

Consolidated financial statements of

GOLDEN TAG RESOURCES LTD.

December 31, 2016 and 2015

GOLDEN TAG RESOURCES LTD.

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Management's Responsibility for Financial Reporting

To the Shareholders of Golden Tag Resources Ltd.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the Management Discussion and Analysis (MD&A) is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors ("Board") and Audit Committee ("Committee") are composed of some Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Committee has the responsibility of meeting with management and with the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP SENCRL, srl, and independent firm of chartered professional accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

April 20, 2017

Signed by: Marc Carrier

President and CFO

Signed by: David Rigg

Chief Executive Officer

Independent Auditors' Report

To the Shareholders of Golden Tag Resources Ltd.:

We have audited the accompanying consolidated financial statements of Golden Tag Resources Ltd., which comprise the consolidated statement of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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, the consolidated financial statements present fairly, in all material respects, the financial position of Golden Tag Resources Ltd. as at December 31, 2016, December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements, which states that Golden Tag Resources Ltd. incurred significant losses from operations over the years and has an accumulated deficit of \$6,569,619. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Montréal, Québec

April 20, 2017



¹ CPA auditor, CA, public accountancy permit No. A122514

Golden Tag Resources Ltd.
Consolidated Statements of Financial Position
As at December 31, 2016 and 2015

	Note	December 31, 2016 \$	December 31, 2015 \$
Assets			
Current			
Cash and cash equivalents		243,745	70,687
Marketable Securities	7	474,250	-
Other receivables	8	122,256	48,148
Prepaid Expenses		2,205	-
		842,456	118,835
Non-current			
Exploration and evaluation assets	9	10,372,341	9,812,597
Total assets		11,214,797	9,931,432
Liabilities			
Current			
Trade payables and accrued liabilities	15	84,661	46,102
Deposit on property	9	-	60,000
		84,661	106,102
Equity			
Share capital	10	14,690,674	14,021,165
Options reserve	11	41,107	41,107
Warrants reserve	10	440,274	-
Deficit		(6,569,619)	(7,016,106)
Accumulated other comprehensive income		2,527,700	2,779,164
Total equity		11,130,136	9,825,330
Total liabilities and equity		11,214,797	9,931,432
Going concern	1		
Related party transactions	15		
Contingencies and commitments	18		

Approved on Behalf of the Board:

Signed by: Marc Carrier, Director

Signed by: David Rigg, Director

The accompanying notes are an integral part of the consolidated financial statements

Golden Tag Resources Ltd.
Consolidated Statements of Comprehensive (Income) Loss
For the years ended December 31, 2016 and 2015

		Year Ended December 31, 2016	Year ended December 31, 2015
		\$	\$
	Note		
Management, consulting and directors' fees	15	155,500	34,000
Professional fees		90,373	58,637
Office services and sundry		21,217	20,963
Listing, filing and transfer agency fees		27,369	18,517
Promotion and travel		16,709	13,209
Rent		12,264	12,228
Foreign exchange		44,716	356,966
		368,148	514,520
Write-down (reversal of write-down) on exploration and evaluation assets	9	(1,039,318)	2,296,358
Finance income		(385)	(88)
Gain on sale of exploration and evaluation assets	9	(298,682)	-
Other income	9	(80,000)	-
Unrealized loss on change in fair value of marketable securities	7	603,750	-
Net income (loss) for the year		446,487	(2,810,790)
Other Comprehensive Income (Loss)		(251,464)	1,905,620
Comprehensive Income (Loss) for the year		195,023	(905,170)
Weighed average number of shares – Basic		68,653,995	56,960,805
Weighed average number of shares – Diluted		68,653,995	56,960,805
Basic income (loss) per share	12	0.007	(0.049)
Diluted income (loss) per share	12	0.007	(0.049)

The accompanying notes are an integral part of the consolidated financial statements

Golden Tag Resources Ltd.
Consolidated Statements of Changes in Equity
As at December 31, 2016 and 2015

	Number of Shares	Share capital (Note 10) \$	Options reserve \$	Warrants reserve \$	Deficit \$	Accumulated other comprehensive income \$	Total \$
Balance, January 1, 2015	53,426,558	13,846,165	1,293,306	2,157,378	(7,614,893)	873,544	10,555,500
Issuance of shares For joint operation Extension (note 9)	5,000,000	175,000	-	-	-	-	175,000
Expired options And warrants	-	-	(1,252,199)	(2,157,378)	3,409,577	-	-
Comprehensive income (loss)	-	-	-	-	(2,810,790)	1,905,620	(905,170)
Balance, December 31, 2015	58,426,558	14,021,165	41,107	-	(7,016,106)	2,779,164	9,825,330
Issuance of shares and warrants on private placement	18,000,000	482,574	-	417,426	-	-	900,000
Issuance of shares on acquisition of exploration and evaluation assets (note 9)	2,500,000	275,000	-	-	-	-	275,000
Finders' warrants issued	-	(22,848)	-	22,848	-	-	-
Share issue costs	-	(65,217)	-	-	-	-	(65,217)
Comprehensive Income (loss)	-	-	-	-	446,487	(251,464)	195,023
Balance as at December 31, 2016	78,926,558	14,690,674	41,107	440,274	(6,569,619)	2,527,700	11,130,136

