CHILEAN METALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chilean Metals Inc.

We have audited the accompanying consolidated financial statements of Chilean Metals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 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 Chilean Metals Inc. and its subsidiaries as at December 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Chilean Metals Inc. had continuing losses during the year ended December 31, 2016, limited working capital and a cumulative deficit as at December 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the ability of Chilean Metals Inc. to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

TORONTO, Canada
May 1, 2017

Chilean Metals Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash	**$ 535,281**	$ 456
Marketable securities (note 17)	**33,668**	-
Amounts receivable	**38,864**	7,709
Advances, prepaid expenses and deposits (note 11)	**99,591**	4,031
Total current assets	**707,404**	12,196
Non-current assets		
Equipment (note 4)	**8,573**	12,249
Mineral exploration properties (note 5)	**8,343,795**	4,897,865
Total assets	**$ 9,059,772**	$ 4,922,310
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 11(a)(ix) and 13)	**$ 576,996**	$ 730,683
Advances from related party (note 11)	**-**	54,000
Loans payable (note 6(a))	**-**	94,000
Deferred transaction advance (note 5)	**-**	50,000
Debentures payable (note 6)	**-**	273,514
Warrant liability (note 9)	**5,432**	-
Total current liabilities	**582,428**	1,202,197
Non-current liabilities		
Debentures payable (note 6)	**111,606**	-
Total liabilities	**694,034**	1,202,197
Shareholders' equity		
Issued capital (note 7)	**54,299,990**	48,385,997
Contributed surplus	**4,131,363**	3,392,781
Warrants (note 9)	**126,782**	72,898
Deficit	**(50,192,397)**	(48,131,563)
Total shareholders' equity	**8,365,738**	3,720,113
Total equity and liabilities	**$ 9,059,772**	$ 4,922,310

Nature of operations and going concern (note 1)
Commitments and contingencies (notes 5, 6 and 13)
Subsequent events (notes 13, 17 and 18)

On behalf of the Board:

(Signed) *Terry Lynch*
Terry Lynch, Director

(Signed) *Peter Kent*
Peter Kent, Director

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

Chilean Metals Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended December 31, 2016	2015
Administrative expenses		
Administration fees (note 11)	**$ 524,066**	$ 203,403
Amortization (note 4)	**3,676**	5,250
Bank and interest charges (note 6)	**157,597**	74,503
Foreign exchange loss	**90,298**	6,820
Investor relations	**116,505**	10,578
Office and miscellaneous	**134,496**	158,605
Professional fees (note 11)	**118,377**	105,047
Share-based payments (notes 8 and 11)	**738,582**	-
Transfer agent and regulatory	**46,996**	31,339
Travel, promotion and mining shows	**57,962**	11,079
Net operating loss before other items	**(1,988,555)**	(606,624)
Other items		
Loss on debt settlement (note 7)	**(23,202)**	-
Unrealized loss on warrant liability (note 9)	**(490)**	-
Impairment loss on mineral exploration properties (note 5)	**(48,587)**	-
Net loss and comprehensive loss for the year	**$ (2,060,834)**	$ (606,624)
Basic and diluted net loss per share (note 10)	**$ (0.05)**	$ (0.02)
Weighted average number of common shares outstanding - basic and diluted (note 10)	**42,407,213**	25,052,005

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

Chilean Metals Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2016	2015
Operating activities		
Net loss for the year	**$ (2,060,834)**	$ (606,624)
Items not affecting cash:		
Amortization	**3,676**	5,250
Share-based payments	**738,582**	-
Impairment loss on mineral exploration properties	**48,587**	-
Accrued interest	**137,609**	44,739
Loss on debt settlement	**23,202**	-
Unrealized loss on warrant liability	**490**	-
Non-cash working capital items:		
Amounts receivable	**(31,155)**	21,271
Advances, prepaid expenses and deposits	**(95,560)**	17,321
Accounts payable and accrued liabilities	**(103,930)**	112,062
Net cash used in operating activities	**(1,339,333)**	(405,981)
Financing activities		
Proceeds on private placement	**2,091,487**	-
Share issue costs	**(102,990)**	-
Warrants exercised	**4,008**	-
Advance from related party	**-**	54,000
Deferred transaction advance	**-**	50,000
Repayment of advance from related party	**(54,000)**	-
Repayment of debentures	**(38,653)**	-
Loan repayments	**(94,000)**	-
Issuance of debentures	**150,000**	301,673
Debentures issue costs	**(1,250)**	-
Net cash provided by financing activities	**1,954,602**	405,673
Investing activities		
Acquisition of and expenditures on mineral exploration properties	**(80,444)**	(69,491)
Net cash used in investing activities	**(80,444)**	(69,491)
Net change in cash	**534,825**	(69,799)
Cash, beginning of year	**456**	70,255
Cash, end of year	**$ 535,281**	$ 456
Supplemental disclosures		
Common shares issued for debt	**$ 197,214**	$ -
Common shares issued for property interest	**$ 3,547,500**	$ 27,000
Change in accrued mineral property expenditures	**$ (49,759)**	$ 235,000
Marketable securities received on option of mineral exploration property	**$ 33,668**	$ -
Conversion of debentures to exercise warrants	**$ 157,500**	$ -
Finders' warrants issued	**$ 58,719**	$ -

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

Chilean Metals Inc.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common Shares					
	Number	Amount	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2014	**24,593,374**	**$ 48,358,997**	**$ 3,392,781**	**$ -**	**$ (47,524,939)**	**$ 4,226,839**
Shares issued for mineral exploration properties	600,000	27,000	-	-	-	27,000
Warrants issued on debentures	-	-	-	72,898	-	72,898
Net comprehensive loss for the year	-	-	-	-	(606,624)	(606,624)
Balance, December 31, 2015	**25,193,374**	**$ 48,385,997**	**$ 3,392,781**	**$ 72,898**	**$ (48,131,563)**	**$ 3,720,113**
Private placement	19,276,579	2,091,487	-	-	-	2,091,487
Share issuance cost	-	(160,340)	-	53,777	-	(106,563)
Share-based payments	-	-	738,582	-	-	738,582
Shares issued for debt	1,160,085	195,844	-	-	-	195,844
Shares issued for mineral exploration properties	26,500,000	3,547,500	-	-	-	3,547,500
Warrants issued on debentures	-	-	-	78,101	-	78,101
Exercise of warrants	3,207,260	161,508	-	-	-	161,508
Value of warrants exercised	-	77,994	-	(77,994)	-	-
Net comprehensive loss for the year	-	-	-	-	(2,060,834)	(2,060,834)
Balance, December 31, 2016	**75,337,298**	**$ 54,299,990**	**$ 4,131,363**	**$ 126,782**	**$ (50,192,397)**	**$ 8,365,738**

