CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2015 AND 2014

AUDITORS' REPORT

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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, 2015 and 2014, 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, 2015 and 2014, 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

March 4, 2016

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

		November 30, 2015		November 30, 2014
ASSETS				
Current assets				
Cash	$	126,291	$	34,435
Marketable securities (Note 4)		5,833		15,998
Receivables (Note 5)		11,324		26,271
Prepaid expenses		3,173		2,451
		146,621		79,155
Non-current assets				
Reclamation deposit (Note 6)		2,000		2,000
Equipment (Note 8)		2,101		10,380
Exploration advances (Note 7)		2,650		3,365
Mineral properties (Note 7 and 10)		385,414		707,820
Total assets	$	538,786	$	802,720
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 9 and 10)	$	45,964	$	75,902
Loans from directors (Note 10)		-		45,179
		45,964		121,081
Non-current liabilities				
Deferred tax liability (Note 16)		-		39,000
Total liabilities		45,964		160,081
Shareholders' equity				
Share capital (Note 11)		9,732,162		9,141,643
Equity reserves (Note 11)		1,558,673		1,424,771
Deficit		(10,798,013)		(9,923,775)
		492,822		642,639
	$	538,786	$	802,720

Nature of operations and going concern (Note 1)

APPROVED AND AUTHORIZED BY THE DIRECTORS ON MARCH 4, 2016:

" 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

		2015		2014
EXPENSES				
Accounting and audit fees (Note 10)	$	90,420	$	49,861
Depreciation		7,525		17,929
Foreign exchange		7,131		(1,987)
Insurance		12,693		25,966
Interest expense		814		179
Interest income		(954)		(376)
Investor relations		20,590		17,793
Legal and professional fees (Note 10)		38,101		35,858
Management and administration fees (Note 10)		15,623		147,975
Office and administration expenses		31,252		51,404
Other income		(8,714)		(9,717)
Property investigation (Note 10)		31,241		46,467
Rent		-		17,800
Share-based payments (Note 11)		8,469		75,640
Transfer agent and filing fees		29,417		24,577
Travel		4,917		8,904
Unrealized loss on marketable securities (Note 4)		10,165		147,553
Write-down of mineral properties (Note 7)		614,548		3,025,067
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR BEFORE TAXES		(913,238)		(3,680,893)
Deferred tax recovery (expense) – Mexican mining royalty (Note 16)		39,000		(39,000)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$	(874,238)	$	(3,719,893)
Basic and diluted loss per common share	$	(0.04)	$	(0.32)
Weighted average number of common shares outstanding – basic and diluted		23,628,137		11,643,575

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

		2015		2014
OPERATING ACTIVITIES				
Loss and comprehensive loss for the year	$	(874,238)	$	(3,719,893)
Items not affecting cash:				
Depreciation		7,525		17,929
Foreign exchange		715		-
(Gain) loss on disposal of equipment		(879)		449
Interest expense accrued		814		179
Share-based payments		8,469		75,640
Unrealized loss on marketable securities		10,165		147,553
Write-down of mineral properties		614,548		3,025,067
Deferred tax (recovery) expense		(39,000)		39,000
Changes in non-cash working capital items:				
Receivables		14,947		79,187
Prepaid expenses		(722)		6,257
Accounts payable and accrued liabilities		(14,185)		14,014
Finance expense paid		(993)		-
Net cash used in operating activities		(272,834)		(314,618)
FINANCING ACTIVITIES				
Proceeds from issuance of shares		648,375		400,000
Share issuance costs		(50,073)		(24,057)
Proceeds from warrant exercise		117,650		-
Loans (repaid to) from directors		(45,000)		45,000
Net cash provided by financing activities		670,952		420,943
INVESTING ACTIVITIES				
Exploration advances		-		4,831
Mineral properties		(307,895)		(449,961)
Recovery of mineral property costs		-		128,308
Acquisition of equipment		-		(391)
Proceeds from disposal of equipment		1,633		-
Net cash used in investing activities		(306,262)		(317,213)
INCREASE (DECREASE) IN CASH		91,856		(210,888)
CASH, BEGINNING OF THE YEAR		34,435		245,323
CASH, END OF THE YEAR	$	126,291	$	34,435

