# CASCADERO COPPER CORPORATION

## CONSOLIDATED FINANCIAL STATEMENTS

## YEARS ENDED NOVEMBER 30, 2015 and 2014

## (EXPRESSED IN CANADIAN DOLLARS)

# SunRonkai LLP

CHARTERED PROFESSIONAL ACCOUNTANTS


## INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Cascadero Copper Corporation**

We have audited the accompanying consolidated financial statements of Cascadero Copper Corporation (the "Company"), which comprise the consolidated statement of financial position as at November 30, 2015, and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the consolidated financial statements**

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

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 audit 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 the Company as at November 30, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matter and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

**Other Matter**

The consolidated financial statements of the Company as at November 30, 2014 and for the year then ended were audited by another auditor who expressed an unmodified opinion on these financial statements on July 24, 2015.

Vancouver, Canada,
March 29, 2016

Chartered Professional Accountants


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# CASCADERO COPPER CORPORATION

(An exploration stage company)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars unless otherwise stated)

| | Notes | | **November 30, 2015** | | November 30, 2014 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | **$** | **38,117** | $ | 13,147 |
| Taxes receivable | | | **30,470** | | 28,657 |
| Prepaid expenses | | | **26,047** | | 12,824 |
| | | | **94,634** | | 54,628 |
| **Long-term investment** | 5 | | **—** | | 1 |
| **Exploration and evaluation assets** | 6 | | **—** | | — |
| **Equipment** | 7 | | **2,056** | | 3,658 |
| | | **$** | **96,690** | $ | 58,287 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable | | **$** | **211,454** | $ | 96,001 |
| Accrued Liabilities | 11 | | **318,383** | | 343,187 |
| Advances received | 13 | | **686,650** | | — |
| Due to related parties | 10 | | **1,051,386** | | 588,879 |
| | | | **2,267,873** | | 1,028,067 |
| **Equity** | | | | | |
| Share capital | 8 | | **18,435,822** | | 19,212,436 |
| Contributed surplus | 8(b) | | **4,172,748** | | 3,956,338 |
| Accumulated deficit | | | **(24,779,753)** | | (24,138,554) |
| | | | **(2,171,183)** | | (969,780) |
| | | **$** | **96,690** | $ | 58,287 |

**Nature of operations and going concern (Note 1)**
**Contingent liability (Note 11)**

Approved by the Board of Directors

| ***"William McWilliam"*** | ***"Tom McCabe"*** |
|---|---|
| Director | Director |

## CASCADERO COPPER CORPORATION

(An exploration stage company)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars unless otherwise stated)

| | Notes | For the year ended November 30, 2015 | For the year ended November 30, 2014 |
|---|---|---|---|
| **Expenses** | | | |
| Professional fees | 10(b) | $ 72,852 | $ 62,950 |
| Depreciation | | 1,603 | 927 |
| Management fees | 10(b) | 160,000 | 160,000 |
| Interest expenses | 11 | 15,196 | 32,717 |
| General and adminstrative | 10(b) | 134,477 | 165,972 |
| Rent | 10(b) | 18,000 | 25,250 |
| Share-based compensation | 8(b) | 216,410 | 106,301 |
| Business exploration cost | | 13,569 | — |
| (Recovery from) share of loss on investment and write-off the advances | 5 | (24,427) | 2,378,783 |
| Write-off exploration and evaluation assets | 6 | — | 9,709,593 |
| | | 607,680 | 12,642,493 |
| **Loss before the other items** | | (607,680) | (12,642,493) |
| **Other items** | | | |
| Other income | | — | 1,256 |
| Foreign exchange gain (loss) | | (33,519) | 1,769 |
| | | (33,519) | 3,025 |
| **Net loss and comprehensive loss of the year** | | $ (641,199) | $ (12,639,468) |
| **Basic and diluted loss per common share** | | $ (0.005) | $ (0.086) |
| **Weighted average number of shares outstanding, basic and diluted** | | 137,983,603 | 147,451,902 |