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

1. Nature of operations and going concern

Chilean Metals Inc. (the "Company") is a mining exploration company and is in the business of acquiring and exploring mineral properties in Chile and Nova Scotia. There has been no determination whether properties held contain ore reserves, which are economically recoverable.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange ("TSX-V"), OTCQB and Santiago Stock Exchange, Venture Market. The head office and principal address of the Company are located at Suite 206 - 490 Adelaide Street West, Toronto, Ontario, Canada, M5V 1T2. The Company's registered and records office address is at Suite 700 – 595 Burrard Street, PO Box 49290, Vancouver, British Columbia, Canada, V7X 1S8.

The recoverability of carrying amounts for mineral exploration properties is dependent upon confirmation of the Company's interest in the underlying mineral claims, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and achieve profitable production or alternatively, profitably dispose of the properties. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral exploration properties could be written-off.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty. Subsequent to December 31, 2016, the Company learned that certain of its Chilean mineral property claims are scheduled for auction in May 2017 as a result of non-payment of prior years' property taxes. The Company plans to file an application, as permitted by the relevant statues, to forgive these back taxes, or pay the back taxes owing to keep these claims in good standing. The Company has the capability to make the payment of such taxes. As is commonly known, failure to obtain these renewals could result in the loss of the property interests by the Company and a write-off of the amounts shown in mineral exploration properties on the statement of financial position. There is no guarantee that the Company will be successful in retaining all, or any of these claims in good standing.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. During the year ended December 31, 2016, the Company incurred a net loss of $2,060,834 (year ended December 31, 2015 - $606,624). As at December 31, 2016, the Company has incurred significant losses since inception totaling $50,192,397 (December 31, 2015 - $48,131,563). As at December 31, 2016, the Company has working capital of $124,976 (December 31, 2015 - working capital deficiency of $1,190,001); the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

2. Basis of presentation

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the year ended December 31, 2016 were approved and authorized for issue by the Company's Board of Directors on May 1, 2017.

2. Basis of presentation (continued)

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain financial instruments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed below.

3. Significant accounting policies

(a) Basis of consolidation

These consolidated financial statements for the year ended December 31, 2016 include the accounts of the Company, its wholly-owned Chilean subsidiary, Minera IPBX Ltda., and its wholly-owned Canadian subsidiaries, Tierra de Oro Resources Ltd. and Chilean Metals Exploration Ltd. These consolidated financial statements include the indirectly 100% owned Canadian subsidiaries SPN Metals Exploration Ltd., TDO Metals Exploration Ltd., Pintada Minerals Inc., Pintada Holdings Inc., Palo Negro Mining Inc., Palo Negro Holdings Inc., Verna Exploration Ltd., and Verna Holdings Ltd. The Company also has a 100% indirect interest in three Chilean subsidiaries: Minera Tierra de Oro Ltda., Minera Palo Negro Ltda. and Minera Sierra Pintada Ltda. All material inter-company balances and transactions have been eliminated on consolidation.

Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases.

(b) Equipment

Equipment is recorded at cost less accumulated amortization less impairment losses. Amortization method, useful life and residual values are assessed annually and currently is recognized on the declining balance basis at the following rates per annum:

Furniture and office equipment	30%
Field equipment	30%

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment. Subsequent costs to replace parts of an item of equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost of the item can be measured reliably. The costs of day-to-day servicing are recognized in profit or loss as incurred.

3. Significant accounting policies (continued)

(c) Mineral exploration properties

Exploration and evaluation costs, including the acquisition, exploration and development of mineral properties are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately. Upon commencement of commercial production, the related accumulated costs are amortized to income using the units of production method over estimated recoverable ore reserves. Management periodically assesses the carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of mineral exploration properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral exploration properties contain economically recoverable reserves. Amounts capitalized as mineral exploration properties represent costs incurred to date, less write-downs and recoveries, and do not necessarily reflect present or future values. The costs incurred include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

(d) Impairment

The Company’s tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indications of impairment exist, the asset’s recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset’s fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued)

(e) Decommissioning liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur decommissioning liabilities and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2016 and 2015, the Company had not incurred any decommissioning liabilities related to the exploration of its mineral properties.

(f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(g) Foreign currency translation

The reporting currency of the Company is the Canadian dollar.

The functional currency of the Company and its Canadian and Chilean subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation of monetary assets and liabilities not denominated in the functional currency of an entity at period end exchange rates are recognized in the statement of loss.

Management determines the functional currency by examining the primary economic environment in which it operates. The Company considers the following factors in determining its functional currency:

(i) The currency that mainly influence labor, material and other costs of providing goods;
(ii) The currency in which funds from financing activities are generated;
(iii) The currency in which receipts from operating activities are usually retained; and
(iv) Whether the activities are carried out as an extension of the Company rather than being carried out with a significant degree of autonomy.

(h) Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities and are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred tax assets are not recognized if it is probable that the asset will not be realized.

3. Significant accounting policies (continued)

(h) Income taxes (continued)

The following temporary differences do not result in deferred tax assets or liabilities:

(i) the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit; and
(ii) investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Financial instruments

Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or financial assets at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's marketable securities are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At December 31, 2016 and 2015, the Company’s cash, amounts receivable and advances are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary, in which case the losses are recognized in the statement of loss.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable and accrued liabilities, advances from related party, deferred transaction advance, loans payable and debentures payable are classified as other financial liabilities.

3. Significant accounting policies (continued)

(i) Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company is not exposed to any derivative instruments and foreign exchange hedges in place at this time. The Company's warrant liability is classified as FVTPL.