The accompanying notes are an integral part of the consolidated financial statements

Golden Tag Resources Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015

	Year Ended December 31, 2016	Year Ended December 31, 2015
	\$	\$
Note		
Operating activities		
Net income (loss)	446,487	(2,810,790)
Non-cash items:		
Write-off (reversal of write-off) of exploration and evaluation assets	9 (1,039,318)	2,296,358
Foreign Exchange	44,716	356,966
Changes in working capital items	14 (97,754)	97,288
Gain on sale of exploration and evaluation assets	9 (298,682)	-
Unrealized loss on change in fair value of marketable securities	7 603,750	-
	<u>(340,801)</u>	<u>(60,178)</u>
Financing activity		
Cash received on private placement net of issue costs	10 834,783	-
Investing activities		
Additions to exploration and evaluation assets	9 (60,641)	(64,556)
Proceeds on sale of exploration and evaluation assets	9 260,000	-
Purchase of exploration and evaluation assets	9 (498,758)	-
	<u>(299,399)</u>	<u>(64,556)</u>
Effect of exchange rate on cash and cash equivalents	<u>(21,525)</u>	<u>(15,929)</u>
Net increase (decrease) in cash and cash equivalents	173,058	(140,663)
Cash and cash equivalents, beginning of year	<u>70,687</u>	<u>211,350</u>
Cash and cash equivalents, end of year	243,745	70,687

The accompanying notes are an integral part of the consolidated financial statements

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

1. Nature of operation and going concern assumption

Golden Tag Resources Ltd. (“the Company”) is incorporated under the Canada Business Corporations Act and is in the process of exploring its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The address of Golden Tag Resources Ltd.’s registered office and its principal place of business are 3608 Boul. St-Charles, Suite 16, Kirkland, Quebec, Canada. Golden Tag Resources Ltd.’s shares are listed on the TSX Venture Exchange, trading under the symbol “GOG.”

These consolidated statements comprise the financial statements of Golden Tag Resources Ltd. and its wholly owned subsidiary, Golden Tag de Mexico S.A., incorporated in Mexico.

These consolidated financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, and the Company has not yet generated income or cash flows from its operations.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	\$	\$
Comprehensive income (loss) for the year	195,023	(905,170)
Deficit	6,569,619	7,016,106
Working capital	757,795	12,733

The Company’s ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and support its administrative overhead. The Company raised \$900,000 through a private placement funding during the third quarter of 2016, and used part of these funds to acquire the 50% ownership stake in the San Diego property. During the third quarter of 2016, the Company also sold two of its other mining properties (note 9). To continue with exploration activities the Company may need to raise additional funds in the future. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements of the Company were approved and authorized for issue in accordance with a resolution of the directors on April 20, 2017.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, unless specifically stated in the consolidated financial statements.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

2. Basis of presentation *(Continued from previous page)*

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise stated, which is the Company's functional currency. The functional currency of the Company's Mexican subsidiary is the US dollar. The Company has adopted the Canadian dollar as its presentation currency.

3. Summary of significant accounting policies

These accounting policies have been used throughout all periods presented in the consolidated financial statements.

Basis of consolidation

The Company's consolidated financial statements represent those of the parent company, its subsidiary and jointly controlled assets as at December 31, 2016 and December 31, 2015.

Intercompany transactions have been eliminated on consolidation.

Interests in Joint Arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which we have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which we have rights to only the net assets of the arrangement. Joint operations are accounted for by recognizing our share of the assets, liabilities, revenue, expenses and cash flows of the joint operation in our consolidated financial statements.

Foreign currency translations

Foreign currency transactions are translated into the functional currency of each consolidated entity using the gain and loss from exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss whereas the Company's net investment in its foreign subsidiary is recognized in other comprehensive income (loss). Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not re-translated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

The Mexican subsidiary has the US dollar as its functional currency, and its operations have been translated into Canadian dollars for presentation purposes as follows: assets and liabilities have been translated at the closing rate at the reporting date; revenues and expenses have been translated at the average rate over the reporting period. Exchange differences are recognized in other comprehensive income (loss) and recognized in the accumulated other comprehensive income (loss) in equity.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

3. Summary of significant accounting policies *(Continued from previous page)*

Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

For the purpose of subsequent measurement, the Company has classified its financial assets into the following category upon initial recognition:

Fair value through profit or loss

Fair value through profit or loss comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company's marketable securities fall into this category of financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Financial liabilities

The Company's financial liabilities include trade payables and accrued liabilities which are classified as other financial liabilities. Other financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges are reported in profit or loss within finance costs.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write-down is then based on recent historical counterparty default rates for each identified group. Impairment of receivables is presented in profit or loss within other operating expenses.