*See accompanying notes to the consolidated financial statements*

## CASCADERO COPPPER CORPORATION

(An exploration stage company)
Consolidated Statements of Change in Equity
(Expressed in Canadian dollars unless otherwise stated)

| | Notes | Number of shares issued | Number of treasury shares | Number of Shares outstanding | Amount | Contributed surplus | Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance, November 30, 2013** | | **151,692,528** | **4,240,626** | **147,451,902** | **$ 19,212,436** | **$ 3,850,037** | **$ (11,499,086)** | **$ 11,563,387** |
| Share-based compensation | 8(b) | — | — | — | — | 106,301 | — | 106,301 |
| Net loss for the year | | — | — | — | — | — | (12,639,468) | (12,639,468) |
| **Balance, November 30, 2014** | | **151,692,528** | **4,240,626** | **147,451,902** | **19,212,436** | **3,956,338** | **(24,138,554)** | **(969,780)** |
| Share-based compensation | 8(b) | — | — | — | — | 216,410 | — | 216,410 |
| Treasury shares | 5 | — | 19,415,333 | (19,415,333) | (776,614) | — | — | (776,614) |
| Net loss for the year | | — | — | — | — | — | (641,199) | (641,199) |
| **Balance, November 30, 2015** | | **151,692,528** | **23,655,959** | **128,036,569** | **$ 18,435,822** | **$ 4,172,748** | **$ (24,779,753)** | **$ (2,171,183)** |

*See accompanying notes to the consolidated financial statements*

## CASCADERO COPPER CORPORATION

(An exploration stage company)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars unless otherwise stated)

| | Notes | | For the year ended November 30, 2015 | | For the year ended November 30, 2014 |
|---|---|---|---|---|---|
| **Operating Activities** | | | | | |
| Net loss of the year | | **$** | **(641,199)** | $ | (12,639,468) |
| Adjustments for items not involving cash: | | | | | |
| Depreciation | | | **1,602** | | 927 |
| Share-based compensation | | | **216,410** | | 106,301 |
| Equity loss on investments and write-off of the advances to equity affiliates | 5 | | **307,759** | | 2,378,783 |
| Recovery of advances to SHL | 5 | | **(298,903)** | | — |
| Write-off exploration and evaluation assets | 6 | | **—** | | 9,709,593 |
| | | | **(414,331)** | | (443,864) |
| Net changes in non-cash working capital items (net of liabilities assumed in acquisition) | | | | | |
| Taxes recoverable | | | **(1,813)** | | 34,530 |
| Prepaid expenses | | | **(13,223)** | | (5,211) |
| Due to related parties | | | **462,507** | | 339,628 |
| Accounts payable and accrued liabilities | | | **(695,129)** | | 52,416 |
| Advances received from selling 25% interest in SHL | 13 | | **686,650** | | — |
| **Cash used in operating activities** | | | **24,661** | | (22,501) |
| **Investing activities** | | | | | |
| Purchase of Equipment | | | **—** | | (2,404) |
| Advances made to equity affiliates | | | **(307,759)** | | (109,729) |
| Cash received upon acquisition | 5 | | **308,069** | | — |
| **Cash from (used in) investing activities** | | | **310** | | (112,133) |
| **Increase (decrease) in cash during the year** | | | **24,970** | | (134,634) |
| **Cash and cash equivalents, beginning of the year** | | | **13,147** | | 147,781 |
| **Cash and cash equivalents, end of year** | | **$** | **38,117** | $ | 13,147 |
| **Supplemental disclosure of cash flow information** | | | | | |
| Cash paid for: | | | | | |
| Interest | | **$** | — | $ | — |
| Income taxes | | **$** | — | $ | — |

*See accompanying notes to the consolidated financial statements*

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Cascadero Copper Corporation ("Cascadero" or the "Company") was incorporated pursuant to the Alberta Business Corporations Act on October 30, 2003 and continued into the Province of British Columbia on June 3, 2004. The Company is engaged in the business of acquiring, exploring and developing mineral properties located primarily in Canada. The Company is considered to be in the exploration stage. The Company's head office, principal address, and records office is located at 554 East Kings Road, North Vancouver, British Columbia, Canada.