(j) Share-based payments

The Company has a stock option plan, which is described in Note 8. The Company applies the fair value method to all share-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Options granted under the Company's stock option plan vest as determined by the directors at the time of grant. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased.

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the stock options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss, unless the fair value cannot be estimated reliably, in which case they are recorded at the fair value of the equity instruments granted.

(k) Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

(l) Loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic loss per share is computed by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the period. For the years ended December 31, 2016 and 2015, the existence of warrants and options causes the calculation of diluted loss per share to be anti-dilutive and have been excluded from the calculation of diluted weighted average number of common shares.

3. Significant accounting policies (continued)

(m) Debentures

When debentures are issued, the Company analyzes their terms and conditions and first assesses whether the debenture is equity or a liability using the criteria provided in IAS 32. The Company may also conclude that the convertible debentures have both debt and equity components. Where there is a debt component that meets the definition of a financial liability and also an equity component where the debenture holder has a conversion option, the following paragraphs describe that accounting treatment.

The component parts of debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Conversion rights classified as equity are determined by deducting the amount of the liability component from the fair value of the convertible debenture as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion right classified as equity will remain in equity until the conversion right is exercised, in which case, the balance recognized in equity will be transferred to share capital. When the conversion rights remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to accumulated deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion right.

(n) Warrants

Warrants exercisable in the Company's functional currency are recorded to warrants on the consolidated statements of financial position and valued using the Black-Scholes option pricing model. Warrants exercisable in a currency other than the Company's functional currency are recorded to warrant liability on the consolidated statement of financial position and valued initially and at each period end using the Black-Scholes option pricing model. Any gains or losses are recognized in the statements of loss.

(o) Critical accounting estimates and judgments

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year are:

(i) Impairment of mineral exploration properties and equipment

The Company's fair value measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each reporting date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in copper and gold prices.

(ii) Share-based payments

When stock options and warrants are issued by the Company, it calculates their estimated fair value using the Black-Scholes option pricing model, which may not reflect the actual value on exercise. The Company uses publicly available rates, where available, as inputs into the model including volatility assumptions. The Company recognizes the fair value of stock options on the consolidated statement of loss when vesting occurs.

3. Significant accounting policies (continued)

(o) Critical accounting estimates and judgments (continued)

(iii) Debentures payable

The Company was required to make certain estimates when determining the value of the liability component, equity component and the right to acquire the Copaquire NSR. The Company values the debt component of the debentures by calculating the present value of the principal and interest payments. The Company values the equity component using the Black-Scholes option pricing model. The Company determined the right to acquire the Copaquire NSR was nominal.

(iv) Income taxes

Income, value added, withholding and other taxes The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(v) Restoration, rehabilitation and environmental provisions

The Company assumes no material restoration, rehabilitation and environmental provisions based on facts and circumstances that existed as of each reporting period. The Company must review this assumption in accordance with exploration results, existing laws, contracts and other policies. A material restoration obligation involves a number of estimates relating to timing, type of costs and associated contract negotiations, and a review of potential methods and technical advancements.

Critical accounting judgments made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year are:

(i) Going concern

The going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

(ii) Determination of functional currency

Under IFRS, each entity must determine its own functional currency, which becomes the currency that entity measures its results and financial position in. In determining the functional currencies of the Company and its subsidiaries, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour material and other costs for each consolidated entity.

3. Significant accounting policies (continued)

(p) Change in accounting policies

The Company adopted the following accounting pronouncement during the year.

(i) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. At January 1, 2016, the Company adopted these amendments and there was no material impact on the Company's consolidated financial statements.

(q) Recent accounting pronouncements

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

(ii) IFRS 16, Leases ("IFRS 16") was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will affect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

(iii) IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

(iv) IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

(Expressed in Canadian Dollars)

4. Equipment

Cost

	Field equipment	Furniture and office equipment	Total
Balance, December 31, 2014	**$ 83,278**	**$ 123,676**	**$ 206,954**
Balance, December 31, 2015	**83,278**	**123,676**	**206,954**
Balance, December 31, 2016	**$ 83,278**	**$ 123,676**	**$ 206,954**

Accumulated amortization

	Field equipment	Furniture and office equipment	Total
Balance, December 31, 2014	**$ 75,129**	**$ 114,326**	**$ 189,455**
Amortization	2,445	2,805	5,250
Balance, December 31, 2015	**77,574**	**117,131**	**194,705**
Amortization	1,712	1,964	3,676
Balance, December 31, 2016	**$ 79,286**	**$ 119,095**	**$ 198,381**

Net book value

	Field equipment	Furniture and office equipment	Total
At December 31, 2015	**$ 5,704**	**$ 6,545**	**$ 12,249**
At December 31, 2016	**$ 3,992**	**$ 4,581**	**$ 8,573**

5. Mineral exploration properties

	Tierra de Oro (b)	Zulema (c)	Nova Scotia (d, h)	Other (e - g)	Total
Balance, December 31, 2014	**$ 4,460,483**	**$ 57,304**	**$ -**	**$ 48,587**	**$ 4,566,374**
Acquisition and staking	-	90,732	-	-	90,732
Exploration					
Project management	-	14,433	-	-	14,433
Claim costs	108,969	117,357	-	-	226,326
Exploration and acquisition costs 2015	108,969	222,522	-	-	331,491
Balance, December 31, 2015	**4,569,452**	**279,826**	**-**	**48,587**	**4,897,865**
Acquisition and staking	-	-	3,511,800	-	3,511,800
Property option proceeds	-	-	(33,668)	-	(33,668)
Exploration					
Field costs	-	1,612	-	-	1,612
Geological	-	45,083	-	-	45,083
Project management	-	9,771	2,530	-	12,301
Technical Report	-	-	21,529	-	21,529
Claim costs (reversal)	(172,002)	99,342	8,520	-	(64,140)
Exploration and acquisition costs 2016	(172,002)	155,808	3,510,711	-	3,494,517
Impairment loss	-	-	-	(48,587)	(48,587)
Balance, December 31, 2016	**$ 4,397,450**	**$ 435,634**	**$ 3,510,711**	**$ -**	**$ 8,343,795**

5. Mineral properties (continued)

(a) Copaquire Property, Chile

The Company holds a 3% net smelter royalty ("NSR") on the Copaquire Property previously sold to Teck Resources Chile Ltda. (“Teck”), a subsidiary of Teck Resources Limited. Teck has the option to buy back 1% of the NSR for US$3 million at any time.