The Company reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was recognized.

Basic and diluted income (loss) per share

Basic income (loss) per share is calculated by dividing the income (loss) attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

3. Summary of significant accounting policies *(Continued from previous page)*

Diluted income (loss) per share is calculated by adjusting income (loss) attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options and warrants as explained in Note 12.

Cash and cash equivalents

Cash and cash equivalents comprises of cash on deposit with a bank in general non-interest bearing accounts and interest generating money market accounts with no stipulated terms of maturity and that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and of highly-liquid short-term investments initially maturing within three months of their acquisition date.

Marketable securities

Marketable securities comprise of shares of other publicly trading companies and are recorded at fair value as of the date of the statement of financial position. The difference from the original cost base is recorded as unrealized gain or loss in the statement of comprehensive income.

Tax credits and credit on duties

The Company is entitled to a refundable credit on duties for losses under the Mining Duties Act. This refundable credit on duties for losses is applicable on exploration costs incurred in the Province of Quebec. Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. In accordance with IAS 20 - *Accounting for government grants and disclosure of government assistance*, the credit on duties and the exploration tax credit have been applied against the costs incurred.

Exploration and evaluation assets

Exploration and evaluation assets include the cost of acquiring mining rights and expenses directly related to the exploration and evaluation of mining properties. These assets are recognized as intangible assets and are carried at cost less any impairment loss recognized, less refundable tax credits and credits on duties. Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired are recognized in the statement of comprehensive income (loss) when they are incurred. Mining rights and expenses related to exploration and evaluation activities are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of the project. The accessory revenues earned over the exploration and evaluation period are recognized in profit or loss. No depreciation is recognized during the exploration and evaluation phase.

Costs capitalized include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. Whenever a project is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are first tested for impairment and then transferred to Mining assets under construction. Upon transfer of exploration and evaluation assets into Mining assets under construction, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in mining assets under construction are then transferred to Mining assets and depreciated over the expected productive lives of the assets.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

3. Summary of significant accounting policies *(Continued from previous page)*

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, however these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Reclamation Obligations

Estimated reclamation costs are based on legal, environmental and regulatory requirements. The costs of our active mining operations are accrued, on an undiscounted basis, as a production cost, on a unit-of-production method based on proven and probable reserves. We have made estimates of the final reclamation costs based on mine-closure plans approved by environmental agencies. We periodically review these estimates and update our reclamation cost estimates if assumptions change. Material assumptions that are made in deriving these estimates include variables such as mine life and inflation rates.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, however these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units (CGUs)). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level. Impairment reviews for exploration and evaluation assets are carried out on a property-by-property basis, with each property representing a potential single cash-generating unit.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

An impairment loss is recognized immediately in the statement of comprehensive income (loss) and reduces the asset or is charged pro rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount but only to what the carrying amount would have been if an impairment was never recognised.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

3. Summary of significant accounting policies *(Continued from previous page)*

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted when the time value of money is significant.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities arising from present obligations are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization. Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. The Company's operations are in compliance with current laws and regulations. Any provisions resulting from mining property restorations would be charged to the cost of the mining properties when it is possible to reasonably estimate the amount.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of comprehensive income (loss) except to the extent it relates to items recognized in other comprehensive income (loss) or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

3. Summary of significant accounting policies *(Continued from previous page)*

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

Equity

Share capital represents the amount received on the issue of shares, less issuance costs. Proceeds from unit placements are allocated between shares and warrants issued by: estimating the value of the warrants using the Black-Scholes options model; the fair value is allocated to warrants from the net proceeds and the balance is allocated to shares.

Options and warrants reserves include charges related to share options and warrants until such equity instruments are exercised. Deficit includes all current and prior period profits or losses.

Equity-settled share-based payment transactions

The Company operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement. All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of the services rendered by the employees is determined indirectly by reference to the fair value of the equity instruments granted estimated using the Black-Scholes options model. This fair value is appraised at the grant date.

All equity-settled share-based payments are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to options and warrants reserves, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options have already vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in options and warrants reserves are then transferred to share capital. If the options expire unexercised, the related amount is reallocated to deficit.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

3. Summary of significant accounting policies *(Continued from previous page)*

Share purchase warrants

The Company has adopted the Black Scholes Valuation model with respect to the measurement of warrants issued as private placement units. This method allocates the proceeds received based on the fair value of the warrants, with any remaining value greater than the warrant's fair value being allocated to the common shares. The fair value attributed to the warrants is recorded as warrants reserve. When warrants are exercised, the value is transferred from warrants reserve to capital stock. If the warrants expire unexercised, the related amount is reallocated to deficit.

