

NSX Silver Inc.

Financial Statements
(expressed in Canadian dollars)

**For the years ended
December 31, 2016 and 2015**

May 1, 2017

Management's Report

The accompanying consolidated financial statements of **NSX Silver Inc.** are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's consolidated financial statements, and recommended their approval by the Board of Directors.

KPMG LLP, appointed as the Company's auditors by the shareholders, have examined these consolidated financial statements and their report follows.

(signed) "*Johannes H.C. van Hoof*"
President and Chief Executive Officer
Buenos Aires, Argentina

(signed) "*Glenn Holmes*"
Chief Financial Officer
Halifax, Nova Scotia



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of NSX Silver Inc.

We have audited the accompanying financial statements of NSX Silver Inc., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, the statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of NSX Silver Inc. as at December 31, 2016 and 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 modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that NSX Silver Inc. has a deficit and no operations at this time that will generate revenue. These conditions, along with other matters as set forth in Note 1 in the financial statements, indicate the existence of a material uncertainty that cast significant doubt about NSX Silver Inc.'s ability to continue as a going concern.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal stroke that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants
May 1, 2017
Halifax, Canada

NSX Silver Inc.

Consolidated Statements of Financial Position As at December 31, 2016 and 2015

(expressed in Canadian dollars)

	December 31, 2016 \$	December 31, 2015 \$
Assets		
Current assets		
Cash and cash equivalents	133,046	1,918
Sales tax recoverable	24,866	4,437
Deposits and prepaids	25,364	—
	<hr/>	
	183,276	6,355
	<hr/>	
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	206,707	45,680
Amount due to shareholders (note 7)	59,676	49,656
	<hr/>	
	266,383	95,336
	<hr/>	
Equity (note 9)	(83,107)	(88,981)
	<hr/>	
	183,276	6,355
	<hr/>	

Nature of operations and going concern (note 1)

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

Approved by the Board of Directors

(signed) "Johannes H.C. Van Hoof", Director

(signed) "Glenn Holmes", Director

NSX Silver Inc.

Consolidated Statements of Changes in Equity For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

	Share capital \$ (note 9)	Warrants \$ (note 9)	Contributed surplus \$ (note 9)	Deficit \$	Total \$
Balance – December 31, 2014	5,600,249	–	310,000	(5,660,354)	249,895
Net loss and comprehensive loss for the year	–	–	–	(338,876)	(338,876)
Balance – December 31, 2015	5,600,249	–	310,000	(5,999,230)	(88,981)
Shares issued for cash, net of share issue costs	268,972	–	–	–	268,972
Warrants issued for cash	–	25,000	–	–	25,000
Net loss and comprehensive loss for the year	–	–	–	(288,098)	(288,098)
Balance – December 31, 2016	<u>5,869,221</u>	<u>25,000</u>	<u>310,000</u>	<u>(6,287,328)</u>	<u>(83,107)</u>

On January 23, 2015, the Company completed a one-for-ten share consolidation.

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

NSX Silver Inc.

Consolidated Statements of Loss and Comprehensive Loss For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

	2016 \$	2015 \$
Operating expenses		
Consulting fees	216,900	–
Filing and other fees	24,788	8,976
Foreign exchange loss	–	12,340
Gain on settlement of accounts payable (Note 8)	–	(25,000)
Insurance	4,638	5,000
Other	15,884	24,930
Professional fees	14,943	16,662
Travel	10,945	–
	<hr/>	<hr/>
	(288,098)	(42,908)
Other		
Loss on disposition of Mexican subsidiary (note 4)	–	(295,968)
	<hr/>	<hr/>
Net loss and comprehensive loss for the years	<hr/>	<hr/>
	(288,098)	(338,876)
Loss per share - basic and diluted	<hr/>	<hr/>
	(\$0.05)	(\$0.07)
Weighted average outstanding common shares – basic and diluted		
	<hr/>	<hr/>
	6,356,388	4,592,957

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

NSX Silver Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the years	(288,098)	(338,876)
Charges to loss not involving cash		
Gain on settlement of accounts payable	–	(25,000)
Loss on disposition of subsidiary	–	295,968
	<u>(288,098)</u>	<u>(67,908)</u>
Net changes in non-cash working capital balances related to operations		
Decrease (increase) in sales tax recoverable	(20,429)	(3,266)
Decrease (increase) in deposits and prepaid expenses	(25,364)	–
Increase (decrease) in accounts payable and accrued liabilities	161,027	30,546
	<u>(172,864)</u>	<u>(40,628)</u>
Financing activities		
Proceeds from issuance of units, net of issue costs	293,972	–
Advances from shareholders, net of repayments	10,020	29,656
Cash transferred on disposition of subsidiary	–	(556)
	<u>303,992</u>	<u>29,100</u>
Net change in cash and cash equivalents for the years	131,128	(11,528)
Cash and cash equivalents – Beginning of years	<u>1,918</u>	<u>13,446</u>
Cash and cash equivalents – End of years	<u>133,046</u>	<u>1,918</u>

