ALORO MINING CORP.
(FORMERLY WOLVERINE MINERALS CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aloro Mining Corp. (formerly Wolverine Minerals Corp.)

We have audited the accompanying consolidated financial statements of Aloro Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aloro Mining Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Aloro Mining Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 30, 2018

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

ALORO MINING CORP.
(FORMERLY WOLVERINE MINERALS CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT		
Cash	**$ 369,017**	$ 167,467
Other receivables	**13,968**	13,747
	382,985	181,214
NON-CURRENT		
Property and equipment, net	**5,768**	11,581
Exploration and evaluation assets (Note 5)	**227,514**	54,957
	233,282	66,538
TOTAL ASSETS	**$ 616,267**	$ 247,752
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	**$ 302,111**	$ 200,963
TOTAL LIABILITIES	**302,111**	200,963
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**15,877,013**	15,216,513
Reserves (Note 10)	**2,014,637**	2,014,637
Accumulated deficit	**(17,577,494)**	(17,184,361)
TOTAL SHAREHOLDERS' EQUITY	**314,156**	46,789
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 616,267**	$ 247,752

Commitment (Note 14)
Subsequent event (Note 15)

Approved on behalf of the Board:

"Thomas Doyle"		*"Logan Anderson"*	
Thomas Doyle	Director	Logan Anderson	Director

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

ALORO MINING CORP.
(FORMERLY WOLVERINE MINERALS CORP.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the years ended December 31,		2017		2016
OPERATING EXPENSES				
Office and professional fees	$	**146,199**	$	146,515
Management and directors fees (Note 6)		**198,000**		228,000
Accretion (Note 10)		**-**		16,195
Interest (Notes 8 and 9)		**-**		25,164
LOSS BEFORE OTHER ITEMS		**(344,199)**		(415,874)
Loss on settlement of debt (Notes 8 and 10)		**(39,500)**		129,533
Write-down of GST receivable		**-**		(17,979)
Foreign exchange gain		**(9,434)**		-
Write-off of exploration and evaluation assets (Note 5)		**-**		(49,857)
COMPREHENSIVE LOSS	**$**	**(393,133)**	$	(354,177)
LOSS PER SHARE – BASIC AND DILUTED	**$**	**(0.01)**	$	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		**31,263,479**		19,664,477

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

ALORO MINING CORP.
(FORMERLY WOLVERINE MINERALS CORP.)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital					
	Number	**Amount**	**Reserves**	**Convertible Debentures**	**Accumulated Deficit**	**Total**
Balance at December 31, 2015	**4,984,630**	**$ 13,891,308**	**$ 2,014,637**	**$ 115,998**	**$ (16,830,184)**	**$ (808,241)**
Share issuance for cash (Note 10)	11,000,000	539,407	-	-	-	539,407
Debt conversion (Note 10)	13,396,000	669,800	-	-	-	669,800
Convertible debentures (Note 9)	-	115,998	-	(115,998)	-	-
Net loss for the year	-	-	-	-	(354,177)	(354,177)
Balance at December 31, 2016	**29,380,630**	**15,216,513**	**2,014,637**	-	**(17,184,361)**	**46,789**
Shares issued for property (Notes 5 and 10)	250,000	22,500	-	-	-	22,500
Shares issuance for cash (Note 10)	6,500,000	480,000	-	-	-	480,000
Shares issued for debt (Note 10)	1,580,000	158,000	-	-	-	158,000
Net loss for the year	-	-	-	-	(393,133)	(393,133)
Balance at December 31, 2017	**37,710,630**	**$ 15,877,013**	**$ 2,014,637**	**$ -**	**$ 17,577,494**	**$ 314,156**

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

ALORO MINING CORP.
(FORMERLY WOLVERINE MINERALS CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the years ended December 31,		**2017**		2016
CASH FLOWS PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Net loss for the year	**$**	**(393,133)**	$	(354,177)
Items not involving cash:				
Write-off of exploration and evaluation assets		**-**		49,857
Write-off of GST receivable		**-**		17,979
Loss on settlement of debt		**39,500**		(129,533)
Accrued interest		**-**		25,164
Depreciation		**5,814**		7,416
Accretion expense		**-**		16,195
Change in non-cash working capital items:				
Other receivables		**(221)**		(18,536)
Accounts payable and accrued liabilities		**219,647**		(34,165)
Net cash used in operating activities		**(128,393)**		(419,800)
INVESTING ACTIVITIES				
Expenditures on exploration and evaluation assets		**(150,057)**		(43,482)
Net cash used in investing activities		**(150,057)**		(43,482)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares, net of issuance costs		**480,000**		539,407
Proceeds from issuance of promissory notes		**-**		88,000
Repayment of notes payable		**-**		(3,243)
Net cash provided by financing activities		**480,000**		624,164
CHANGE IN CASH		**201,550**		160,883
CASH, BEGINNING		**167,467**		6,584
CASH, END	**$**	**369,017**	**$**	167,467
SUPPLEMENTAL CASH FLOW DISCLOSURE				
Shares issued for exploration and evaluation assets	**$**	**22,500**	$	-
Shares issued for settlement of debt	**$**	**158,000**	$	-