Contingent liabilities

All contingent liabilities are continually reviewed to determine whether an outflow of economic benefits has become probable. Where a contingent liability becomes probable that an outflow of future economic benefits will be required, a provision is recognized in the period in which the change in probability occurs. If at the end of the reporting period it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

Segment reporting

In accordance with IFRS 8, Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. In this regard, the Company conducts its business in a single operating segment being the acquisition, exploration and development of mineral properties. All mineral properties are located in Canada and Mexico as detailed in Note 9.

Comprehensive income (loss)

Comprehensive income (loss) is the total of profit (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with IFRS, require recognition, but are excluded from profit (loss). The Company's other comprehensive income (loss) represents foreign currency translation gains/losses related to translating the financial information of its Mexican subsidiary from its US functional currency to Canadian dollars for presentation purposes.

Fair value hierarchy

The Company classifies financial instruments recognised at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7 – Financial Instruments: Disclosures. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As at December 31, 2016 and 2015, the carrying value of the Company's financial instruments approximates their fair value due to the short period to maturity. Marketable securities at December 31, 2016 are valued at fair value.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

3. Summary of significant accounting policies *(Continued from previous page)*

Recently adopted accounting pronouncements

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 (Revised) Investments in Associates and Joint Ventures, incorporated into the Handbook by the AcSB in November 2014. The amendments address an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the sale or contribution of a subsidiary by an investor to an associate or joint venture. The amendments require sales or contributions of assets that constitute a business to be accounted for in accordance with the requirements of IFRS 10 (i.e., full gain or loss recognition). All other sales or contributions of assets would be accounted for in accordance with the requirements of IAS 28 (i.e., gain or loss recognition limited to the extent of the unrelated investors' interests in the associate or joint venture).

The adoption of this amended standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 (revised) Investments in Associates and Joint Ventures

In December 2014, the International Accounting Standards Board (IASB) issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 (revised) Investments in Associates and Joint Ventures. The amendments provide clarifications to the requirements when accounting for investment entities below:

- Clarify the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value;
- Clarify a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity;
- Clarify that when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries; and
- Clarify that an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of this amended standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

Amendments to IFRS 11, Joint Arrangements

In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

The adoption of this amended standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment

In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

3. Summary of significant accounting policies *(Continued from previous page)*

The adoption of this amended standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

Accounting standards issued but not yet effective

IFRS 9, Financial Instruments

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 (2014) as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This Standard will replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted (subject to local endorsement requirements). IFRS 9 (2014) supersedes all previous versions including IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). However, an entity may elect to apply those earlier versions of IFRS 9 instead of applying IFRS (2014) if, and only if, the entity's relevant date of initial application is before February 1, 2015.

A brief overview of the previous versions of this Standard is as follows:

IFRS 9 (2009) introduced new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments including all derivatives are measured at fair value with changes recognized in the profit or loss
- The concept of embedded derivatives does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

IFRS 9 (2009) was superseded by IFRS 9 (2010) and IFRS 9 (2013) but all standards remain available for application.

IFRS 9 (2010) incorporated revised requirements for the classification and measurement of financial liabilities, and carried over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

IFRS 9 (2010) superseded IFRS 9 (2009) and was superseded by IFRS 9 (2013) but all standards remain available for application.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

3. Summary of significant accounting policies *(Continued from previous page)*

IFRS 9 (2013) introduced hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Also, IFRS 9 (2013) permitted an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss. IFRS 9 (2013) removed the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application. In February 2014, the IASB then tentatively decided to set January 1, 2018 as the effective date for the mandatory application of IFRS 9. IFRS 9 (2013) was superseded by IFRS 9 (2014) in July 2014 but all standards remain available for application. The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

IFRS 16, Leases

Replaces the current guidance in IAS 17. The standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. For lessors, the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts). Management is currently reviewing the impact of the adoption of this standard and has yet to determine if it will have a material impact on the consolidated financial statements. This standard is effective for periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

4. Critical accounting estimates, judgments and assumptions

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Judgments

Going Concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as, expectations of future events that are believed to be reasonable under the circumstances (Note 1).

Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. As at December 31, 2016, management has determined that deferred tax assets do not meet the criteria for recognition, and accordingly was not recorded (Note 13).

