



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2016

(Unaudited – Prepared by Management)

STATEMENTS OF FINANCIAL POSITION

STATEMENTS OF COMPREHENSIVE LOSS

STATEMENTS OF CASH FLOWS

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

NOTES TO FINANCIAL STATEMENTS



**NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited - Prepared by Management
Expressed in Canadian Dollars

| | May 31, 2016 | November 30, 2015 Restated – Note 3 | December 1, 2014 Restated – Note 3 |
|---|-------------------|---|--|
| ASSETS | | | |
| Current assets | | | |
| Cash | \$ 341,676 | \$ 126,291 | 34,435 |
| Marketable securities (Note 5) | 2,980 | 5,833 | 15,998 |
| Receivables | 12,105 | 11,324 | 26,271 |
| Prepaid expenses | 5,574 | 3,173 | 2,451 |
| | <u>362,335</u> | <u>146,621</u> | <u>79,155</u> |
| Non-current assets | | | |
| Reclamation deposit | 2,000 | 2,000 | 2,000 |
| Equipment | 1,587 | 2,101 | 10,380 |
| Exploration advances | 2,348 | 2,650 | 3,365 |
| Mineral properties (Note 6) | 45,554 | 24,654 | 157,577 |
| | <u>413,824</u> | <u>178,026</u> | <u>252,477</u> |
| Total assets | \$ 413,824 | \$ 178,026 | 252,477 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 35,243 | \$ 45,964 | 75,902 |
| Loans from directors | - | - | 45,179 |
| | <u>35,243</u> | <u>45,964</u> | <u>121,081</u> |
| Non-current liabilities | | | |
| Deferred tax liability | - | - | 12,000 |
| | <u>35,243</u> | <u>45,964</u> | <u>133,081</u> |
| Total liabilities | 35,243 | 45,964 | 133,081 |
| Shareholders' equity | | | |
| Share capital (Note 8) | 10,253,171 | 9,732,162 | 9,141,643 |
| Equity reserves (Note 8) | 1,558,368 | 1,558,673 | 1,424,771 |
| Deficit | (11,432,958) | (11,158,773) | (10,447,018) |
| | <u>378,581</u> | <u>132,062</u> | <u>119,396</u> |
| | <u>\$ 413,824</u> | <u>\$ 178,026</u> | <u>252,477</u> |

Nature of operations and going concern (Note 1)
Subsequent event (Note 11)

APPROVED AND AUTHORIZED BY THE DIRECTORS ON JULY 28, 2016:

“ C. PRENTER ” , Director
“ R. STUART ANGUS ” , Director

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Unaudited - Prepared by Management
Expressed in Canadian Dollars

| | Three months ended May 31, | | Six months ended May 31, | |
|---|----------------------------|---------------------|--------------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Restated – Note 3 | | Restated – Note 3 | |
| EXPENSES | | | | |
| Accounting and audit fees (Note 7) | \$ 13,907 | \$ 18,554 | \$ 28,716 | \$ 35,576 |
| Depreciation | 257 | 2,298 | 514 | 5,236 |
| Exploration and evaluation expenses (Note 6) | 141,654 | 114,779 | 157,764 | 177,786 |
| Foreign exchange | 795 | 2,583 | 1,969 | 4,612 |
| Gain on disposal of equipment | - | (879) | - | (879) |
| Insurance | 2,025 | 2,867 | 4,533 | 7,193 |
| Interest (income) expense | (235) | (627) | (327) | 187 |
| Investor relations | 140 | 7,925 | 140 | 18,325 |
| Legal and professional fees (Note 7) | 14,263 | 10,227 | 16,486 | 28,499 |
| Management fees (Note 7) | 14,000 | 4,500 | 33,500 | 8,873 |
| Office and administration expenses | 3,483 | 7,322 | 7,928 | 18,687 |
| Other income | - | - | - | (8,714) |
| Share-based payments (Note 8c) | 270 | 3,486 | 959 | 3,486 |
| Transfer agent and filing fees | 9,675 | 8,959 | 15,785 | 25,576 |
| Travel | 2,928 | 1,358 | 3,365 | 4,087 |
| Unrealized (gain) loss on marketable securities (Note 5) | (1,087) | 8,566 | 2,853 | 7,272 |
| LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD | \$ (202,075) | \$ (191,918) | \$ (274,185) | \$ (335,802) |
| Basic and diluted loss per common share | \$ (0.01) | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| Weighted average number of common shares outstanding – basic and diluted | 31,874,488 | 25,499,712 | 29,874,589 | 21,215,404 |