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

NOTE 1 NATURE OF OPERATIONS

Aloro Mining Corp. (the "Company") was incorporated on June 7, 2004 in British Columbia, and its business is the acquisition, exploration and development of its mineral interest in Mexico. On February 8, 2018, The Company changed its name from Wolverine Minerals Corp. to Aloro Mining Corp. The Company is listed on the TSX Venture Exchange (the "TSX-V"). The address of the Company's corporate office and principal place of business is Suite 1085, Bentall Two, 555 Burrard Street, Vancouver, British Columbia, Canada V7X 1M8.

NOTE 2 BASIS OF PREPARATION AND GOING CONCERN

a) Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018.

b) Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in Canadian dollars. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The Company and its subsidiaries' functional currency is the Canadian dollar.

c) Basis of consolidation

Each subsidiary is consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

The consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiary:

Name of Subsidiary	Principal Activity	Place of Incorporation	Ownership Interest
Exploraciones Aloro S.A. de C.V.	Mineral exploration	Mexico	100%

All intercompany balances and transactions were eliminated on consolidation.

d) Going Concern

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. At December 31, 2017, the Company had not yet achieved profitable operations, and expects to incur further losses in the development of its business. These conditions indicate the existence of a material uncertainty which may casts significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon economic and market factors which involve uncertainties including the Company's ability to raise adequate equity financing for continuing operations. Realization values may be substantially different from carrying values as shown and accordingly these financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) Foreign Currency Translation

The individual financial statements of each entity of the Company are prepared in the currency of the primary economic environment in which the entity operates (its "functional currency"). The functional currency of the Company is Canadian dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of transactions. At each reporting date, monetary items denominated in foreign currencies are reinstated at rate prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not reinstated. Exchange difference are recognized in profit or loss in the period in which they arise.

b) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of leasehold improvements and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is recorded based on the cost of an item of leasehold improvements and equipment, less its estimated residual value, using the straight-line method over the following expected useful lives:

Equipment	2 to 3 years
Leasehold improvements	5 years

Items of property and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted prospectively if appropriate.

c) Exploration and Evaluation Assets

Once the legal right to explore has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to acquisition costs. These direct expenditures include such costs as materials used, staking costs, drilling costs and payments made to contractors. Costs not directly attributable to exploration and evaluation expenditures, including general administration and overhead costs are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, the exploration and evaluation expenditures, along with the acquisition costs, are deemed to be impaired and written off.

The Company assesses exploration and evaluation assets for impairment when the facts and circumstances suggest that the carrying amount of these assets may exceed their recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'Mines under construction'.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Exploration and Evaluation Assets (continued)

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

d) Impairment of Non-financial Assets

Non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss/income.

e) Financial Instruments

Financial Assets

Financial assets are classified into the following category based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash and cash equivalents or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial Instruments (continued)

Financial Liabilities

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

Other financial liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Financial Instrument Classification

During the year ended December 31, 2017 and 2016, the Company classified its financial instruments as follows:

- Cash as loans and receivables; and
- Accounts payable, convertible debentures, and promissory notes as other financial liabilities.

f) Provisions

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

As of December 31, 2017 and 2016, the Company did not have any rehabilitation obligations.

g) Convertible debentures

When the Company issues convertible debt, the proceeds are allocated first to the debt component, based on its discounted cash flows using a discount rate appropriate for similar debts without conversion features. The residual value is allocated to all equity components, and is included in share-based payments reserve. The debt component is accreted over its contractual life using the effective interest method, which includes other costs, such as finders' fees. The accretion expense is included in profit or loss as interest expense. On settlement of the debt, the equity components are transferred to deficit.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using the tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

i) Basic and diluted loss per share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to calculate diluted loss per share. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the “if-converted” method. Diluted amounts are not presented when the effects of the computation are anti-dilutive.

j) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based compensation is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Upon exercise, equity-settled share-based payments are reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where options are cancelled or settled during the period when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) New accounting standards and interpretations issued but not yet adopted

New standard IFRS 16 "Leases"

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

At the date of the approval of the consolidated financial statements, a number of other standards and interpretations were in issue but not yet effective. The Company considers that these new standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Significant Judgements

The most significant judgments in applying the Company's accounting policies in these consolidated financial statements are:

i) Determination of Functional Currency

The Company determines the functional currency through its analysis of several indicators such as expenses and cash flow, financing activities, and frequency of transactions with the reporting entity.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 2) and the classification of its financial instruments.