(b) Tierra de Oro, Chile

The Company owns a 100% interest in exploration concessions in Region III, Chile.

Subsequent to December 31, 2016, the claims are scheduled to be put up for tax auction. See note 13. The Company has reversed accruals for property taxes related to claims that the Company does not plan to renew.

(c) Zulema aka. Chicharra Property, Chile

The Company owns 100% of the rights to certain exploitation concessions (including those described below) and certain exploration concessions in Region III, Chile.

In March 2015, the Company completed the acquisition of three mining concessions from private Chilean owners. Under the terms of the agreement, the Company paid the vendors US$50,000 ($60,703) in cash and issued 600,000 shares (valued at $27,000).

Subsequent to December 31, 2016, the claims are scheduled to be put up for tax auction. See note 13.

(d) Fox River Property, Canada

In June 2016, the Company completed the acquisition of the Fox River Property from Cogonov Inc. ("Cogonov") through the issuance of 6,000,000 shares (valued at $780,000 based on the quoted price of the shares on the acquisition date). The Fox River Project is located in the western Cobequid Highlands in Nova Scotia, Canada. The Company has filed applications for renewal of certain claims and filed the required assessment work, these claims are still pending renewal from the government of Nova Scotia. Two directors of the Company are directors and officers of Cogonov.

Certain claims are subject to a 3% NSR as well as under the Nova Scotia Mineral Resources Act there is a royalty, payable to the crown, of 2% of the net revenue or 15% of all net income, whichever is greater, derived from the sale of metals produced from a mining lease.

(e) Hornitos Property, Chile

The Company owns mining concessions in Region III, Chile. Currently, the Company is not conducting active exploration on the property.

Subsequent to December 31, 2016, the claims were put up for tax auction and the Company determined not to make the required payments.

(f) Palo Negro Property, Chile

The Company owns mining concessions in Region III. Chile. Currently, the Company is not conducting active exploration on the property.

Subsequent to December 31, 2016, the claims were put up for tax auction and the Company determined not to make the required payments. As a result, the Company recorded an impairment loss of $48,587.

5. Mineral properties (continued)

(g) Tabaco, Chile

The Company owns mining concessions near Vallenar, Chile. Currently, the Company is not conducting active exploration on the property.

(h) Lynn, Parrsboro and Bass River Properties, Canada

In October 2016, the Company completed the acquisition of the Lynn, Parrsboro and Bass River Properties from Cogonov through the issuance of 20,500,000 shares (valued at $2,767,500, based on the quoted price of the shares on the acquisition date). The deferred transaction advance received during the year ended December 31, 2015 was netted against the acquisition costs. The Lynn, Parrsboro and Bass River Properties are located in central Nova Scotia, Canada. The Company has filed applications for renewal of certain claims and filed the required assessment work, these claims are still pending renewal from the government of Nova Scotia.

Certain claims are subject to a 3% NSR as well as under the Nova Scotia Mineral Resources Act there is a royalty, payable to the crown, of 2% of the net revenue or 15% of all net income, whichever is greater, derived from the sale of metals produced from a mining lease.

Subsequent to December 31, 2016, the Company completed the joint venture of its Bass River Property (see note 17).

6. Debentures and loans

(a) On May 31, 2014, the Company entered into a loan agreement for the $94,000 to be repaid on May 31, 2015. The loan bears interest at 12% per annum with the interest prepaid. During the year ended December 31, 2016, the Company repaid the loan and accrued interest of $13,969.

(b) On March 26, 2015, the Company issued $190,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% net smelter royalty ("NSR") (see note 5(a)) and October 31, 2016. As part of the issuance, the Company paid an origination fee of $26,600. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 1,900,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 9). On November 1, 2016, if the debentures were not repaid in full plus a bonus of 100% of the principal, the holders had the right to acquire $190,000/US$1,000,000 percent of the Copaquire NSR. The debentures were secured by the shares of the Company's subsidiary, Minera IPBX Ltda. (“IPBX”), that holds the Copaquire NSR.

During the year ended December 31, 2016, $95,000 of the debenture principal was converted to exercise the 1,900,000 warrants and the remaining principal and accrued interest were settled for common shares of the Company (see note 7).

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management’s best estimate of the rate that a debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 year expected average life; 143% expected volatility; risk-free interest rate of 0.61%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component was $144,832 ($114,094 net of transaction costs), the equity component was $45,168 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR was valued at $nil.

(c) On April 22, 2015, the Company issued $40,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 400,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 9). On November 1, 2016, if the debentures were not repaid in full plus a bonus of 100% of the principal, the holders had the right to acquire $40,000/US$1,000,000 percent of the Copaquire NSR. The debenture was secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

6. Debentures and loans (continued)

(c) (continued) During the year ended December 31, 2016, $20,000 of the debenture principal was converted to exercise the 400,000 warrants and the remaining principal and accrued interest were settled for common shares of the Company (see note 7).

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 year expected average life; 185% expected volatility; risk-free interest rate of 0.69%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component was $29,660 ($29,410 net of transaction costs), the equity component was $10,340 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR was valued at $nil.

(d) On May 5, 2015, the Company issued $60,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the issuance, the Company paid a brokerage fee of $3,600. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 600,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 9). On November 1, 2016, if the debentures were not repaid in full plus a bonus of 100% of the principal, the holders had the right to acquire $60,000/US$1,000,000 percent of the Copaquire NSR. The debenture was secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

During the year ended December 31, 2016, $30,000 of the debenture principal was converted to exercise the 600,000 warrants and the remaining principal and interest was repaid.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 year expected average life; 176% expected volatility; risk-free interest rate of 0.73%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component was $44,933 ($40,958 net of transaction costs), the equity component was $15,067 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR was valued at $nil.