The Company is in the process of exploring and developing mineral properties and has not yet determined whether these properties contain precious mineral reserves that are economically recoverable.

These financial statements have been prepared on the basis of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. Such adjustments could be material.

As at November 30, 2015, the Company has incurred cumulative losses of $24,779,753 and a negative working capital of $2,173,239. The ability of the Company to continue operations is dependent upon the continued financial support from its shareholders and creditors, and the successful development of mineral properties or alternatively upon the Company's ability to dispose of its interest in mineral properties on an advantageous basis in the future. The outcome of these matters cannot be predicted at this time. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will not be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The above factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and liabilities in the normal course of business.

## 2. BASIS OF PRESENTATION

a) <u>Statement of Compliance</u>

These financial statements 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 policies applied in these consolidated financial statements are based on IFRS in effect as of November 30, 2015.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 29, 2016.

b) <u>Basis of Measurement</u>

The annual financial statements have been prepared on a historical cost basis. The annual financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. The accounting policies set out in Note 3 have been applied consistently by the Company to all periods presented.

## 3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

These consolidated financial statements include the accounts of Cascadero and its wholly-owned subsidiaries:

| Entities | Jurisdiction of Incorporation |
|---|---|
| Cascadero Minerals Corporation ("CMC") | Canada |
| Cascadero Minerals S.A. ("CMSA") | Argentina |
| SESA Holdings, LLC ("SHL") (see Note 5) | United States |
| Salta Exploraciones S.A. ("Salta") | Argentina |
| Salta Geothermal S.A. ("SGSA") | Argentina |

b) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash held at major financial institutions and short term investments which are readily convertible into a known amount of cash. As at November 30, 2015 and 2014, the Company did not have cash equivalent.

c) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided using the declining balance method at the following annual rates:

| | |
|---|---|
| Computer equipment | 45% |
| Furniture and fixtures | 20% |

Additions during the year are amortized pro-rata based on the annual amortization rate.

d) Exploration and evaluation assets

(i) Pre-license expenditures

Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditures

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such exploration and evaluation ("E&E") costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and or probable mineral reserves are determined to exist. The Company has not established any NI 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash

consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

(iii) Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditures in the specific area is neither budgeted nor planned, and exploration for and evaluation of mineral resources in the specific area have not led to the discovery of any commercially viable quantities of mineral resources.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

The Company has provided a 100% impairment provision towards its mineral properties in Canada and Argentina during the year ended November 30, 2015 and 2014. (See Notes 5 and 6).

e) Foreign Currencies

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is Canadian dollars.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that state at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of operations.

f) Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted average number of shares outstanding.

The Company uses the treasury stock method for computing diluted earnings (loss) per share. This method assumes that any proceeds obtained upon exercise of options or warrants would be used to purchase common shares at the average market price during the period.

Diluted earnings (loss) per share for the year ended November 30, 2015 and 2014, are equal to loss per share as the effect of applying the treasury stock method is anti-dilutive.

g) Share-based payments

The Company recognizes share-based compensation expense for all stock options awarded to employees, officers, and directors based on the fair values of the stock options at the date of grant. The fair values of the stock options at the date of grant are expensed over the vesting periods of the stock options with a corresponding increase to equity. The fair value of stock options granted to employees, officers, and directors is determined using the Black-Scholes option pricing model with market related

inputs as of the date of the grant. The fair value of stock options granted to non-employees is measured at the fair value of the services delivered unless fair value cannot be estimated reliably, in which case, fair value is determined using the Black-Scholes option pricing model. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Forfeitures are accounted for using estimates based on historical actual forfeiture data.

h) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income of loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enactive or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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 tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

i) Provision for environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

As at November 30, 2015, the Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

j) Investment in Joint Ventures

A joint venture is a contractual agreement under which two or more parties conduct an economic activity and unanimous approval is required for the financial and operating policies.