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Significant Estimates

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include:

i) Carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which have been capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information and existing permits.

ii) Recoverability and measurement of deferred tax assets

In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

NOTE 5 EXPLORATION AND EVALUATION ASSETS

	Yukon Territory	Los Venados	Total
Acquisition costs:			
Balance, December 31, 2015	$ 49,857	$ -	$ 49,857
Additions	-	30,000	30,000
Impairment	(49,857)	-	(49,857)
Balance, December 31, 2016	-	30,000	30,000
Additions	-	22,500	22,500
Balance, December 31, 2017	$ -	$ 52,500	$ 52,500
Exploration and evaluation costs:			
Balance, December 31, 2015	$ -	$ -	$ -
Additions	-	24,957	24,957
Balance, December 31, 2016	-	24,957	24,957
Additions	-	150,057	150,057
Balance, December 31, 2017		175,014	175,014
Balance , December 31, 2017	**$ -**	**$ 227,514**	**$ 227,514**
Balance, December 31, 2016	**$ -**	**$ 54,957**	**$ 54,957**

<u>Yukon Territory Properties:</u>

During the year ended December 31, 2016, the Company wrote down acquisition costs relating to the Yukon Territory Properties totaling $49,857.

NOTE 5 EXPLORATION AND EVALUATION ASSETS (Continued)

Los Venados, Sonora Mexico

The Company entered into an option agreement dated November 28, 2016 (the "Option Agreement") with Minera Gavilan, S.A. de C.V. (the "Optionor") and Almadex Minerals Limited ("Almadex"), pursuant to which the Optionor has agreed to grant the Company an option (the "Option") to acquire up to 100% of the Optionor's 100% right and title interest in and to an option agreement between the Optionor, Almadex and Compania Minera La Pitahaya, S.A. de C.V. (the "Underlying Optionor") dated October 6, 2015, whereby the Optionor has the option to acquire a 100% interest in the Los Venados 1 mineral concession (the "Property") located in Sonora State, Mexico (the "Transaction");

To exercise its Option, the Company shall:

i) assume all obligations of Almadex to the Underlying Optionor, with the exception of the issuance of Almadex shares which remains an obligation of Almadex;

ii) pay CDN$30,000 (the "Cash Payment") on execution of the Option Agreement for expenditures on the Property (paid in year ended December 31, 2016);

iii) issue 250,000 common shares (each, a "Share") within 10 days of receipt of approval of the TSX-V (issued February 8, 2017) (Note 10); The Company received TSX-V approval on February 10, 2017 ("Approval Date").

iv) issue 250,000 Shares on or before the first anniversary of the Approval Date (issued subsequent to December 31, 2017);

v) issue 500,000 Shares on or before the second anniversary of the Approval Date;

vi) issue 1,000,000 Shares on or before the third anniversary of the Approval Date; and

vii) drill a minimum of 1,000 meters by the second anniversary of the Approval Date, as part of the total required project expenditures of a minimum of US$500,000 (the "Expenditures"), which must be incurred on or before the third anniversary of the Approval Date.

Upon exercise of the Option, the Company will grant to Almadex a 2.0% net smelter returns royalty (the "NSR Royalty") with respect to production of all precious metals from the property. The NSR Royalty will be payable following commencement of commercial production on the property. The property is also subject to an underlying 2.0% NSR royalty to the Underlying Optioner which may be purchased by the Company for $1,000,000.

If the Option is exercised, the Company will also be responsible for making a $500,000 bonus payment to the Underlying Optionor when a National Instrument 43-101 compliant resource greater than 500,000 ounces of gold has been identified.

NOTE 6 RELATED PARTY TRANSACTIONS

Amounts due to related parties are unsecured, do not bear interest and are due on demand. Related party transactions during the year ended December 31, 2017 and 2016 not disclosed elsewhere in these consolidated financial statements are as follows:

a) The Company incurred $192,000 (2016: $192,000) for consulting fees charged by officers of the Company for the year ended December 31, 2017.

b) The Company incurred $6,000 in directors' fees (2016: $36,000) for the year ended December 31, 2017.

c) On December 28, 2017, the Company settled $118,500 (2016 - $nil) of the consulting and director fees payable to directors by issuing 1,580,000 common shares, with the fair value of $158,000 (2016 - $nil), and recorded a loss on settlement of debt of $39,500 (2016 - $nil) (Note 10).