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

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

1 Nature of operations and going concern

Nature of operations

NSX Silver Inc. (the "Company") was incorporated under the Canada Business Corporations Act on August 9, 2011 as a wholly owned subsidiary of NSGold Corporation ("NSGold"). The common shares of the Company commenced trading on the TSX Venture Exchange, on March 14, 2012, with the symbol NSY. As a result of the Company's disposition of the shares of its Mexican subsidiary company, Compania Minera Oso Blanco SA de CV during 2015 (see note 4), the Company no longer met the minimum listing requirements of the TSX Venture Exchange. As a result, the listing of the Company's common shares was transferred to the NEX, a separate board of the TSX Venture Exchange, effective February 8, 2016.

On October 11, 2016, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of Residence Cameron Ltd. ("Transaction"). Completion of the Transaction would constitute a change of business in accordance with TSX Venture Exchange ("TSXV" or the "Exchange") Policy 5.2., *Changes of Business and Reverse Take-overs*, as the Company's current business is exploration for minerals. The Transaction would see the Company engage in the ownership and management of multi-unit residential real estate. As a result, the Transaction is subject to Exchange acceptance and the approval of the shareholders of NSX Silver.

Subsequent to December 31, 2016, the Company announced that it terminated the Transaction and that it is pursuing the acquisition of another multi-unit residential property, however, management cautions there can be no assurance that an acquisition transaction will be entered into or consummated.

Going concern

These consolidated financial statements as at December 31, 2016 and December 31, 2015 have been prepared on the basis of International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption, as the Company has an accumulated deficit of \$6.3 million and has no operations at this time which will generate revenue.

The ability of the Company to continue as a going concern, and to realize its assets and discharge its liabilities when due, is dependent upon its ability to secure sufficient financing to fund ongoing operations and its general and administrative costs. The Company is in the process of attempting to source additional financing to meet the Company's cash requirements and to recommence operating activities. Management cannot provide assurance that the Company will ultimately achieve profitable operations, become cash flow positive, or raise additional debt and/or equity capital.

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

2 Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada (“GAAP”) as set out in the CPA Canada Handbook – Accounting – Part 1 (“CPA Canada Handbook”) which incorporates IFRS as issued by the International Accounting Standards Board (“IASB”).

The Board of Directors approved the statements for issue on April 28, 2017.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis.

Use of estimates and judgments

The preparation of the consolidated financial statements requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current as well as expected economic conditions. Actual results may differ from these estimates.

3 Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary investments that are readily convertible to known amounts of cash.

Deferred share issuance costs

Costs directly attributable to the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Financial instruments

Financial instruments are classified as follows:

Cash and cash equivalents is classified as “Loans and Receivables”. After its initial fair value measurement, it is measured at amortized cost using the effective interest method, less a provision for impairment.

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Financial Instruments (continued)

Accounts payable and accrued liabilities, and amounts due to shareholders are classified as “Other Financial Liabilities”. Other Financial Liabilities are initially recognized at fair value less transaction costs.

Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

Financial assets carried at amortized cost: the loss is the difference between the amortized cost of the loan or receivable 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. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Capital management

The Company’s capital structure consists of share capital, deficit and contributed surplus, which at December 31, 2016 amounted to a deficiency of \$83,107 (2015 – a deficiency of \$88,981). The Company’s objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company’s approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

Functional and presentation currency and foreign currency translation

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates and these consolidated financial statements are presented in Canadian dollars. The functional currency of all subsidiaries and the parent company are Canadian dollars. Foreign currency transactions are recorded at the foreign exchange rate in effect on the date of the transaction and gains and losses resulting from the settlement of such transactions are recorded in the consolidated statements of loss and comprehensive loss.

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Stock-based compensation

The Company accounts for stock options using the fair value method. The estimated fair value of all stock options granted is recorded in the consolidated statements of loss and comprehensive loss over their vesting periods.

The Company grants stock options to certain officers and directors. Stock options vest in accordance with the individual option granting contracts and expire after ten years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Consideration paid by the directors and officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as share capital.

Income taxes

The Company uses the asset and liability method for accounting for income taxes.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be paid or recovered, using tax rates and laws that have been enacted or substantively enacted by the end of the period.

Deferred tax assets and liabilities are recognized for all future tax consequences attributable to the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, except for the initial recognition of goodwill and the initial recognition of an asset or liability, which at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax assets are also recognized for unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and other unused deductible amounts can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws expected to apply when the carrying amount of the assets or liabilities are recovered or settled or the unused losses are expected to be utilized.