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 $
Balance at November 30, 2013	10,673,712	8,763,950	1,349,131	(6,203,882)	3,909,199
Private placement	1,600,000	400,000	-	-	400,000
Issuance costs	-	(24,057)	-	-	(24,057)
Shares issued – Cuatro de Mayo project	10,000	1,750	-	-	1,750
Share-based payments	-	-	75,640	-	75,640
Loss and comprehensive loss for the year	-	-	-	(3,719,893)	(3,719,893)
Balance at November 30, 2014	12,283,712	9,141,643	1,424,771	(9,923,775)	642,639
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	-	-	-	(874,238)	(874,238)
Balance at November 30, 2015	27,852,712	9,732,162	1,558,673	(10,798,013)	492,822

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.

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, 2015, the Company had working capital of $100,657, had not yet achieved profitable operations and has an accumulated deficit of $10,798,013 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.

During the year, the Company consolidated its shares on the basis of one new share for every five old shares. The Company also completed a financing for gross proceeds of $648,375 and a warrant exercise for gross proceeds of $117,650 (Note 11(b)).

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 3 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.

3. 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, 2015 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 and exploration and evaluation costs where work was not planned (Note 7).

(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, including both options and 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. 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. These estimates are based on historical observations which may not be representative of future results.

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 and exploration advances 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.

Mineral properties

Pre-exploration costs are expensed as incurred.

Costs directly related to the acquisition, exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

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.

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 ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("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 adopted

Effective December 1, 2014, the following standards were adopted but have had no material impact on the consolidated financial statements:

- IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities. The adoption of this Standard did not have any impact on these consolidated financial statements.
- IFRIC 21 Levies: This Standard sets out the accounting for an obligation to pay a levy that is not income tax. The Interpretation addresses what the obligating event is that requires payment of a levy and when should a liability be recognized. The Company is not currently subjected to significant levies and therefore the adoption of the Interpretation did not have a significant impact on these consolidated financial statements.

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 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.
- 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)

4. 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.

	November 30, 2015			November 30, 2014		
	# of Shares		Amount	# of Shares		Amount
Opening balance	17,500	$	15,998	17,500	$	163,551
Mark-to-Market valuation	-		(10,165)	-		(147,553)
	17,500	$	5,833	17,500	$	15,998

5. 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 follow:

		November 30, 2015		November 30, 2014
VAT receivable	$	9,376	$	24,020
GST receivable		1,948		2,251
	$	11,324	$	26,271

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

6. RECLAMATION DEPOSIT

On July 18, 2015, the Company renewed a $2,000 (2014 - $2,000) reclamation deposit with respect to the Alwin Copper Property (Note 7). This deposit bears interest at 0.05% per annum and matures on July 18, 2016.