Joint ventures are accounted for using the equity method, which involves recognition in the income statement of the Company's share of the net result of the joint ventures for the year. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Company. The Company's interest in a joint venture is carried in the statement of financial position at its share in the net assets of the joint venture, less any impairment loss. When the share in the losses exceeds the carrying amount of an equity-accounted company (including any other receivables forming part of the net investment in the company), the carrying amount is written down to nil and recognition of further losses is discontinued, unless the Company has incurred legal or contractual obligations relating to the company in question.

k) Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale; and
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

*Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company does not have financial assets classified as FVTPL.

*Held-to-maturity ("HTM")*

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any financial assets classified as HTM investments.

*Available-for-sale financial assets ("AFS")*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any financial assets classified as AFS.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses. The Company classifies cash as loans and receivables.

Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

*Financial liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

i. *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified accounts payable and due to related parties as other financial liabilities.

ii. *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

l) 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. Actual experience may differ from these estimates and assumptions.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

*Judgements*

*Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss during the period the new information became available.

*Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

*Classification of Joint Arrangement*

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over the other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting. The Company has considered its ownership position in SHL and concluded that it constitutes a joint venture until May 27, 2015 when the other participating party withdrew its interest in SHL. (Also see Note 5).

*Business acquisition versus asset acquisition*

The determination of whether an acquisition is a business acquisition or asset acquisition also requires significant judgement.

*Provision*

Management assesses the probability of a liability being payable as either remote, more than remote or probable. If the liability is considered to be less than probable, then the liability is not recorded and it is only disclosed as a contingent liability.

*Estimates*

*Share-based payment transactions*

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

m) Accounting standards issued but not yet in effective.

IFRS 9 – *Financial Instruments* is intended to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principle-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2018. The amendments also provide relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. The Company is currently evaluating the impact the final standard is expected to have on the consolidated financial statements.

IFRS 15 – *Revenue from contracts with customers*, the standard on revenue from contracts with customers was issued on May 28, 2014 and is effective for annual reporting periods beginning on or after January 1, 2018 for public entities with early adoption permitted. Entities have the option on using either a full retrospective or modified retrospective approach to adopt the guidance. The Company is assessing the impact of this standard.

## 4. FINANCIAL INSTRUMENTS

**Fair Value of Financial Statements**

The Company classified its fair value measure with a fair value hierarchy, which reflects the significance of inputs used in making the measurements as defined in IFRS 7 – Financial Instruments: Disclosures.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in market that are not active; or other inputs that are observable or can corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

The Company does not have financial instruments measured at fair value on a recurring basis. The fair value of the Company's cash and accounts payable and accrued liabilities are estimated to approximate their carrying values as at November 30, 2015 and 2014.

**Management of Industry and Financial Risk**

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

*Credit risk*

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is primarily associated with cash and cash equivalents. Risk associated with cash is managed through the use of reputable financial institution. The carrying amount of financial assets included on balance sheet represents the maximum credit exposure.

*Liquidity risk*

Liquidity rest is the risk that the Company with not have sufficient funds to meet its financial obligations when they are due. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. Refer to the going concern note for additional disclosure (Note 1). As at November 30, 2015 and 2014, the Company had working capital (deficiency) as follows:

| | **2015** | 2014 |
|---|---:|---:|
| | **$** | $ |
| Current assets | 94,634 | 54,628 |
| Current liabilities | 2,267,873 | 1,028,067 |
| Working capital deficiency | (2,173,239) | (973,439) |

*Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

*Currency Risk*

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risks due to fluctuations in foreign exchange rates. The Company does not hedge its foreign currency risk, and exposure of the Company's financial assets and liabilities to foreign exchange risk is summarized as follows:

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| US cash | **30,640** | — |
| US liabilities | **138,871** | — |
| Net | **(108,231)** | — |

As at November 30, 2015, with other variables unchanged, a 1% strengthening (weakening) of the US dollar against the Canadian dollar would have increased (decreased) net income by approximately $1,082. As at November 30, 2015, the Company does not have significant financial assets or liabilities in Argentina Pesos.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

*Price Risk*

Price risk is the risk that the fair value of financial instrument will fluctuate because of changes in market prices. The Company has no financial instruments subject to price risk.