Current and deferred income tax expense is recognized in the consolidated statements of loss and comprehensive loss for the year, except to the extent that the income taxes related to a transaction or event which is recognized, in the same or different period, either in other comprehensive income or directly in equity.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated.

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Earnings (loss) per share

Earnings (loss) per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted earnings (loss) per share for the period presented is the same as basic loss per share, as the Company has no dilutive instruments outstanding.

Resource properties

Initial acquisition costs and exploration and development costs related to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned or management determines that the resource properties are not economically viable, at which time the resource properties are written down to their recoverable amount. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written down, and do not necessarily represent present or future values.

If any properties are put into commercial production, the carrying values of the properties will be depleted following the unit of production method. If any properties are sold or abandoned, or considered to be impaired in value, the carrying value of the properties will be charged to operations.

The carrying values of resource properties, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the resource properties will be written down to their recoverable amount. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon obtaining the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimate of recoverability of the Company's resource property has been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of the resource property.

Related party transactions

All transactions with related parties are in the normal course of business.

New standards and interpretations not yet adopted

For the purposes of preparing and presenting the Company's financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not been adopted because they are not effective for the Company until subsequent to December 31, 2016. Standards and interpretations issued, but not yet adopted include:

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

New standards and interpretations not yet adopted (continued)

i) IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments: Classification and Measurements (“IFRS 9”), replacing IAS 39, Financial instruments: Recognition and Measurement. IFRS 9 is effective for the annual period beginning on January 1, 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 on January 1, 2018. The actual impact of adopting IFRS 9 on the Company’s consolidated financial statements in 2018 has not been determined.

ii) IFRS 16, Leases

IFRS 16, “Leases” (“IFRS 16”) a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company’s financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

iii) IFRS 15, Revenue from Contracts and Customers

The IASB issued IFRS 15 “Revenue from Contracts and Customers” (“IFRS 15”) effective for annual periods beginning on or after January 1, 2018, although the standard is available for early adoption. IFRS 15 replaces IAS 18, “Revenue” and IAS 11, “Construction Contracts”, and some revenue related interpretations. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. The Company is currently evaluating the impact of the new standard in its consolidated financial statements.

iv) Amendments to IAS 7, Statement of Cash Flows

In January 2016, the IAS issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. These amendments apply prospectively for annual periods beginning on or after January 1, 2017. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

New standards and interpretations not yet adopted (continued)

v) Amendments to IAS 12, *Income Taxes*

In January 2016, the IASB issued amendments to IAS 12, *Income Taxes*. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

vi) Amendments to IFRS 2, *Shares-based Payments*

In June 2016, the IASB issued amendment to IFRS 2, *Shares-based Payments*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; b) share-based payment transactions with a net settlement feature for withholding tax obligations; and c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

4 Disposition of Mexican subsidiary

In the last quarter of 2015 the Company completed the sale of the shares of its Mexican subsidiary company, CMOB to an arm's-length purchaser whereby the purchaser assumed all of CMOB's liabilities and granted to NSX Silver a two percent net smelter return royalty on any future mineral production from the 11 mining concessions that CMOB presently owns.

As the sale of CMOB constituted a sale or exchange of all or substantially all the assets of NSX Silver, NSX Silver obtained shareholder approval for the sale as required under Section 189 of the Canada Business Corporations Act by way of special resolution. To approve a special resolution, a majority of not less than two-thirds of the votes cast in person or by proxy by those shareholders who vote in respect of the special resolution is required. The special meeting of NSX Silver shareholders was held on December 16, 2015 during which the transaction was approved. The sale was also approved by the TSX Venture Exchange. The closing date of the transaction was December 30, 2015.

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

4 Disposition of Mexican subsidiary (continued)

A summary of the assets transferred to and the liabilities assumed by the arms-length purchaser are summarized as follows:

Cash and cash equivalents	\$ 556
VAT tax recoverable	47,741
Capital assets	9,921
Resource properties (Note 5)	<u>320,076</u>
	378,294
Less liabilities assumed:	
Accounts payable and accrued liabilities	<u>(82,326)</u>
Loss on disposal of subsidiary	<u>295,968</u>

5 Resource properties

	Total \$
Balance – December 31, 2014	304,077
Exploration costs incurred	15,999
Disposal of Mexican subsidiary	<u>(320,076)</u>
Balance – December 31, 2015 and 2016	<u>–</u>

6 Accounts payable and accrued liabilities

	December 31, 2016 \$	December 31, 2015 \$
Accounts payable	186,707	26,580
Accrued liabilities	20,000	19,100
	<u>206,707</u>	<u>45,680</u>

7 Amount due to shareholders

The amount due to shareholders is comprised of cash advances which are non-interest bearing, unsecured and are payable upon demand.