(e) On August 26, 2015, the Company issued $25,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the debentures, the Company was required to issue 250,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 9). On November 1, 2016, if the debentures were not repaid in full plus a bonus of 100% of the principal, the holders had the right to acquire $25,000/US$1,000,000 percent of the Copaquire NSR. The debenture was secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

During the year ended December 31, 2016, $12,500 of the debenture principal was converted to exercise the 250,000 warrants and the remaining principal and accrued interest were settled for common shares of the Company (see note 7).

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.18 year expected average life; 168% expected volatility; risk-free interest rate of 0.39%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component was $22,677 ($21,531 net of transaction costs), the equity component was $2,323 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR was $nil.

(Expressed in Canadian Dollars)

6. Debentures and loans (continued)

(f) On May 11, 2016, the Company issued $150,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)), which is not expected to occur prior to December 31, 2017, and October 31, 2018. The Company was required to issue 1,500,000 warrants, exercisable at a price of $0.12 per share until October 31, 2018 (see note 9). On November 1, 2018, if the debentures are not repaid in full, the holders shall have the right to acquire $150,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management’s best estimate of the rate that a debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 2.47 year expected average life; 149% expected volatility; risk-free interest rate of 0.53%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $71,889 ($70,649 net of transaction costs), the equity component is $78,101 (recorded in warrants) and the right to acquire the Copaquire NSR is valued at $nil.

All debentures were held with shareholders of the Company.

7. Issued capital

a) Authorized share capital

At December 31, 2016, the authorized share capital consisted of an unlimited number of common shares, non-voting Class A preference shares with a par value of $1.00 and Class B preference shares with a par value of $5.00. The common shares do not have a par value.

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2014	**24,593,374**	**$ 48,358,997**
Shares issued for mineral exploration properties (note 5(c))	600,000	27,000
Balance, December 31, 2015	**25,193,374**	**$ 48,385,997**
Private placement (i), (ii), (iv)	19,276,579	2,091,487
Shares issued for debt (iii)	1,160,085	195,844
Share issuance costs (i), (ii), (iv)	-	(160,340)
Shares issued for mineral exploration properties (notes 5(d) and (h))	26,500,000	3,547,500
Exercise of warrants (note 9)	3,207,260	161,508
Value of warrants exercised (note 9)	-	77,994
Balance, December 31, 2016	**75,337,298**	**$ 54,299,990**

(i) On May 17, 2016, the Company completed a non-brokered private placement of 10,000,000 common shares at $0.07 per share for aggregated gross proceeds of $700,000. In connection with the financing, the Company paid finder’s fees of $18,645 and issued 216,350 finders' warrants entitling the holder to acquire common shares at a price of $0.07 per share until June 1, 2017.

The 216,350 warrants were valued at of $19,255 using the Black-Scholes option-pricing model. The following weighted average assumptions were used: risk free interest rate – 1.11%; expected volatility – 184% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 1 year.

7. Issued capital (continued)

(ii) On November 1, 2016, the Company completed a non-brokered private placement of 5,372,566 common shares at $0.15 per share for aggregated gross proceeds of $805,885. In connection with the financing, the Company paid finder's fees of $36,028 and issued 240,187 finders' warrants. 229,771 warrants entitle the holder to acquire common shares at a price of $0.15 per share and 10,416 warrants entitle the holder to acquire common shares at a price of USD$0.12 per share until October 24, 2017.

The 229,771 warrants were valued at $16,566 using the Black-Scholes option-pricing model. The following weighted average assumptions were used: risk free interest rate – 0.54%; expected volatility – 174% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 1 year.

The 10,416 warrants were valued at $732 using the Black-Scholes option-pricing model. The following weighted average assumptions were used: risk free interest rate – 0.54%; expected volatility – 174% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 1 year. As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are considered a derivative financial liability.

(iii) On November 18, 2016, the Company issued 1,160,085 shares to settle the remaining principal and accrued interest of certain debentures payable (see notes 6(b), (c) and (e)) totalling $174,013. As a result, a loss on debt settlement of $23,202 was recorded.

(iv) On December 29, 2016, the Company completed the first tranche of a non-brokered private placement of 3,904,013 common shares at $0.15 per share for aggregated gross proceeds of $585,602. In connection with the financing, the Company paid finder's fees of $27,565 and issued 181,752 finders' warrants. 146,579 warrants entitle the holder to acquire common shares at a price of $0.15 per share and 35,173 warrants entitle the holder to acquire common shares at a price of USD$0.12 per share until December 30, 2017.

The 146,579 warrants were valued at $17,956 using the Black-Scholes option-pricing model. The following weighted average assumptions were used: risk free interest rate – 0.64%; expected volatility – 176% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 1 year.

The 35,173 warrants were valued at $4,210 using the Black-Scholes option-pricing model. The following weighted average assumptions were used: risk free interest rate – 0.64%; expected volatility – 176% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 1 year. As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are considered a derivative financial liability.

8. Stock options

The Company has implemented a stock option plan ("the Plan") to be administered by the Board of Directors. Pursuant to the Plan the Board of Director's has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than ten years after the grant date. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest immediately upon granting, unless otherwise approved by the relevant regulatory authorities. Options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

(Expressed in Canadian Dollars)

8. Stock options (continued)

The following table reflects the continuity of stock options for the years presented:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2014	**2,170,000**	**0.32**
Expired	(290,000)	0.81
Balance, December 31, 2015	**1,880,000**	**0.25**
Expired	(240,000)	0.25
Granted (i), (ii), (iii), (iv), (v)	5,210,000	0.13
Balance, December 31, 2016	**6,850,000**	**0.16**

(i) On May 27, 2016, the Company granted stock options to certain members of management of the Company for the purchase of a total of 1,600,000 common shares. The options are exercisable for a period of five years at an exercise price of $0.09 per share and vested immediately. The fair value of these options at the date of grant was estimated at $218,240 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.78%; expected volatility – 190% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 5 years.

(ii) On July 4, 2016, the Company granted stock options to a consultant of the Company for the purchase of a total of 200,000 common shares. The options are exercisable for a period of five years at an exercise price of $0.15 per share and vest 1/4 every 3 months. The fair value of these options at the date of grant was estimated at $29,020 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.56%; expected volatility – 191% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 5 years.