## 5. LONG TERM INVESTMENT

In December 2008, the Company paid US$200,000 and TSX Venture Exchange approval was granted for the Company to issue 28,000,000 of its common shares with a fair value of $700,000 to Argentine Frontier Resources Inc. ("AFRI") for its 50% membership interest in SHL, a limited liability company formed under the laws of the State of Nevada, USA. SHL is the legal and beneficial holder of 100% of the issued and outstanding equity interest in Salta, a company duly formed under the laws of Argentina which holds certain mineral rights and properties. AFRI is controlled by the chief executive officer ("CEO) and director of the Company. The Company's 50% partner in SHL initially was Coralbrook Ltd. ("CBL"). On June 28 2013, by way of an Assignment and Assumption agreement CBL was replaced by Zoneplan Ltd ("ZP"). On June 30 2014, the interest of Zoneplan in SHL was assigned to Cyprus River Holdings Ltd ("CRH").

On May 26, 2015, CRH and the Company consented to the withdrawal of CRH as a member of SHL. This meant that the Company became the sole member of SHL and has exclusive authority to manage the affairs of SHL. In connection with CRH's withdrawal, CRH agreed to return 19,415,333 shares of the Company and make a cash payment of US$118,614, of which $71,404 (US$58,605) was received in 2015 and the balance has been received in prior years. The Company agreed to transfer Castor-Quevar property's 3% net smelter return to CRH and grant CRH a 1% net smelter return on 20 properties in Salta. The Company has determined the acquisition represents an asset acquisition.

The fair values of the assets acquired and liabilities assumed in the acquisition at May 26, 2015 (the "Acquisition Date") are as follows:

| | **Amount** **$** |
|---|---|
| Cash | 308,069 |
| Accounts payable and accrued liabilities | (785,780) |
| | **(477,711)** |

The 19,415,333 shares of the Company received was measured at the value of $776,613 based on the trading price of the Company's shares at the Acquisition Date. The fair value of the Company's shares and the cash payment received net of the liabilities assumed has been recorded as the recovery of the investment into SHL.

Prior to CRH's withdrawal, the Company accounted its investment in SHL using the equity method of accounting as the Company shares joint control over the strategic, financial and operating decisions and a right to the net assets of the arrangement with CRH. The results of operations of SHL for the year ended November 30, 2014 is as follows:

| | **Amount** **$** |
|---|---|
| Current assets | 8,450 |
| Non-current assets | 6,190,778 |
| current liabilities | 522,127 |
| Non-current liabilities | 7,559,939 |
| Revenue | — |
| Expenses | 1,429,903 |
| Net loss | (1,429,903) |

During the year ended November 30, 2014, the Company's share of SHL losses was $714,952. In addition, the Company wrote down the remaining balance of the capital contributions to SHL in the amount of $1,663,831 to $1. The Company did not continue to recognize further losses of SHL as the Company does not have legal or contractual obligations to do so. From December 1, 2014 to the Acquisition Date, the Company has expensed the additional advances to SHL in the amount of $307,759.

## 6. MINERAL PROPERTIES

### <u>Toodoggone Property</u>

On July 14, 2004, mineral properties were acquired in accordance with the Property Transfer Agreement dated May 10, 2004 between Stealth Minerals Limited ("SML") and the Company. A director of SML is also the CEO and director of the Company. The Property Transfer Agreement provided that the purchase price for certain land mineral claims would be equal to 60% of the total mineral property costs incurred by SML as at May 10, 2004. Accordingly, the Company acquired the mineral properties for $6,295,586 and issued 21,000,000 shares to SML.

On January 26, 2006, the Company acquired certain additional mining claims from SML for $150,000 and issued 1,000,000 shares to SML as consideration.