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited - Prepared by Management
Expressed in Canadian Dollars

| | Six months ended May 31, | |
|--|--------------------------|--------------------------|
| | 2016 | 2015 |
| | | Restated – Note 3 |
| OPERATING ACTIVITIES | | |
| Loss and comprehensive loss for the period | \$ (274,185) | \$ (335,802) |
| Items not affecting cash: | | |
| Depreciation | 514 | 5,236 |
| Interest Expense | - | 814 |
| Share-based payments | 959 | 3,486 |
| Unrealized loss on marketable securities | 2,853 | 7,272 |
| Non-cash generative exploration expense | 90,000 | - |
| Foreign Exchange | 302 | 41 |
| Gain on disposal of equipment | - | (879) |
| Changes in non-cash working capital items: | | |
| Receivables | (781) | (674) |
| Prepaid expenses | (2,401) | (6,354) |
| Accounts payable and accrued liabilities | (10,721) | (10,392) |
| Finance expense paid | - | (993) |
| Net cash used in operating activities | <u>(193,460)</u> | <u>(338,245)</u> |
| INVESTING ACTIVITIES | | |
| Mineral properties | (20,900) | (36,814) |
| Proceeds on disposal of equipment | - | 1,633 |
| Net cash used in investing activities | <u>(20,900)</u> | <u>(35,181)</u> |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares | 439,550 | 648,375 |
| Share issuance costs | (11,455) | (38,517) |
| Proceeds from exercise of warrants | 1,650 | - |
| Repayment of loans from directors | - | (45,000) |
| Net cash provided by financing activities | <u>429,745</u> | <u>564,858</u> |
| INCREASE IN CASH | 215,385 | 191,432 |
| CASH, BEGINNING OF THE PERIOD | <u>126,291</u> | <u>34,435</u> |
| CASH, END OF THE PERIOD | <u><u>\$ 341,676</u></u> | <u><u>\$ 225,867</u></u> |

Supplemental disclosures with respect to cash flows (Note 9)

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Unaudited - Prepared by Management
Expressed in Canadian Dollars

| | Share Capital Common Shares | | Equity Reserves | Deficit | Total Shareholders' Equity |
|---|--------------------------------|------------|--------------------|--------------------------------------|----------------------------------|
| | Number | \$ | \$ | \$ | \$ |
| Balance at November 30, 2014 | 12,283,712 | 9,141,643 | 1,424,771 | Restated – Note 3 (10,447,018) | 119,396 |
| Private placement | 12,967,500 | 648,375 | - | - | 648,375 |
| Issuance costs – units, warrants, and cash | 248,500 | (92,034) | 53,517 | - | (38,517) |
| Share-based payments | - | - | 3,486 | - | 3,486 |
| Loss and comprehensive loss for the period | - | - | - | (335,802) | (335,802) |
| Balance at May 31, 2015 | 25,499,712 | 9,697,984 | 1,481,774 | (10,782,820) | 396,938 |
| Warrant exercise | 2,353,000 | 117,650 | - | - | 117,650 |
| Issuance costs – Cash | - | (11,556) | - | - | (11,556) |
| Issuance costs – Warrants | - | (71,916) | 71,916 | - | - |
| Share-based payments | - | - | 4,983 | - | 4,983 |
| Loss and comprehensive loss for the period | - | - | - | (375,953) | (375,953) |
| 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 | - | (11,455) | - | - | (11,455) |
| Issuance costs – Shares | - | (23,482) | - | - | (23,482) |
| Warrant exercise | 33,000 | 1,650 | - | - | 1,650 |
| Fair value of warrants exercised | - | 1,264 | (1,264) | - | - |
| Shares issued for property investigation rights | 1,000,000 | 90,000 | - | - | 90,000 |
| Share-based payments | - | - | 959 | - | 959 |
| Loss and comprehensive loss for the period | - | - | - | (274,185) | (274,185) |
| Balance at May 31, 2016 | 38,068,082 | 10,253,171 | 1,558,368 | (11,432,958) | 378,581 |

SAN MARCO RESOURCES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016
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1. NATURE OF OPERATIONS AND GOING CONCERN

San Marco Resources Inc. (“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, exploration and development of precious metal properties in Mexico and Canada.