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

4. Critical accounting estimates, judgments and assumptions *(Continued from previous page)*

Exploration and evaluation assets

Indications of impairment and of reversal of impairment loss and recoverable amount:

The assessment of indications of impairment loss and the reversal of an impairment loss and the measuring of the recoverable amount when impairment tests has been done involve judgment. If there is an indication of impairment or reversal of an impairment loss, an estimate of the recoverable amount of the asset or the cash generating unit is performed and an impairment loss or reversal of impairment loss is recognized to the extent that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. The management determines for each property if there are any facts and circumstances indicating impairment loss or reversal of impairment losses. Facts and circumstances indicating impairment include, but are not limited to the following:

- a. the period for which the entity has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- b. substantive expenditure on further exploration for an evaluation of mineral resources in a specific area is neither budgeted nor planned;
- c. exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- d. sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, management has to evaluate the recoverable amount of the asset or the cash-generating unit, and this requires management to make assumptions as to the future events or circumstances. The assumptions are based on the Company's exploration and evaluation program which consider whether results from exploration works justify further investments, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the future development or if the disposal of the properties for proceeds is in excess of their carrying value. As at December 31, 2016, management does not believe that further write-offs are required (Note 9).

Estimates

Share-Based Compensation

The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan whereby notional shares are granted to employees, board of directors and key consultants. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The assumptions are discussed in Note 11.

Warrant Valuation

The Company uses the fair value method of valuing warrants associated with the Company's equity instrument issuances. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The assumptions are discussed in Note 10.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

5. Foreign Joint Operation

The Company, through its wholly-owned subsidiary, and Golden Minerals Company (formerly ECU Silver Mining Inc.) had jointly controlled assets and exploration activities pursuant to a 50/50 joint arrangement on the Company's San Diego, Mexico property. The Company had, up to the second quarter of 2016, used the proportionate consolidation method to recognize its pro rata share of the assets and activities.

During the third quarter of 2016, the company acquired the other 50% share of the San Diego property held by Golden Minerals Company (note 9). As at December 31, 2015, the Company's share of assets, liabilities, and operating activities were as follows:

	December 31, 2015
	\$
Total current assets	33,794
Exploration and evaluation assets	9,812,597
Total current liabilities	30,204
Operating expenditures	200,383
Other comprehensive loss (income)	(1,905,620)

The Company has not incurred any contingent liabilities or other commitments relating to its joint operation.

6. Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports on the performance of the managerial units of the Company to the Board of Directors. An analysis of the Company's business segments is set out below:

	Canada	Mexico	December 31, 2016
	\$	\$	\$
Other operating expenses (recovery)	454,404	(86,256)	368,148
Exploration and evaluation assets	-	10,372,341	10,372,341

	Canada	Mexico	December 31, 2015
	\$	\$	\$
Other operating expenses	314,137	200,383	514,520
Exploration and evaluation assets	-	9,812,597	9,812,597

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

7. Marketable securities

	December 31, 2016	December 31, 2015
	\$	\$
Balance as at January 1,	-	-
Additions in the year:		
Sirios Resources Inc. 1,000,000 shares (Note 9)	1,060,000	-
Cartier Resources Inc. 150,000 shares (Note 9)	18,000	-
	1,078,000	-
Unrealized loss on change in fair value of marketable securities	(603,750)	-
Balance as at December 31,	474,250	-

Marketable securities include the following components at fair value:

	December 31, 2016	December 31, 2015
	\$	\$
Sirios Resources Inc. 1,000,000 shares	445,000	-
Cartier Resources Inc. 150,000 shares	29,250	-
Total	474,250	-

8. Other receivables

Other receivables include the following components:

	December 31, 2016	December 31, 2015
	\$	\$
Sales taxes receivable	118,875	44,767
Other	3,381	3,381
Total	122,256	48,148

	December 31, 2015	December 31, 2015
	\$	\$
Current	8,831	6,478
30-90 days	3,400	392
Over 90 days (past due)	110,025	41,278
Total	122,256	48,148

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

9. Exploration and evaluation assets

	Quebec Aquilon Main Property	Quebec Verneuil property	Ontario McCuaig Property	Mexico San Diego Property	Total
	\$	\$	\$	\$	\$
Balance January 1, 2015	1,002,671	-	1,285,040	8,017,105	10,304,816
Additions					
Exploration	8,647	-	-	55,909	64,556
Extension of joint operation agreement	-	-	-	175,000	175,000
Exchange differences arising on the translation of US dollar functional currency to reporting currency	-	-	-	1,564,583	1,564,583
Write-off	(1,011,318)	-	(1,285,040)	-	(2,296,358)
	(1,002,671)	-	(1,285,040)	1,795,492	(492,219)
Balance December 31, 2015	-	-	-	9,812,597	9,812,597
Additions					
Exploration	-	-	-	60,641	60,641
Acquisition	-	-	-	773,758	773,758
Exchange differences arising on the translation of US dollar functional currency to reporting currency	-	-	-	(274,655)	(274,655)
Reversal of write-off	1,011,318	28,000	-	-	1,039,318
Sale	(1,011,318)	(28,000)	-	-	(1,039,318)
	-	-	-	559,744	559,744
Balance December 31, 2016	-	-	-	10,372,341	10,372,341