(iii) On July 4, 2016, the Company granted stock options to a consultant of the Company for the purchase of a total of 200,000 common shares. The options are exercisable for a period of two years at an exercise price of $0.20 per share and vested immediately. The fair value of these options at the date of grant was estimated at $27,680 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.52%; expected volatility – 211% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 2 years.

(iv) On September 6, 2016, the Company granted stock options to a consultant of the Company for the purchase of a total of 360,000 common shares. The options are exercisable for a period of five years at an exercise price of $0.17 per share and vested immediately. The fair value of these options at the date of grant was estimated at $59,436 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.66%; expected volatility – 195% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 5 years.

(v) On November 14, 2016, the Company granted stock options to directors, officers and a consultant of the Company for the purchase of a total of 2,850,000 common shares. The options are exercisable for a period of five years at an exercise price of $0.15 per share and vested immediately. The fair value of these options at the date of grant was estimated at $415,530 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.96%; expected volatility – 196% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 5 years.

(Expressed in Canadian Dollars)

8. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2016:

Expiry date	Exercise price ($)	Remaining contractual life (years)	Number of options outstanding	Number of exercisable options
July 4, 2018	0.20	1.51	200,000	200,000
June 11, 2019	0.25	2.44	1,640,000	1,640,000
May 27, 2021	0.09	4.41	1,600,000	1,600,000
July 4, 2021	0.15	4.51	200,000	50,000
September 6, 2021	0.17	4.68	360,000	360,000
November 14, 2021	0.15	4.87	2,850,000	2,850,000
		4.06	**6,850,000**	**6,700,000**

9. Warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of warrants	Weighted average exercise price ($)
Balance, December 31, 2014	**4,256,000**	**0.15**
Granted (note 6)	3,150,000	0.05
Expired	(4,256,000)	0.15
Balance, December 31, 2015	**3,150,000**	**0.05**
Granted (notes 6 and 7 (b)(i), (ii) and (iv))	2,138,289	0.12
Exercised (note 6)	(3,207,260)	0.05
Balance, December 31, 2016	**2,081,029**	**0.12**

The following table reflects the actual warrants issued as of December 31, 2016:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
159,090	14,159	0.07	June 1, 2017
229,771	16,566	0.15	October 24, 2017
10,416	732	USD0.12(1)	October 24, 2017
146,579	17,956	0.15	December 30, 2017
35,173	4,210	USD0.12(1)	December 30, 2017
1,500,000	78,101	0.12	October 31, 2018
2,081,029	**131,724**	**0.12**	

(1) As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are considered a derivative financial liability. The warrants are classified as a liability and revalued at each period end with any gain or loss in the fair value being record in the consolidated statements of loss as an unrealized gain or loss on warrant liability.

On December 31, 2016, the fair value of the warrants, denominated in a currency other than the functional currency, was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 179%; risk free interest rate of 0.62%; and an expected life of 0.96 years. As a result, the fair value of the warrants was estimated to be $5,432.

(Expressed in Canadian Dollars)

10. Net loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of $2,060,834 (year ended December 31, 2015 - $606,624) and the weighted average number of common shares outstanding of 42,407,213 (year ended December 31, 2015 - 25,052,005). Diluted loss per share did not include the effect of 6,850,000 options outstanding (year ended December 31, 2015 - 1,880,000 options outstanding) or the effect of 2,081,029 warrants outstanding (year ended December 31, 2015 - 3,150,000 warrants outstanding) as they are anti-dilutive.

11. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

As at December 31, 2016, the directors and/or officers of the Company collectively control 10,146,695 common shares of the Company or approximately 13% of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the outstanding common shares are held by diverse shareholders. These holdings can change at any time at the discretion of the owner.

(a) The Company entered into the following transactions with related parties:

		Year ended December 31,	
	Notes	**2016**	**2015**
Administration expense	(i)	**$ 279,000**	$ 144,000
Accounting expense	(ii)	**$ 50,798**	$ 51,964
Geological consulting expense	(iii)	**$ 65,600**	$ 38,029
Consulting expense	(iv)	**$ 12,000**	$ -
Bonus	(v)	**$ 144,000**	$ -

(i) For the year ended December 31, 2016, the Company incurred consulting fees from companies controlled by officers of $279,000 (year ended December 31, 2015 - $144,000) recorded in administration fees. As at December 31, 2016, $30,274 (December 31, 2015 - $nil) is included in advances, prepaid expenses and deposits.

(ii) For the year ended December 31, 2016, the Company incurred accounting expenses from companies related to an officer of $50,798 (year ended December 31, 2015 - $51,964) recorded in professional fees.

(iii) For the year ended December 31, 2016, the Company incurred geological consulting expenses from a company controlled by a former officer and a company controlled by current officer of $65,600 (year ended December 31, 2015 - $38,029) recorded in administration fees.

(iv) For the year ended December 31, 2016, the Company incurred consulting expenses from a director of $12,000 (year ended December 31, 2015 - $nil) recorded in administration fees.

(v) During the year ended December 31, 2016, the Company issued a bonus of $144,000 to the former President of the Company. As a condition of the bonus, the former President has relinquished any right to future severance in the event of termination or a change of control of the Company.

(vi) An officer of the Company purchased 1,096,000 common shares in the May 17, 2016 private placement (see note 7(b)(i)) and 200,000 common shares in the November 1, 2016 private placement (see note 7(b)(ii)).

(vii) As at December 31, 2015, the Company had an advance payable from a son of an officer of $54,000. This amount was unsecured, non-interest bearing and due on demand. During the year ended December 31, 2016, the Company settled this amount as part of the private placement that closed (see note 7(b)(i)).

(Expressed in Canadian Dollars)

11. Related party balances and transactions (continued)

(a) The Company entered into the following transactions with related parties: (continued)

(viii) See notes 6 and 17.