On March 3, 2009, the Company and Gold Fields Toodoggone Exploration Corporation ("Gold Fields"), a wholly owned subsidiary of Gold Fields Netherlands Services BV and a member of the Gold Fields Limited group of companies, signed an Option and Joint Venture Exploration Agreement. The Option Agreement

grants Gold Fields an option to acquire a 51% interest in Toodoggone property by incurring expenditures of at least $5 million over a three year period. If Gold Fields acquires the 51% interest, it has the option to acquire an additional 24% interest in the property by spending an additional $15 million or funding the completion of a feasibility study.

The Option Agreement also provides that Gold Fields, or one of its affiliates, will subscribe for 500,000 units of the Company at a price of $0.10 per unit with each unit consisting of one share and one share purchase warrant that can be exercised for one additional common share of the Company at $0.12 per share for one year. If Gold Fields continues with the Option Agreement, it is required to invest a further $100,000 in the Company's units on each of the first three anniversaries. During the year ended November 30, 2009, Gold Fields purchased the 500,000 units and exercised the 500,000 share purchase warrants. The Company paid a finder's fee of $7,500 to an arm's length party.

During the year ended November 30, 2010, Gold Fields opted to exercise a Force Majeure on the Toodoggone Option. As a result, it did not purchase any units of the Company during the year ended November 30, 2010. This Force Majeure was removed during the year ended November 30, 2011, and Gold Fields subscribed to $100,000 in the Company's shares in March 2011.

As of November 30, 2015, Gold Fields had acquired the 51% interest in the property per the Option Agreement.

During the year ended November 30, 2014, the Company determined that the property was impaired as no significant expenditures are planned or budgeted and the Company lacks the capital to continue spending on the property. As a result, the Company recognized an impairment loss of $9,709,593 leaving the property with a carrying value of $nil.

Total costs incurred in Toodoggone property for 2015 and 2014 are as follows:

| | November 30, 2013 $ | Additions $ | Disposals/ Write-downs $ | November 30, 2014 and 2015 $ |
|---|---|---|---|---|
| Acquisition cost | 6,445,586 | — | — | 6,445,586 |
| Deferred exploration – general | 3,098,388 | — | — | 3,098,388 |
| mineral property | 1,750 | — | — | 1,750 |
| consulting | 48,969 | — | — | 48,969 |
| staking | 84,306 | — | — | 84,306 |
| prospecting | 15,506 | — | — | 15,506 |
| others | 7,520 | — | — | 7,520 |
| assay | 7,568 | — | — | 7,568 |
| Impairment recognized | — | — | (9,709,593) | (9,709,593) |
| | 9,709.593 | — | (9,709,593) | — |

## 7. EQUIPMENT

| | Computer equipment $ | Furniture and fixture $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| **Balance at November 30, 2013** | **37,503** | **591** | **38,094** |
| Additions | 2,404 | — | 2,404 |
| Disposals | — | — | — |
| **Balance at November 30, 2014** | **39,907** | **591** | **40,498** |
| Additions | — | — | — |
| Disposals | — | — | — |
| **Balance at November 30, 2015** | **39,907** | **591** | **40,498** |
| **Accumulated depreciation** | | | |
| **Balance at November 30, 2013** | **35,540** | **373** | **35,913** |
| Additions | 883 | 44 | 927 |
| Disposals | — | — | — |
| **Balance at November 30, 2014** | **36,423** | **417** | **36,840** |
| Additions | 1,568 | 34 | 1,602 |
| Disposals | — | — | — |
| **Balance at November 30, 2015** | **37,991** | **451** | **38,442** |
| **Net carrying amounts** | | | |
| Balance at November 30, 2013 | 1,963 | 218 | 2,181 |
| Balance at November 30, 2014 | 3,484 | 174 | 3,658 |
| **Balance at November 30, 2015** | **1,916** | **140** | **2,056** |

## 8. SHARE CAPITAL

a) Authorized

Unlimited number of no par value common shares
Unlimited number of preferred shares

b) Stock Option Plan

The Company has a stock option plan for the benefit of directors, management and certain consultants of the Company. Under the plan, the Company may grant options for up to 20% of the issued common shares. The exercise price of each option may be discounted up to 25% from the market price of the Company's common shares on the date of grant and an option's maximum term is five years.