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 May 31, 2016, the Company had not yet achieved profitable operations and has an accumulated deficit of \$11,432,958 since its inception. 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 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

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2015, which have been prepared in accordance with IFRS as issued by IASB. The accounting policies adopted are consistent with those of the previous financial year, except for impact of recent accounting pronouncements as described in note 3 below.

SAN MARCO RESOURCES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 Comprehensive Statement of 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 as line items in the Statement of Comprehensive Loss and Statement of Cash Flows better reflects the economic substance of its operating activities during the fiscal periods presented. This change in accounting policy has been applied retrospectively. The Company’s accounting policies for the significant components of its exploration and evaluation expenditures are noted below.

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.

If no economically viable ore body is discovered, previously capitalized acquisition costs are expensed in the period that the property is determined to be uneconomical or abandoned.

SAN MARCO RESOURCES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 liability and shareholders' equity | 802,720 | (550,243) | 252,477 |

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 liability and shareholders' equity | 538,786 | (360,760) | 178,026 |

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Consolidated Statement of Comprehensive loss for the three and six months ended May 31 2015

| | Three months ended May 31, 2015 | | | Six months ended May 31, 2015 | | |
|--|---------------------------------|---------------------------------------|------------------------------|-------------------------------|---------------------------------------|------------------------------|
| | As previously reported | Effect of change in accounting policy | As restated under new policy | As previously reported | Effect of change in accounting policy | As restated under new policy |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Expenses | | | | | | |
| Exploration and evaluation expenses ⁽ⁱ⁾ | 3,000 | 111,779 | 114,779 | 19,468 | 158,318 | 177,786 |
| Loss and Comprehensive Loss for the Period | 80,139 | 111,779 | 191,918 | 177,484 | 158,318 | 335,802 |

Consolidated Statement of Cash Flows for the six months ended May 31, 2015

| | Six months ended May 31, 2015 | | |
|--|-------------------------------|---------------------------------------|------------------------------|
| | As previously reported | Effect of change in accounting policy | As restated under new policy |
| | \$ | \$ | \$ |
| Operating Activities | | | |
| Loss and comprehensive loss for the period | (177,484) | (158,318) | (335,802) |
| Changes in non-cash working capital items: | | | |
| Accounts payable and accrued liabilities | 11,383 | (21,775) | (10,392) |
| Net cash used in operating activities | (158,152) | (180,093) | (338,245) |
| INVESTING ACTIVITIES | | | |
| Mineral properties ⁽ⁱⁱⁱ⁾ | (216,907) | 180,093 | (36,814) |
| Net cash used in investing activities | (215,274) | 180,093 | (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 was 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.

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4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”). The following item has been issued and is effective for annual periods beginning on or after January 1, 2015:

- *IFRS 7 Financial Instruments: Disclosures*: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015. The Standard did not have an impact on the financial statements of the Company.

5. MARKETABLE SECURITIES

The Company holds 17,500 common shares of Rise Resources Inc. which merged with its parent Patriot Minefinders Inc. on January 13, 2015 and also completed an 80:1 share consolidation. These shares were originally valued at \$360,272 and obtained pursuant to an option agreement on the Company’s La Buena property.

| | May 31, 2016 | | November 30, 2015 | |
|--------------------------|--------------|----------|-------------------|-----------|
| | # of Shares | Amount | # of Shares | Amount |
| Opening balance | 17,500 | \$ 5,833 | 17,500 | \$ 15,998 |
| Mark-to-Market valuation | - | (2,853) | - | (10,165) |
| | 17,500 | \$ 2,980 | 17,500 | \$ 5,833 |