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES

	ALWIN PROPERTY	TECOMATE PROJECT	LA BUENA PROJECT	LOS CARLOS PROJECT	ANGELES PROJECT	CUATRO DE MAYO PROJECT	TOTAL MINERAL PROPERTIES
Balance at November 30, 2013	$ 1	$ 2,046,463	$ 926,127	$ 80,520	$ 411,177	$ -	$ 3,464,288
Cash payment	-	-	-	-	16,549	5,451	22,000
Shares issued	-	-	-	-	-	1,750	1,750
Sampling, prospecting, study	-	-	3,037	1,348	-	21,120	25,505
Drilling	-	-	101,621	5,441	-	-	107,062
Field supplies and on-site expenses	-	-	6,839	1,311	3,961	16,173	28,284
Mineral rights	-	-	26,359	14,426	5,014	24,789	70,588
Geological consulting	-	-	21,652	7,454	11,733	36,243	77,082
Travel expenses	-	-	5,844	947	1,753	8,104	16,648
Property evaluation, field wages	-	-	22,510	350	18,369	6,759	47,988
Total for the year	-	-	187,862	31,277	57,379	120,389	396,907
Recovery of costs (cash)	-	-	(135,385)	-	7,077	-	(128,308)
Write-down of mineral properties	-	(2,046,463)	(978,604)	-	-	-	(3,025,067)
Balance at November 30, 2014	$ 1	$ -	$ -	$ 111,797	$ 475,633	$ 120,389	$ 707,820
Cash payment	-	-	-	-	-	36,814	36,814
Sampling, prospecting, study	-	-	-	-	-	29,272	29,272
Field supplies and on-site expenses	-	-	-	-	-	9,645	9,645
Mineral rights	-	-	-	2,908	2,134	37,241	42,283
Geological consulting (Note 10)	-	-	-	650	2,065	145,725	148,440
Travel expenses	-	-	-	-	-	19,441	19,441
Property evaluation, field wages	-	-	-	-	-	6,247	6,247
Total for the year	-	-	-	3,558	4,199	284,385	292,142
Write-down of mineral properties	-	-	-	(115,355)	(479,832)	(19,361)	(614,548)
Balance at November 30, 2015	$ 1	$ -	$ -	$ -	$ -	$ 385,413	$ 385,414

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, 2015 were $2,650 (2014 - $3,365).

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 subsequent to November 30, 2015), 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 the current fiscal year, the option on the smaller Mariana II concession was cancelled.

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 current fiscal year, 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 currently does not have work planned on the project and therefore, the related acquisition and deferred exploration costs totaling $479,832 were written off to operations during the current year.

Los Carlos

In April 2012, the Company acquired a 100% interest in the Los Carlos II property by staking. Management has decided to discontinue its interest in the project and therefore, the related acquisition and deferred exploration costs totaling $115,355 were written off to operations during the current year.

La Buena

During the year ended November 30, 2010 and 2011, the Company acquired the La Buena project in Mexico and also certain concessions adjacent to the project.

On October 24, 2014, the Company announced that it had elected to discontinue its interest in the La Buena project and therefore, the related acquisition and deferred exploration costs totaling $978,604 were written off to operations during the year ended November 30, 2014.

Tecomate

During the year ended November 30, 2010, the Company acquired the Tecomate project in Mexico. The Company granted the Vendor a 1% NSR on the property and all concessions subsequently acquired by the Company within an area extending five kilometers from the outer perimeter of the core concession.

On June 1, 2014, the Company announced it has elected to discontinue its interest in the Tecomate project and therefore, the related acquisition and deferred exploration costs totaling $2,046,463 were written off to operations during the year ended November 30, 2014.

Alwin

Pursuant to an option agreement dated December 7, 2005, the Company acquired an undivided 100% interest in certain mineral claims situated in the Kamloops B.C. area. The claims are subject to a 2% NSR royalty.

(Expressed in Canadian Dollars)

8. EQUIPMENT

	Furniture and Equipment	Computer Equipment	Computer Software	Vehicles	Total
	$	$	$	$	$
Year ended November 30, 2014					
Opening balance	503	14,029	3,282	10,553	28,367
Additions	-	-	391	-	391
Disposals	-	(449)	-	-	(449)
Depreciation	(301)	(6,479)	(3,609)	(7,540)	(17,929)
Net book value November 30, 2014	202	7,101	64	3,013	10,380
At November 30, 2014					
Cost	1,501	32,503	42,651	34,593	111,248
Accumulated depreciation	(1,299)	(25,402)	(42,587)	(31,580)	(100,868)
Net book value November 30, 2014	202	7,101	64	3,013	10,380
Year ended November 30, 2015					
Opening balance	202	7,101	64	3,013	10,380
Disposals	-	-	-	(754)	(754)
Depreciation	(202)	(5,000)	(64)	(2,259)	(7,525)
Net book value November 30, 2015	-	2,101	-	-	2,101
At November 30, 2015					
Cost	1,501	32,503	42,651	11,968	88,623
Accumulated depreciation	(1,501)	(30,402)	(42,651)	(11,968)	(86,522)
Net book value November 30, 2015	-	2,101	-	-	2,101

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

		November 30, 2015		November 30, 2014
Accounts payable	$	21,890	$	55,696
Accrued liabilities		24,074		20,206
	$	45,964	$	75,902

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.