Québec Aquilon Main Property

In 2004, the Company signed a formal agreement with Sirios Resources Inc. (“Sirios”) and Soquem Inc. (“Soquem”) relating to this property. According to the agreement, the Company completed, in May 2011, the acquisition of a 60% stake in the property whereby Sirios held a 40% stake in the property and Soquem has a 1% Net Smelter Return (“NSR”). On October 22, 2010 (amended in 2012), the Company and Sirios signed an agreement in which Sirios has to pay \$15,000 to the Company at the signing of the agreement as well as incur over \$610,000 in expenditures on the property before June 15, 2014, in order to increase Sirios’ interest in the property from 40% to 50%. This level of expenditures was achieved; titles were passed.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

9. Exploration and evaluation assets *(Continued from previous page)*

On October 15, 2015, the Company signed an agreement giving a third party ('the Buyer') an option to buy the Company's remaining 50% stake in the property upon collecting from the Buyer \$1,000,000 of which \$60,000 had been collected and recorded in deposit on property as at December 31, 2015. In the first quarter of 2016, the Company collected another \$20,000 and the Buyer defaulted on the last \$20,000 and the Company sent the Buyer a formal letter of termination. As such the property had not been reallocated to assets held for sale. As the company had no plans to further explore this property in the near future, as it is currently focusing its efforts on the San Diego property, the Company wrote off the property in December 2015.

During the third quarter of 2016, the company sold the property for \$250,000 cash and 1,000,000 shares of Sirius Resources Inc. (Note 7) valued at \$1,060,000 resulting in a gain on sale of \$298,682.

Quebec Verneuil Property

The Company and Viking Gold Exploration Inc. (formerly Freewest Resources Canada Inc.) held a 30% / 70% interest respectively in a group of 44 mining claims (the "Verneuil Claims") and these claims were be subject to a ½% NSR. In 2008, the potential for future discovery on the property was uncertain, the property was written down by \$347,101. During the prior year ended December 31, 2013, the Company incurred its share of exploration expenditures of \$100,000 reflecting its 30% interest in the Verneuil Claims. The Company decided to abandon the claims and write-off the value of the Verneuil property.

During the year ended December 31, 2016, the Company sold its interest in the property for \$10,000 cash and 150,000 shares of Cartier Resources Inc. (Note 7) valued at \$18,000.

Mexico San Diego Property

The Company, through its wholly-owned subsidiary, and Golden Minerals Company (formerly ECU Silver Mining Inc.) held a 50% interest in the San Diego Property, Durango State, Mexico. The original agreement dated 2005 was amended in 2013 whereby Golden Tag has acquired the right to increase its interest in the property by an additional 10% to 60% by funding \$3,000,000 US dollars of exploration expenses within a two-year period. During the 2015 year, the Company had incurred \$55,910 Canadian dollars of exploration expenses. Of the \$3,000,000 US dollars funding requirement set out in the 2013 amendment, an amount of approximately \$868,000 USD remained to be spent.

An amendment to the joint venture agreement was signed on March 23, 2015 to extend the company's earn-in deadline to March 24, 2017. Fulfillment of the conditions in the earn-in period allows a transfer of 10% of the ownership interest in the property to be made to the Company from Golden Minerals Company. As consideration for the extension, the Company paid \$5,000 US dollars to Golden Minerals Company on execution of the amendment, and issued to them 5,000,000 common shares of the Company, which were valued at \$175,000, based on the stock price on the date of the issuance. The Company was also to spend the remaining \$824,000 USD on projects as set out in the amending agreement. Furthermore, once the Company had spent the remaining \$824,000 USD, it shall proceed with a High Grade Drilling Program.

During the third quarter of 2016, the Company acquired the remaining 50% of the San Diego property for \$500,000 in cash consideration and 2,500,000 shares of the Company, which were valued at \$275,000, based on the stock price on the date of the issuance. Golden Minerals will retain a 2% NSR on the property.

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

10. Equity

Share capital

Authorized: An unlimited number of the following classes of shares:

Common shares, voting

Preferred shares, non-voting, redeemable for the amount paid thereon, all rights and privileges to be determined by the Board of Directors.

Shares issued and fully paid	#	\$
Total common shares issued and fully paid December 31, 2014	53,426,558	13,846,165
Issuance of shares for joint operation extension (note 9)	5,000,000	175,000
Total common shares issued and fully paid December 31, 2015	58,426,558	14,021,165
Issuance of shares on acquisition of exploration and evaluation assets (note 9)	2,500,000	275,000
Issuance of shares on private placement, net of issue costs of \$88,065	18,000,000	394,509
Total common shares issued and fully paid December 31, 2016	78,926,558	14,690,674

During the year, the Company issued 18,000,000 units for \$900,000. Each unit is made up of one common share and one purchase warrant expiring July 27, 2021 and exercisable at \$0.07 in the first year and \$0.12 in the second to fifth year. The warrants fair value was determined to be \$417,426 using the Black Scholes model with the following assumptions: life of 5 years, volatility of 164%-165%, risk free interest rate of 0.54%-0.62% and dividends yield of 0%.