NOTE 6 RELATED PARTY TRANSACTIONS (Continued)

d) At December 31, 2017 accounts payable and accrued liabilities included $216,300 (2016: $132,000) due to directors of the Company.

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Accounts Payable	$ 78,410	$ 46,837
Accrued Liabilities	15,000	17,326
Due to related parties	208,701	136,800
	$ 302,111	$ 200,963

NOTE 8 PROMISSORY NOTES

During the year ended December 31, 2016, the Company entered into promissory note agreements for the sum of $88,000. The promissory notes were unsecured, bear interest at 12% per annum. During the year ended December 31, 2016 the Company converted $146,250 in promissory notes along with $9,153 in accrued interest into 3,108,060 common shares of the Company at $0.05 per share. During the year ended December 31, 2016, the Company settled promissory notes of $209,285 and accounts payable amounts of $129,533 and recognized a gain of $129,533 on settlement of debt.

NOTE 9 CONVERTIBLE DEBENTURES

	Liability Component	Equity Component
Balance – December 31, 2015	$ 389,805	$ 115,998
Accretion expense	16,195	-
Conversion to common shares	(406,000)	(115,998)
Balance – December 31, 2017 and 2016	$ -	$ -

During the year ended December 31, 2017, the Company recorded an accretion expense of $nil (2016 - $16,195).

During the year ended December 31, 2016, the Company converted $406,000 in convertible debentures along with $54,397 in interest into 9,207,940 common shares of the Company (Note 10).

NOTE 10 SHARE CAPITAL AND RESERVES

Common Shares

Authorized share capital consists of an unlimited number of common shares without par.

During the year ended December 31, 2017:

On January 31, 2017, the Company completed a non-brokered private placement financing for 1,500,000 units at a price of $0.07 per unit for gross proceeds of $105,000. Each unit consists of one common share in the capital of the company and one share purchase warrant, with each warrant entitling the holder to purchase one additional share at a price of $0.085 per share for a period of three years after the date of closing.

On February 8, 2017, the Company issued 250,000 shares pursuant to the Los Venados option agreement at a price of $0.09 per share for a total of $22,500 (Note 5).

NOTE 10 SHARE CAPITAL AND RESERVES (Continued)

During the year ended December 31, 2017:

On December 11, 2017, the Company completed a non-brokered private placement financing for 5,000,000 units at a price of $0.075 per unit for gross proceeds of $375,000. Each unit consists of one common share in the capital of the company and one share purchase warrant, with each warrant entitling the holder to purchase one additional share at a price of $0.10 per share during the first year from the date of issuance and $0.125 per share during the second year from the date of issuance.

On December 28, 2017, the Company settled $118,500 of director and consulting fees payable to directors by issuing 1,580,000 common shares, with the fair value of $158,000, and recorded a loss on settlement of debt of $39,500 (Note 6).

During the year ended December 31, 2016:

On August 8, 2016, the Company completed a non-brokered private placement financing for 11,000,000 units at a price of $0.05 per unit for gross proceeds of $545,800. Each unit consists of one common share in the capital of the company and one share purchase warrant, with each warrant entitling the holder to purchase one additional share at a price of $0.075 per share during the first year from the date of issuance and $0.10 per share during the second year from the date of issuance. In connection with the financing, the company paid $4,200 in finders' fees and incurred other share issuance costs of $2,193.

During the year ended December 31, 2016, the Company settled $669,800 in debt (convertible notes, promissory notes and related accrued interest, and, outstanding directors fees) by issuing 13,396,000 common shares at a deemed price of $0.05 per share (Note 10).

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2015	**2,800,000**	**$0.50**
Issued	11,000,000	$0.075
Expired	(1,400,000)	$0.50
Balance, December 31, 2016	**12,400,000**	**$0.08**
Expired	(1,400,000)	$0.10
Issued	6,500,000	$0.10
Balance, December 31, 2017	**17,500,000**	**$0.08**

As at December 31, 2017, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
11,000,000(1)	$0.075/$0.10	August 8, 2018
1,500,000	$0.085	January 31, 2020
5,000,000(2)	$0.10/$0.125	December 11, 2019
17,500,000		

1) Warrant is exercisable at $0.075 in the first year and $0.10 in the second year.