(Expressed in Canadian Dollars)

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

		November 30, 2015		November 30, 2014
Management fees[(1)]	$	87,500	$	131,000
Share-based payments		3,934		73,267
	$	91,434	$	204,267

[(i)] Management fees are included in management and administration fees (2015 - $15,623; 2014 - $131,000), property investigation (2015 - $13,251; 2014 - $nil) and in mineral property costs (2015 - $58,626; 2014 - $nil) in these consolidated financial statements.

At November 30, 2015, there was $7,875 (2014 - $7,000) 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:

		Year Ended November 30, 2015		2014
Accounting fees	$	51,000	$	-
Legal fees		4,153		-
Share issuance costs		9,486		-
	$	64,639	$	-

At November 30, 2015, there was $9,120 (2014 - $Nil) 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 January 30, 2015. Total interest paid on the loans amounted to $907.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND EQUITY RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

During the year ended November 30, 2015, the following events occurred:

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. As a result of the share consolidation, the number of shares, options and warrants, the exercise price and weighted average exercise price, and the calculation of basic and diluted earnings per share for the years ended November 30, 2014 and 2015 have been adjusted based on the new number of shares.

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:

	2015
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, 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)

	2015
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

During the year ended November 30, 2014, the following events occurred:

The Company issued 1,600,000 units at $0.25 per unit for gross proceeds of $400,000 less finders' fees of $16,590. Each unit consisted of one common share and one non-transferable warrant to purchase a further share for three years at a price of $0.25 within the first year or $0.50 within the second and third years. The warrants originally were to expire on April 24, 2017 but have been amended to expire on January 18, 2018 and to have lower exercise prices (Note 11(d)).

The Company issued 10,000 common shares valued at $1,750 pursuant to the Cuatro de Mayo option agreement (Note 7).

c) Stock options

The Company has a 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. In May 2015, the shareholders of the Company approved the amendment of the Company's incentive stock option plan (the "Plan"), revising it from a "20% fixed number" (2,134,600 prior to the amendment) stock option plan to a "10% rolling" plan. Based on the current issued capital, the Company has 2,785,271 common shares available for option under the Plan, which number includes currently outstanding options to purchase a total of 1,345,000 common shares. Under the amended plan, 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 shall not be 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, 2013	1,168,000	$0.90
Granted	420,000	$0.50
Forfeited	(133,000)	$1.06
Expired	(70,000)	$0.54
Options outstanding as 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 as at November 30, 2015	1,345,000	$0.64
Options exercisable at November 30, 2015	1,270,000	$0.68

(Expressed in Canadian Dollars)

As at November 30, 2015, the following stock options were outstanding:

Number of Options Outstanding	Exercise Price	Expiry Date
4,000	$2.15	December 31, 2015 [(i)]
161,000	$1.50	May 9, 2016
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
1,345,000		

(i) These options expired unexercised subsequent to the year ended November 30, 2015.

The fair value of stock options granted to directors, officers and employees during the year ended November 30, 2015 was $4,188 (2014 - $73,267) and the fair value of stock options granted to consultants was $5,240 (2014 - $Nil). The Company recognized $8,469 (2014 - $75,640) of share-based payments relating to stock options that vested during the year. 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:

	2015	2014
Risk free interest rate	0.53%	1.80%
Expected life of options	2 years	5 years
Expected dividend yield	0%	0%
Expected stock price volatility	221%	108%
Weighted average fair value per option	$0.04	$0.15

d) Warrants

During the year, the Company amended the 1,600,000 warrants with an original expiry date of April 24, 2017 and an exercise price of $0.25 in the first year and $0.50 in the second and third years, to have an expiry date of January 28, 2018 and an exercise price of $0.05 until January 28, 2016, $0.10 until January 28, 2017 and $0.15 until January 28, 2018.