(ix) As at December 31, 2016, included in accounts payable and accrued liabilities is $16,289 (December 31, 2015 - $77,686) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

		As at December 31, 2016		**As at December 31, 2015**
Chief Executive Officer (Former) and Director	**$**	**8,723**	$	27,120
Chief Financial Officer		**7,566**		24,539
VP Exploration (Former)		**-**		24,990
Directors		**-**		1,037
	$	**16,289**	$	77,686

(b) Remuneration of directors and key management personnel of the Company was as follows:

		Year ended December 31, 2016		**2015**
Fees charged:				
Directors	**$**	**12,000**	$	-
Chief Executive Officer (Former) and Director		**288,000**		144,000
Chief Executive Officer and Director		**135,000**		-
Chief Financial Officer		**50,798**		51,964
VP Exploration and Director		**60,000**		-
VP Exploration (Former)		**5,600**		38,029
Share-based benefits:				
Directors		**228,906**		-
Chief Executive Officer and Director		**253,040**		-
Chief Financial Officer		**26,244**		-
VP Exploration and Director		**103,710**		-
Total remuneration	**$**	**1,163,298**	$	233,993

Payments to directors and key management personnel of the Company include certain transactions with related parties in (a) above, and (b) remuneration to Directors and key management personnel of the Company. See also note 13.

The above noted transactions are in the normal course of business and approved by the Board of Directors.

(Expressed in Canadian Dollars)

12. Segmented information

The Company operates in one industry segment, namely exploration of mineral resources in two geographic regions, Canada and Chile. Geographical segmentation of the Company's non-current assets is as follows:

December 31, 2016	**Canada**	**Chile**	**Total**
Equipment	$ -	$ 8,573	**$ 8,573**
Mineral exploration properties	3,510,711	4,833,084	**8,343,795**
	$ 3,510,711	$ 4,841,657	**$ 8,352,368**

December 31, 2015	**Canada**	**Chile**	**Total**
Equipment	$ -	$ 12,249	**$ 12,249**
Mineral exploration properties	-	4,897,865	**4,897,865**
	$ -	$ 4,910,114	**$ 4,910,114**

Year ended December 31, 2016	**Canada**	**Chile**	**Total**
Administrative expenses			
Administration fees	$ 510,933	$ 13,133	**$ 524,066**
Amortization	-	3,676	**3,676**
Bank and interest charges	155,762	1,835	**157,597**
Foreign exchange loss (gain)	(11,666)	101,964	**90,298**
Investor relations	116,505	-	**116,505**
Office and miscellaneous	49,432	85,064	**134,496**
Professional fees	83,890	34,487	**118,377**
Share-based payments	738,582	-	**738,582**
Transfer agent and regulatory	46,996	-	**46,996**
Travel, promotion and mining shows	57,962	-	**57,962**
Net operating loss before other items	(1,748,396)	(240,159)	**(1,988,555)**
Other items			
Loss on debt settlement	(23,202)	-	**(23,202)**
Unrealized loss on warrant liability	(490)	-	**(490)**
Impairment loss on mineral exploration properties	-	(48,587)	**(48,587)**
Net loss and comprehensive loss for the year	$ (1,772,088)	$ (288,746)	**$ (2,060,834)**

(Expressed in Canadian Dollars)

12. Segmented information (continued)

Year ended December 31, 2015	**Canada**	**Chile**	**Total**
Administrative expenses			
Administration fees	$ 190,363	$ 13,040	**$ 203,403**
Amortization	-	5,250	**5,250**
Bank and interest charges	73,680	823	**74,503**
Foreign exchange loss (gain)	(389)	7,209	**6,820**
Investor relations	10,578	-	**10,578**
Office and miscellaneous	58,330	100,275	**158,605**
Professional fees	64,828	40,219	**105,047**
Transfer agent and regulatory	31,339	-	**31,339**
Travel, promotion and mining shows	10,434	645	**11,079**
Net loss and comprehensive loss for the year	$ (439,163)	$ (167,461)	**$ (606,624)**

13. Commitments and contingencies

Environmental and legal

The Company's operations are subject to government environmental protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact. At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

Property taxes

As at December 31, 2016, the Company has unpaid property tax for various mineral exploration property claims totaling approximately 196,000,000 Chilean Pesos ($393,000) (December 31, 2015 - 235,349,000 Chilean Pesos ($460,000) which has been included in accounts payable and accrued liabilities as at December 31, 2016. In the event that the claims are put up for tax auction, the Company will have a notice period to make the payment for the portion of this amount required. The Company will also be required to pay property taxes for fiscal 2017 on its mineral property claims of approximately 28,960,000 Chilean Pesos ($58,000).

Subsequent to December 31, 2016, the Company was advised that its Tierra de Oro and Zulema claims are scheduled to be put up for auction in May 2017 as a result of non-payment of property taxes related to the years 2010 to 2013. The Company plans to file an application, as permitted by the relevant statues, to forgive these back taxes, or pay the back taxes owing to keep these claims in good standing. The Company has the capability to make the payment of such taxes. There is no guarantee that the Company will be successful in retaining all, or any of these claims in good standing.

Consulting agreements

The Company entered into a consulting agreement with the Chief Executive Officer of the Company starting May 1, 2016, providing for the payment of $180,000 per year for the services of the Chief Executive Officer. In the event of termination without cause or change of control, the Chief Executive Officer is entitled to two times annual salary. In the event of a change of control, the Chief Executive Officer may terminate his consulting agreement for good reason, as defined in the agreement, resulting in being entitled to receive one year salary.

The Company entered into a consulting agreement with the VP Exploration of the Company starting May 1, 2016, providing for the payment of $96,000 per year for the services of the VP Exploration. In the event of termination without cause or change of control, the VP Exploration is entitled to one year annual salary. In the event of a change of control, the VP Exploration may terminate his consulting agreement for good reason, as defined in the agreement, resulting in being entitled to receive one year annual salary.

These amounts have not been accrued as the triggering event has not occurred.