6. MINERAL PROPERTIES

A summary of capitalized acquisition costs is as follows:

| | CUATRO DE MAYO PROJECT | | ANGELES PROJECT | TOTAL MINERAL PROPERTIES |
|------------------------------|------------------------|------------|-----------------|--------------------------|
| Cash payments 2014 and prior | \$ 5,451 | \$ 150,376 | \$ | 155,827 |
| Shares issued 2014 | 1,750 | - | | 1,750 |
| 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 | 20,900 | - | | 20,900 |
| Balance at May 31, 2016 | \$ 45,554 | \$ - | \$ | 45,554 |

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Exploration and evaluation expenses incurred during the three and six months ended May 31, 2016 and 2015 are as follows:

| Exploration and evaluation expenses: | Three Months Ended May 31 | | Six Months Ended May 31 | |
|---|---------------------------|----------------|-------------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Cuatro de Mayo Project | | | | |
| Sampling, prospecting, study | \$ - | \$ 14,939 | \$ - | \$ 16,049 |
| Field supplies and on-site expenses | 492 | 3,966 | 577 | 5,811 |
| Mineral rights | - | - | 5,329 | 16,365 |
| Geological consulting | 229 | 69,959 | 6,857 | 89,321 |
| Travel expenses | (73) | 18,775 | 982 | 19,441 |
| Property evaluation, field wages | - | 3,385 | - | 6,247 |
| | <u>648</u> | <u>111,024</u> | <u>13,745</u> | <u>153,234</u> |
| Angeles Project | | | | |
| Mineral rights | 958 | - | 1,026 | 1,055 |
| Geological consulting | - | 755 | - | 1,121 |
| | <u>958</u> | <u>755</u> | <u>1,026</u> | <u>2,176</u> |
| Los Carlos Project | | | | |
| Mineral rights | - | - | - | 2,908 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,908</u> |
| Property Investigation | <u>140,048</u> | <u>3,000</u> | <u>142,993</u> | <u>19,468</u> |
| Expenses for the period | \$ 141,654 | \$ 114,779 | \$ 157,764 | \$ 177,786 |

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. Under the terms of the agreement, the Company can earn a 100% interest in the concession by paying Argonaut a total of US\$50,000 over two years: US\$10,000 by April 22, 2015 (paid), US\$15,000 by January 22, 2016 (paid), and US\$25,000 by January 22, 2017. Argonaut will retain 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 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 consist of a 1% royalty to Argonaut on future production from the property, one half of which can 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. During 2015, the option on the smaller Mariana II concession was cancelled.

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

Property Investigation

The Company expends ongoing efforts on evaluation of potential opportunities for acquisition of mineral properties. During the six month ended May 31, 2016, the Company incurred \$52,993 (2015 - \$19,468) in property investigation costs of which \$15,400 (2015 - \$9,501) pertained to the allocation of the management fees to the Company's chief executive officer (Note 7).

On May 5, 2016, the Company entered into a formal Alliance Agreement with GlobeTrotters Resources Group Inc. ("GlobeTrotters") related to the parties' initiative 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 Company's personnel will carry out ground proofing and, where warranted, stake or otherwise acquire tenure to protect the highest priority areas with follow up input and further target focusing by GlobeTrotters.

The Company will hold all interest in properties acquired as part of the collaborative effort and will grant GlobeTrotters a 2% NSR royalty on all properties in which it 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.

7. 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 office and the chief financial officer were as follows:

| | Three months ended May 31, | | Six months ended May 31, | |
|--------------------------------|----------------------------|-----------|--------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Management fees ⁽ⁱ⁾ | \$ 29,400 | \$ 24,750 | \$ 51,900 | \$ 44,750 |
| Share-based payments | 48 | - | 254 | - |
| | \$ 29,448 | \$ 24,750 | \$ 52,154 | \$ 44,750 |

(i) Management fees are included in management and administration fees (2016 - \$33,500; 2015 - \$8,873) and exploration and evaluation expenses (2016 - \$18,400; 2015 - \$35,877), of which \$15,400 (2015 - \$9,501) pertained to property investigation (Note 6).