In connection with the private placement, the Company paid \$30,017 in legal fees, \$35,200 in commissions and issued 880,000 broker warrants expiring July 28, 2018 and exercisable at \$0.07 in the first year and \$0.12 in the second year. The warrants fair value was determined to be \$22,848 using the Black Scholes model with the following assumptions: life of 2 years, volatility of 162%, risk free interest rate of 0.58% and dividends yield of 0%.

During the year, the Company issued 2,500,000 shares in conjunction with the acquisition of the other 50% of the San Diego property (Note 9) valued at \$275,000, based on the stock price on the date of the issuance.

Share purchase warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares is as follows:

	2016		2015	
	#	Weighted average exercise price \$	#	Weighted average exercise price \$
Balance as at January 1	-	-	-	-
Issued – on private placement	18,000,000	0.07-0.12	-	-
Issued – broker warrants	880,000	0.07-0.12	-	-
Expired	-	-	-	-
Balance as at December 31	18,880,000	0.07-0.12	-	-

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

10. Equity (Continued from previous page)

At December 31, 2016, the following exercisable warrants were outstanding:

Warrants	Price	Expiry
18,000,000	0.07-.012	June 27, 2021
880,000	0.07-.012	June 28, 2018
18,880,000	0.07-.012	

11. Share-based payments

The Company has adopted share-based payment plans under which members of the Board of Directors may award options for ordinary shares to directors, officers, employees and consultants. The maximum number of shares issuable under the plans is 7,834,191 and the maximum number of shares which may be reserved for issuance to any one optionee may not exceed 5% of the common shares outstanding at the time of the grant. The exercise price of each option is determined by the Board of Directors and cannot be less than the market value of the ordinary shares on the day prior to the award date, and the term of the options cannot exceed five years and unexercised options are cancelled 30 days after termination of employment or directorship. The option's exercise price and vesting period is established by the Board of Directors at the time of grant. All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

At December 31, 2016 and 2015, the Company had 250,000 options outstanding and exercisable at a weighted average price of \$0.22 expiring July 5, 2017.

12. Income (loss) per share

The calculation of basic income (loss) per share is based on the income (loss) for the year divided by the weighted average number of shares in circulation during the year. In calculating the diluted income (loss) per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the income (loss) per share. Decreasing the income (loss) per share would be antidilutive. Details of share options and warrants issued that could potentially dilute income (loss) per share in the future are given in Note 10 and Note 11.

Both the basic and diluted income (loss) per share have been calculated using the income (loss) as the numerator, i.e. no adjustment to the income (loss) were necessary for the years ended December 31, 2016 and December 31, 2015 respectively.

	2016	2015
	\$	\$
Income (loss) for the year	446,487	(2,810,790)
Weighted average number of shares in circulation	68,653,955	56,960,805
Basic income (loss) per share	0.007	(0.049)
	2016	2015
	\$	\$
Income (loss) for the year	446,487	(2,810,790)
Weighted average number of shares in circulation	68,653,955	56,960,805
Diluted income (loss) per share	0.007	(0.049)

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

13. Income taxes

a) *Deferred tax assets and liabilities of the Company are as follows:*

Canada:

	December 31, 2016	December 31, 2015
	\$	\$
<i>Deferred tax assets</i>		
Non-capital losses carried forward	519,409	625,341
Exploration and evaluation assets	607,202	771,287
Marketable securities	79,997	-
Share issue costs	24,820	-
Total deferred tax assets	1,231,428	1,396,628
Deferred tax assets not recognized	(1,231,428)	(1,396,628)
Net deferred tax asset	-	-

Mexico:

	December 31, 2016	December 31, 2015
	\$	\$
<i>Deferred tax assets</i>		
Net operating loss carryforwards	47,735	37,317
Total deferred tax assets	47,735	37,317
Deferred tax assets not recognized	(47,735)	(37,317)
Net deferred tax asset	-	-

b) *Reconciliation of income tax expense:*

	2016	2015
	\$	\$
Expected income tax expense (recovery) (26.90%, 2015 – 26.90%)	120,429	(756,104)
Share issue costs	(31,025)	-
Unrealized loss on marketable securities	79,997	-
Expiry of warrants	-	266,956
Foreign tax rate difference	(35,978)	(6,212)
Foreign exchange impact of conversion to functional currency	21,359	49,898
Deferred tax assets not recognized	(154,782)	445,462
Income tax expense	-	-

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

13. Income taxes (Continued from previous page)

c) *Tax loss carry-forwards:*

The Company has non-capital loss carryforwards of approximately \$1,960,034 (2015 - \$2,324,689) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2029	\$	129,838
2030		574,281
2031		396,373
2032		457,615
2033		308,916
2034		93,011
		1,960,034
\$		1,960,034