(Expressed in Canadian Dollars)

14. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31, 2016 and December 31, 2015 is as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Net loss before income taxes	**$ (2,060,834)**	$ (606,624)
Combined federal and provincial statutory income tax rate	**26.50 %**	26.50 %
Expected income tax recovery	**$ (546,000)**	$ (161,000)
Permanent differences	**200,000**	3,000
Change in tax rates and other	**(5,763,000)**	(45,000)
Change in tax benefits not recognized	**6,109,000**	203,000
Income tax expense (recovery)	**$ -**	$ -

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31, 2016	As at December 31, 2015
Non-capital losses carried forward	**$ 55,531,000**	$ 31,662,000
Capital losses carried forward	**341,000**	341,000
Mineral exploration properties and equipment	**4,411,000**	5,625,000
Finance costs and other	**205,000**	184,000
	$ 60,488,000	$ 37,812,000

The Company has approximately $43,000,000 (December 31, 2015 - $20,044,000) of Chilean non-capital losses that carry forward indefinitely. The Company also has Canadian non-capital losses of approximately $12,607,000 (December 31, 2015 - $11,621,000) expiring as follows:

	Canada
2026	$ 974,000
2027	1,192,000
2028	882,000
2029	725,000
2030	1,265,000
2031	1,648,000
2032	1,253,000
2033	1,970,000
2034	1,263,000
2035	449,000
2036	986,000
	$ 12,607,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(Expressed in Canadian Dollars)

15. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders, to maintain creditworthiness and to maximize returns for shareholders over the long term. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares and alternative financing activities dependent on market conditions.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

The Company includes the components of shareholders' equity in its management of capital.

As at December 31, 2016, the Company had capital resources consisting of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, obtain loans or issue convertible debenture securities to raise cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

16. Financial instruments and risk

Fair value

The Company's financial instruments consist of cash, amounts receivable, advances, marketable securities, accounts payable and accrued liabilities, advances from related party, loans payable, deferred transaction advance, warrant liability and debentures payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature and current market rates for similar financial instruments.

The following table summarizes the carrying values of the Company's financial instruments:

	As at December 31, 2016	**As at December 31, 2015**
	$	**$**
Assets:		
FVTPL		
Marketable securities	**33,668**	-
Loans and receivables		
Cash	**535,281**	456
Amounts receivable	**38,864**	7,709
Advances	**30,274**	-

(Expressed in Canadian Dollars)

16. Financial instruments and risk (continued)

Fair value (continued)

The following table summarizes the carrying values of the Company's financial instruments: (continued)

	As at December 31, 2016	**As at December 31, 2015**
	$	**$**
Liabilities:		
FVTPL		
Warrant liability	**5,432**	-
Other financial liabilities		
Accounts payable and accrued liabilities	**576,996**	730,683
Advances from related party	**-**	54,000
Loans payable	**-**	94,000
Deferred transaction advance	**-**	50,000
Debentures payable	**111,606**	273,514

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risk exposures is described below:

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market data

As at December 31, 2016, marketable securities and warrant liability are considered Level 2. As at December 31, 2015, the Company did not have any financial instruments measured at fair value.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places cash with financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2016, the Company had cash and amounts receivable of $574,145 (December 31, 2015 - $8,165) to settle current liabilities of $582,428 (December 31, 2015 - $1,202,197). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms, except for the convertible debentures. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity and the Company's ability to continue as a going concern.

16. Financial instruments and risk (continued)

Foreign Exchange Risk

The Company's functional currency is the Canadian dollar. However, the Company is exposed to the currency risk related to the fluctuation of foreign exchange rates as some of the Company's operations are located in Chile. A significant change in the currency exchange rates between the Canadian dollar relative to the Chilean peso could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations. The sensitivity of the Company's net loss and comprehensive loss to changes in the exchange rate between the Canadian dollar and the Chilean peso resulting from a 1% change in the Chilean peso exchange rate relative to the Canadian dollar would change the Company's net loss by approximately $6,000.

The Company is also exposed to the currency risk related to the fluctuation of US Dollar as some of the Company's expenses are denominated and warrants are exercisable in US Dollars. As at December 31, 2016, currency risk for the US Dollar was not significant.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to interest rate risk because it does not have loans that have a floating interest rate.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of gold and copper. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

17. Completed transaction

The Company signed a letter of intent (LOI) to joint venture its Bass River project in Nova Scotia with Tejas Gold Company ("Tejas"), a company whose CEO is a director of the Company. Tejas will have fourteen months after signing of a JV Agreement to earn a 35% working interest in the joint venture. To earn the interest Tejas will be required to pay a non refundable deposit of $25,000 (received subsequent to December 31, 2016), issue 100,000 common shares of Tejas stock (received during the year ended December 31, 2016 and valued at $33,668 based on the price of a recent arm's length financing) and to expend $400,000 in exploration work including drilling on Bass River. Should Tejas deliver a drill program commitment on or before June 30, 2017, as is currently planned, then a bonus participation of 5% shall be awarded bringing the Tejas participation in the JV to 40%. In addition, Tejas shall pay the Company a management fee of $5,000 per month over the duration of the work program.

Subsequent to December 31, 2016, the Company closed the agreement to joint venture, subject to Tejas completing the required exploration expenditures.

18. Subsequent events

(i) Subsequent to December 31, 2016, the Company completed the final tranche of a non-brokered private placement of 166,667 common shares at $0.15 per share for aggregate gross proceeds of $25,000.

(ii) Subsequent to December 31, 2016, the Company completed the placement of a $210,000 debenture due the earlier of the sale of the Copaquire 3% NSR and October 31, 2018 from a shareholder of the Company. The terms are as follows: 14% interest annually in arrears at loan repayment, secured on a pari passu basis with the previously granted debentures ($150,000 face value of debentures previously outstanding) by the shares of IPBX that contains a 3% royalty the Company retained through sale of its Copaquire asset to a subsidiary of Teck Resources Inc. 1,500,000 warrants, exercisable at $0.18 per share by October 31, 2018, were granted to the debenture holder. A fee of $10,000 was paid to the debenture holder in respect of this transaction.

18. Subsequent events (continued)

(iii) Subsequent to December 31, 2016, the Company issued a total of 350,000 stock options to a consultant of the Company. 200,000 stock options are exercisable at $0.18 for 2 years from issuance and 150,000 stock options are exercisable at $0.17 for 5 years from issuance. All stock options vested immediately.

(iv) See note 13 regarding Chilean mineral property claims scheduled for auction in May 2017.