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

8 Compensation of key management

Key management includes the Company's Directors, the President and the Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management is summarized as follows:

	December 31, 2016 \$	December 31, 2015 \$
Cash compensation and other benefits	63,000	—

Cash compensation and other benefits is included in consulting fees on the statement of loss. As of December 31, 2016, \$12,000 had not been paid. During the year ended December 31, 2015, cash compensation payable to an officer and director aggregating \$25,000 was written down to \$nil.

9 Share capital

a) Authorized capital stock

Unlimited number of common shares, without nominal or par value

Unlimited number of preferred shares, without nominal or par value, issuable in one or more series

	# of shares	Amount \$
Common shares issued and fully paid		
Balance – December 31, 2015	4,592,957	5,600,249
Shares issued for cash, net of issue costs	4,999,992	268,972
Balance – December 31, 2016	9,592,949	5,869,221

On January 23, 2015, the Company completed a one-for-ten share consolidation. Effective at the opening of trading on January 23, 2015, the Company's common shares commenced trading on the TSX Venture Exchange on a consolidated basis.

b) Private placement

On August 16, 2016, the Company completed a non-brokered private placement raising gross proceeds of \$300,000 through the issuance of 4,999,992 units at a price of \$0.06 per unit. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.12 for a period of 12 months from the closing date. The capital stock value of the 4,999,992 shares issued is net of the warrant valuation of \$25,000 and share issue costs of \$6,028.

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

9 Share capital (continued)

c) Options

The Company has adopted a stock option plan for directors, officers, employees and consultants of the Company. During the year ended December 31, 2013, the Board of Directors approved an increase, in the maximum number of shares that may be issued under the stock option plan, from 300,000 to 400,000 shares. The exercise price of the stock options is determined by the Board of Directors when the options are granted, but cannot be less than the closing price of the Company's shares on the TSX Venture Exchange on the business day immediately preceding the day on which the option is granted. The maximum exercise period of the stock options is ten years.

During the years ended December 31, 2016 and December 31, 2015, the Company did not grant any stock options. In 2015, the Company, with agreement of the optionees, cancelled all outstanding options.

d) Warrants

The following table summarizes the changes in the Company's warrants for the years ended December 31, 2016 and 2015:

	Expiry date	Exercise price \$	Number	Ascribed value \$
Balance – December 31, 2015			–	–
Warrants issued pursuant to August 2016 private placement financing	August 16, 2017	0.12	<u>4,999,992</u>	<u>25,000</u>
Balance – December 31, 2016			<u>4,999,992</u>	<u>25,000</u>

The fair value of warrants issued pursuant to the August 2016 private placement financing of \$25,000 has been estimated at the issue date using the residual method of valuation.

e) Contributed surplus

	December 31, 2016 \$	December 31, 2015 \$
Balance – Beginning and end of years	<u>310,000</u>	<u>310,000</u>

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

10 Income taxes

At December 31, 2016, the Company's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% to the pre-tax loss for the period. The reasons for the difference are as follows:

	December 31, 2016 \$	December 31, 2015 \$
Loss before income taxes	288,098	338,876
Income tax rate	31%	31%
Income tax recovery based on statutory rates	89,000	105,000
Permanent differences	—	(96,000)
Current year loss and deductible temporary differences for which no assets are recognized	(89,000)	(9,000)
Provision for income taxes	—	—

As at December 31, 2016, the Company has non-capital tax losses of approximately \$872,000 available for carry-forward to reduce taxable income of future years. The non-capital tax losses expire between 2032 and 2036. The Company also has deductible temporary differences of approximately \$5,000 not recognized in the financial statements.

11 Related party transactions

During the year ended December 31, 2016, the Company incurred legal fees aggregating \$3,727 (year ended December 31, 2015 - \$6,068) from a law firm of which one of the officers is a partner.

During the year ended December 31, 2015, the Company received advances from a director and a shareholder aggregating \$18,000 (year ended December 31, 2015 - \$29,656). These advances are non-interest bearing and are payable upon demand.

During the year ended December 31, 2016, officers and directors subscribed to an aggregate of 1,021,665 units issued by the Company pursuant to equity financings for aggregate subscription proceeds of \$61,300.

12 Supplemental cash flow information

During the year ended December 31, 2016, the Company incurred expenditures on resource properties of \$nil (December 31, 2015 - \$7,499) which were recorded as accounts payable at the end of the year. These items are non-cash transactions and have been excluded from the consolidated statements of cash flows.

NSX Silver Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

13 Financial instruments and other

Credit risk

The Company manages credit risk by holding its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company must secure financing during 2017 to avoid disruption in planned expenditures (see note 1).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

The Company has no interest-bearing debt and is not exposed to any significant interest rate risk

14 Subsequent event

Subsequent to December 31, 2016, the Company announced that it terminated the acquisition transaction relating to the shares of Residence Cameron Ltd. and that it is pursuing the acquisition of another venture, however, management cautions there can be no assurance that an acquisition transaction will be entered into or consummated.