2) Warrant is exercisable at $0.10 in the first year and $0.125 in the second year

As of December 31, 2017, the weighted average life of the warrants is 1.11 years.

NOTE 10 SHARE CAPITAL AND RESERVES (Continued)

Stock Options

On November 20, 2006, the Company's Board of Directors approved the adoption of a "rolling" stock incentive plan (the "Plan") in accordance with the policies of the TSX-V. The Board of Directors is authorized to grant options under the Plan to directors, officers, consultants or employees to acquire up to a maximum of 10% of the issued and outstanding common shares at the time an option is granted. The exercise prices of options granted shall not be less than the Discounted Market Price, as defined in Exchange Policy 2.4, and the exercise period shall not exceed 5 years from the date the option is granted. The maximum number of options that may be granted to any one person must not exceed 5% of the common shares outstanding at the time of the grant or 2% if the recipient is a consultant or employed in an investor relations capacity.

The following table summarizes the changes in stock options during the years presented:

	Options	Weighted Average Exercise Price
Balance, December 31, 2015	**95,000**	**$ 0.50**
Expired	(20,000)	$ 0.50
Balance December 31, 2016	**75,000**	**$ 0.50**
Expired	(75,000)	**$ 0.50**
Balance, December 31, 2017	**-**	**-**

The reserve of $2,014,637 represents the accumulated balance of share based payments granted to various parties.

NOTE 11 INCOME TAXES

A reconciliation of income recovery at statutory rates with the reported recovery is as follows:

		2017		2016
Loss before income taxes	$	(393,133)	$	(354,177)
Tax recovery based on statutory rate of 26%		(103,621)		(92,086)
Impact of different foreign statutory tax rates on earnings of subsidiaries		5,468		-
Non-deductible expenses		-		-
Adjustment to prior years provision versus statutory tax returns		23,807		37,383
Change in unrecognized deferred income tax assets		74,346		54,704
Income tax recovery	$	-	$	-

		2017		2016
Non-capital losses	$	1,057,916	$	985,293
Share issuance costs		1,542		1,330
Equipment		6,949		5,438
Unrecognized deferred tax assets		(1,066,407)		(992,061)
Net deferred income tax assets	**$**	-	$	-

As at December 31, 2017, the Company has estimated non-capital losses for Canadian tax purposes of $4,068,908 that may be carried forward to reduce taxable income derived in future years. These losses expire in the years 2026 – 2035.

NOTE 12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various financial instrument risk and assessed the impact and likelihood of this exposure. These risks include market risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of interest rate risk, foreign currency risk and commodity price risk.

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Only cash is at variable rates and therefore the Company is not exposed to significant interest rate risk.

Foreign currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk as it has operations in Mexico and it incurs certain expenditures that are denominated in Mexican pesos while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The Company has net financial assets of approximately $84,000 (2016 - $nil) that are denominated in Mexican pesos.

If the Mexican peso had changed against the Canadian dollar by 10% at year end, the Company's net loss and comprehensive loss after taxes would change by approximately $8,000 (2016 - $nil), resulting from the translation of the Mexican peso denominated financial instruments.

Price Risk
The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors commodity prices to determine appropriate actions to be undertaken.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As of December 31, 2017 the Company is exposed to credit risk with respect to its cash of $372,207 (2016: $167,467). Cash is held with reputable Canadian banks which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments is minimal.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts and is available on demand. As at December 31, 2017, the Company has not yet generated revenue to cover operating expenditures. The Company also has a significant amount of short-term debt. The Company will require additional financing to fund its on-going operations and currently has no resources from which to repay its outstanding obligations. There can be no certainty of the Company's ability to raise additional financing in a timely manner. Consequently, the Company is significantly exposed to liquidity risk.

NOTE 13 CAPITAL DISCLOSURE

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' deficiency as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

There have been no changes to capital management during the year ended December 31, 2017.

NOTE 14 COMMITMENT

During the year ended December 31, 2014, the Company entered into a five year lease agreement for office space in Vancouver BC. The lease commences July 1, 2014. Annual lease payments under this agreement are approximately $33,183 from year 1 to year 3 and $34,412 from year 4 to year 5. In addition to the basic rent, the Company is also responsible for its proportionate share of annual property taxes and operating expenses.

NOTE 15 SUBSEQUENT EVENT

The Company entered into a consulting agreement with Alan Hitchborn. Consideration for services is $1,200 per day plus GST, and 500,000 stock options, with each option being exercisable into one common share of the Company at an exercise price of $0.125 per share until March 21, 2023.