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At May 31, 2016, there was \$5,880 (November 30, 2015 - \$7,875) included in accounts payable and accrued liabilities that was owing to a related party 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:

| | Three months ended May 31, | | Six months ended May 31, | |
|--|----------------------------|-------------|--------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Accounting fees | \$ 14,850 | \$ - | \$ 26,850 | \$ - |
| Legal Fees | 12,621 | - | 13,116 | - |
| Legal Fees related to share issuance costs | 11,455 | - | 11,455 | - |
| | \$ 38,926 | \$ - | \$ 51,421 | \$ - |

At May 31, 2016, there was \$10,480 (November 30, 2015 - \$9,120) included in accounts payable and accrued liabilities that was owing to these related parties for accounting and legal fees.

8. SHARE CAPITAL AND EQUITY RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

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, 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. After the four-month restricted resale period expires on August 22, 2016, 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, \$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. Three insiders of the Company purchased a total of 900,000 units in the placement.

On May 4, 2016, 33,000 warrants were exercised at a price of \$0.05 per share for gross proceeds of \$1,650.

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On May 20, 2016, the Company issued 1,000,000 of its common shares with a fair value on the date of issuance of \$90,000 to GlobeTrotters pursuant to the formal Alliance Agreement (Note 6).

c) Stock options

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 |
| Expired | (165,000) | \$1.52 |
| Options outstanding at May 31, 2016 | 1,180,000 | \$0.52 |
| Options exercisable at May 31, 2016 | 1,180,000 | \$0.52 |

As at May 31, 2016, the following stock options were outstanding:

| Number of Options Outstanding | Exercise Price | Expiry Date |
|--|---------------------------|------------------------|
| 20,000 | \$1.50 | September 21, 2016 |
| 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 |
| <u>1,180,000</u> | | |

There were no stock options granted to directors, officers and employees during the six months ended May 31, 2016. The Company recognized \$959 (2015 - \$3,486) of share-based payments relating to stock options that vested during the period. The fair value of each option grant was estimated as at the date of the grant using the Black-Scholes option pricing model.

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 ⁽¹⁾ |
| Issued | 8,791,000 | \$0.05 |
| Exercised | (33,000) | \$0.05 |
| Warrants outstanding at May 31, 2016 | 24,524,000 | \$0.08 |

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(1) As at May 31, 2016, 13,413,000 have an exercise price of \$0.10.

As at May 31, 2016, the following share purchase warrants were outstanding:

| Number of Warrants Outstanding | Exercise Price | Expiry Date |
|---|---------------------------|------------------------|
| 13,413,000 | \$0.10 ⁽¹⁾ | January 28, 2018 |
| 2,320,000 | \$0.05 | October 16, 2018 |
| 8,791,000 | \$0.05 ⁽²⁾ | April 22, 2019 |
| <u>24,524,000</u> | | |

(1) Each warrant is exercisable to purchase a further 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 a further 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.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | May 31, 2016 | May 31, 2015 |
|--|-----------------|-----------------|
| Non-cash investing and financing activities for the six months ended | | |
| Fair value of warrants exercised | \$ 1,264 | \$ - |
| Common shares issued for finders' fee | \$ 23,482 | \$ - |

10. 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:

| May 31, 2016 | Canada | Mexico |
|----------------------|-----------------|------------------|
| Reclamation deposit | \$ 2,000 | \$ - |
| Equipment | 1,587 | - |
| Exploration advances | - | 2,348 |
| Mineral properties | - | 45,554 |
| | <u>\$ 3,587</u> | <u>\$ 47,902</u> |

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| November 30, 2015 | | Mineral Properties | | Equipment |
|----------------------|----|-----------------------|----|-----------|
| Reclamation deposit | \$ | 2,000 | \$ | - |
| Equipment | | 2,101 | | - |
| Exploration advances | | - | | 2,650 |
| Mineral properties | | - | | 24,654 |
| | \$ | 4,101 | \$ | 27,304 |

11. SUBSEQUENT EVENT

On June 7, 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 25% each, on granting and on the next three, six and nine months.