The Company's warrant transactions are as follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at November 30, 2013	2,191,740	$1.10
Issued	1,600,000	$0.25
Expired	(2,191,740)	$1.10
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

(Expressed in Canadian Dollars)

As at November 30, 2015, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
12,214,500	$0.05	January 28, 2018
1,198,500	$0.05	January 28, 2018
2,353,000	$0.05	October 16, 2018
15,766,000		

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. As of November 30, 2015, the Company is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

As at November 30, 2015, 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, the majority of work carried out in exploring and developing these properties are 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, 2015, 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	1,084	15,826
Marketable securities	4,375	-
Receivables	-	116,749
Accounts payable and accrued	(3,056)	(14,254)

Based on the above net exposures as at November 30, 2015, 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 $356 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 $1,350 in the Company's comprehensive loss.

(iv) Interest risk

The Company invests its cash and reclamation deposit in demand deposits that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. The Company also has borrowings at fixed interest rates. 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 to be undertaken.

(Expressed in Canadian Dollars)

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 $875.

(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, 2015		November 30, 2014
Share consideration for Cuatro de Mayo (Note 7)	$	-	$	1,750
Deferred exploration costs included in accounts payable and accrued liabilities	$	7,483	$	23,236

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:

Year Ended November 30, 2015		Mineral Properties		Equipment
Canada	$	1	$	2,101
Mexico		385,413		-
	$	385,414	$	2,101

Year Ended November 30, 2014		Mineral Properties		Equipment
Canada	$	1	$	6,741
Mexico		707,819		3,639
	$	707,820	$	10,380

(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, 2015	Year Ended November 30, 2014
Loss before income taxes	$ (913,238)	$ (3,680,893)
Canadian federal and provincial income tax rates	26.00%	26.00%
Expected income tax expense (recovery) based on the above rates	$ (237,000)	$ (957,000)
Non-deductible expenses and non-taxable revenues	4,000	20,000
Change in statutory, foreign tax, foreign exchange rates and other	(4,000)	(317,000)
Impact of initial recognition of mining royalty tax	-	39,000
Tax effect of deferred tax assets for which no tax benefit has been recorded	198,000	1,254,000
Total income tax expense (recovery)	$ (39,000)	$ 39,000
Current income tax	$ -	$ -
Deferred income tax	(39,000)	39,000
	$ (39,000)	$ 39,000

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

	November 30, 2015	November 30, 2014
Deferred Income Tax Assets		
Non-capital losses	$ 2,379,000	$ 2,320,000
Property, plant and equipment	24,000	28,000
Exploration and evaluation assets	268,000	160,000
Marketable securities	46,000	45,000
Share issue costs	24,000	29,000
Total deferred income tax assets	2,741,000	2,582,000
Deferred Income Tax Liabilities		
Exploration and evaluation assets	-	-
Mexican mining royalty and duty	-	(39,000)
Total deferred income tax liabilities	-	(39,000)
Total deferred income taxes	2,741,000	2,543,000
Deferred income taxes not recognized	(2,741,000)	(2,582,000)
Deferred income tax liability	$ -	$ (39,000)

(Expressed in Canadian Dollars)

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, which is also applicable to the Company.

The Company has taken the position that 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 therefore recognized a deferred income tax liability as follows:

Recognition of deferred tax liability upon substantial enactment of the tax reform	$	277,000
Reversal of temporary difference due to write off of capitalized costs		(277,000)
Deferred tax liability as at November 30, 2015	$	-

As at November 30, 2015 the deferred income tax liability has been reduced to $Nil as the related accounting assets have been written down.

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

	2015	Expiry Dates	2014	Expiry Dates
	$		$	
Non-capital losses	8,433,000	2016-2035	8,198,000	2016-2034
Property, plant and equipment	90,000	Not applicable	104,000	Not applicable
Exploration and evaluation assets	886,000	Not applicable	527,000	Not applicable
Marketable securities	354,000	Not applicable	344,000	Not applicable
Share issuance costs	94,000	2016-2019	113,000	2015-2018
Unused temporary differences	9,857,000		9,286,000	