The Company has net operating loss carryforwards of approximately \$158,610 (2015 - \$124,396) which may be carried forward to apply against future year income tax for Mexican tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2020	\$	5,755
2021		23,359
2022		10,435
2023		1,204
2024		62,758
2025		17,168
2026		37,931
		158,610
\$		158,610

14. Additional cash flow information

The changes in working capital items are as follows:

	2016	2015
	\$	\$
Other receivables	(74,108)	19,194
Prepaid expenses	(2,205)	-
Trade Payables and accrued liabilities	38,559	18,094
Deposit on property	(60,000)	60,000
	(97,754)	97,288

Non-cash transactions:

	2016	2015
	\$	\$
Marketable securities received as proceeds on sale of exploration and evaluation assets (Note 9)	1,078,000	-
Shares issued as proceeds on purchase of exploration and evaluation assets (Note 9)	275,000	-

Golden Tag Resources Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

15. Related party transactions

The Company owned a 100% (2015 - 50%) interest in the San Diego property through its wholly-owned subsidiary Golden Tag De Mexico S.A.

The Company's related parties include private companies controlled by directors and joint key management, as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors, as well as members of key management personnel remuneration includes the following expenses:

Related party	2016	2015
	\$	\$
Management and administration fees paid to private companies controlled by directors	152,500	33,000
Management and administrative fees paid to directors	3,000	3,500
Exploration expenditures paid to private companies controlled by directors and capitalized to Exploration and evaluation assets	9,000	-

Included in trade payables and accrued liabilities are amounts due to private companies controlled by directors of \$38,914 (2015 - \$8,564) and to directors of \$10,637.

16. Capital management policies and procedures

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Company's capital items are cash and cash equivalents, marketable securities and common shares. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

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

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17. Financial instruments risks

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 3. The main types of risks are market risk, credit risk and liquidity risk. The Company's risk management is coordinated in close cooperation with the Board of Directors, and focuses on actively securing the Company's short- to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes.

The most significant financial risks to which the Company is exposed are described below. The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. No changes were made in the objectives, policies and processes during the reporting periods.

Foreign currency risk

Most of the Company's transactions are carried out in Canadian dollars. Exposures to currency exchange rates arise from the Company's expenses in foreign currency, which are primarily denominated in US dollars and Mexican Pesos since a portion of the Company's expenditures related to exploration and evaluation activities are incurred in US dollars and Mexican Pesos. The Company does not enter into arrangements to hedge its foreign exchange risk.

Financial instruments denominated in foreign currency are as follows:

Short-term exposure	December 31, 2016	December 31, 2015
	\$	\$
<i>US dollars</i>		
Cash	26,269	5,949
Trade and other receivables	76,903	16,388
Trade payables and accrued liabilities	14,057	5,950
Total short-term exposure	117,229	28,287
Short-term exposure	December 31, 2016	December 31, 2015
	\$	\$
<i>Mexican Pesos</i>		
Cash	37,564	4,751
Trade and other receivables	113,371	199,175
Trade payables and accrued liabilities	199,277	272,970
Total short-term exposure	350,212	476,896

At December 31, 2016, with other variables unchanged, a 10% change in the US/CDN and Pesos/CDN exchange rate would impact pre-tax income by approximately \$11,723 and \$2,281 respectively (2015 - \$ 2,818 and \$3,815). Exposure to foreign exchange rates varies during the year depending on the volume of foreign transactions.

Credit risk

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets. The Company has no trade accounts. None of the Company's financial assets are secured by collateral or other credit enhancements. The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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17. Financial instruments risks *(Continued from previous page)*

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

The Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Within 3 months	
	December 31, 2016	December 31, 2015
Trade payables and accrued liabilities	\$ 84,661	\$ 46,102

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date. Where the counterparty has a choice of when an amount is paid, the liability has been included on the earliest date on which payment can be required.

18. Contingencies and commitments

The Company's operations are subject to governmental laws and regulations regarding environmental protection. Environmental consequences, their impact and their duration are difficult to determine. To the best of its knowledge, management believes that the Company's operations are in compliance with all applicable laws and regulations. Provisions for estimated costs are recorded against exploration and evaluation assets when environmental remedial efforts are likely and costs can be reasonably estimated.

The Company has an executive services agreement in place, with a private company controlled by one of its directors, dated October 1, 2013 for a 5 year term, whereby a sum equivalent to both the Base Fees (\$65,000) and the Conditional Fees (\$80,000) for the next two-year period, irrespective of the Company's financial condition, is to be made should the director die or become permanently incapacitated in a manner that prevents his private company from properly performing the services. In the last two years of this 5 year contract, the foregoing amounts shall be reduced to one year future fees from two years.