current assets is as follows:

November 30, 2016		**Canada**		**Mexico**
Reclamation deposit	$	2,000	$	-
Equipment		2,182		-
Exploration advances		-		3,477
Mineral properties		-		79,165
	$	4,182	$	82,642

November 30, 2015		**Canada**		**Mexico**
Reclamation deposit	$	2,000	$	-
Equipment		2,101		-
Exploration advances		-		2,650
Mineral properties		-		24,654
	$	4,101	$	27,304

(Expressed in Canadian Dollars)

16. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	Year Ended November 30, 2016	Year Ended November 30, 2015
Loss before income taxes	$ (960,562)	$ (723,755)
Canadian federal and provincial income tax rates	26.00%	26.00%
Expected income tax recovery based on the above rates	$ (250,000)	$ (188,000)
Non-deductible items	50,000	4,000
Change in statutory, foreign tax, foreign exchange rates and other	297,000	58,000
Tax effect of deferred tax assets for which no tax benefit has been recorded	(97,000)	114,000
Total income tax recovery	$ -	$ (12,000)
Current income tax	$ -	$ -
Deferred income tax	-	(12,000)
	$ -	$ (12,000)

The composition of the Company's deferred income tax assets is as follows:

	November 30, 2016	November 30, 2015
Non-capital losses	$ 2,294,000	$ 2,379,000
Equipment	23,000	24,000
Exploration and evaluation assets	376,000	376,000
Marketable securities	46,000	46,000
Share issue costs	13,000	24,000
Total deferred income tax assets not recognized	$ 2,752,000	$ 2,849,000

On December 11, 2013, the Mexican government enacted a tax reform to introduce mining royalty and duties effective from January 1, 2014, The royalty is deductible for tax purposes and is calculated as 7.5% of royalty base which is computed as revenues for income tax purposes (except interest and inflationary adjustment), less allowable deduction for income tax purposes (except interest, inflationary adjustment, depreciation and mining fees), less prospecting and exploration expenses for the year. An additional 0.5% in mining duties is also payable on gross income derived from the sale of gold, silver, and platinum.

The 8% in mining royalty and duties is an income tax in accordance with IFRS for financial reporting purpose, as it is based on a measure of revenue less certain specified costs. Upon substantial enactment, a taxable temporary difference arose between the accounting and tax basis as amortization of mineral properties acquisition costs is not deductible under the new tax reform. The Company had recognized deferred income taxes resulting from such temporary differences and as at November 30, 2014 had a deferred income tax liability balance of $12,000. As at November 30, 2015, the related capitalized mineral properties acquisition costs were considered impaired and written-off. Due to the resulting reversal of the temporary difference, the Company recognized a deferred income tax recovery of $12,000 during the year ended November 30, 2015.

(Expressed in Canadian Dollars)

The significant components of the Company's unused temporary differences and unused tax losses are as follows:

	2016	Expiry Dates	2015	Expiry Dates
	$		$	
Non-capital losses	8,212,000	2017-2036	8,433,000	2016-2035
Equipment	88,000	Not applicable	90,000	Not applicable
Exploration and evaluation assets	1,247,000	Not applicable	1,247,000	Not applicable
Marketable securities	357,000	Not applicable	354,000	Not applicable
Share issuance costs	52,000	2017-2020	94,000	2016-2019
Unused temporary differences	9,956,000		10,218,000	

17. Subsequent Events:

A total 7,070,750 warrants were exercised for gross proceeds to the Company of $639,575.