During the year ended November 30, 2015:

On January 15, 2015, the Company granted 7,650,000 stock options to directors, employees and consultants to acquire common shares of the Company at an exercise price of $0.05 per share expiring in 3 years from the date of grant. On October 1, 2015, the Company granted additional 3,000,000 stock options to consultants to acquire common shares of the Company at an exercise price of $0.05 per share expiring in 2 years from the date of grant. All of these stock options vest 25% on the grant date,

25% six months from the grant date, 25% nine months from the grant date and 25% twelve months from the grant date.

During the year ended November 30, 2014:

On September 13, 2014, the Company granted 8,050,000 stock options to directors, employees and consultants to acquire common shares of the Company at an exercise price of $0.05 per share expiring in 3 years from the date of grant. These options vest 25% on the grant date, 25% six months from the grant date, 25% nine months from the grant date and 25% twelve months from the grant date.

The fair value of the options granted were estimated using the Black-Scholes options pricing model with the following assumptions:

| | October 2015 - 3,000,000 options | January 2015 - 7,650,000 options | September 2014 - 8,050,000 options |
|---|---|---|---|
| Weighted average fair value | $0.02 | $0.01 | $0.02 |
| Risk-free interest rate | 0.54% | 0.43% | 10.09% - 1.12% |
| Dividend yield | 0% | 0% | 0% |
| Expected volotality | 163.04% | 130.64% | 132.61 - 135.13% |
| Weighted average expected life of options | 2 years | 3 years | 2.79 - 3 years |

Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the company's stock options. The Company’s expected volatility is based on the historical volatility of the Company’s share price.

For the year ended November 30, 2015, a total of $216,410 (2014: $106,113) was recorded as share-based compensation expense relating to management and general consulting services.

The continuity schedule of stock options as at November 30, 2015 and 2014 is as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Outstanding** | **Weighted Average Exercise Price** | Outstanding | Weighted Average Exercise Price |
| **Balance, beginning of year** | **11,250,000** | **$0.13** | 15,500,000 | $0.13 |
| Increase (decrease): | | | | |
| Stock options granted | **10,650,000** | **$0.05** | 8,050,000 | $0.05 |
| Stock options expired/forfeited | **(1,950,000)** | **—** | (12,300,000) | $0.10 |
| **Balance, end of year** | **19,950,000** | **$0.10** | 11,250,000 | $0.13 |
| **Stock options exercisable, end of year** | **15,787,500** | **$0.08** | 5,160,674 | $0.13 |

The following table summarizes information about stock options outstanding as at November 30, 2015:

| Number of Options Outstanding | Exercise Price | Weighted Average Remaining Contractual Life Years |
|---|---|---|
| 950,000 | $0.12 | 1.31 |
| 300,000 | $0.10 | 1.90 |
| 18,700,000 | $0.05 | 1.95 |
| 19,950,000 | $0.05 | 1.91 |

c) Warrants

The following summarizes warrant activity during the year:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Outstanding** | **Weighted Average Exercise Price** | Outstanding | Weighted Average Exercise Price |
| **Balance, beginning of the year** | **16,879,166** | **$0.21** | 43,139,275 | $0.15 |
| Increase (decrease) | | | | |
| Warrants granted | **—** | **—** | — | — |
| Warrants expired | **(16,879,166)** | **$0.21** | (26,260,109) | $0.01 |
| Warrants exercised | **—** | **—** | — | — |
| Warrants extended | **16,879,166** | **$0.06** | — | — |
| **Balance, end of the year** | **16,879,166** | **$0.06** | 16,879,166 | $0.21 |

The following table summarizes information of the Company's warrants outstanding as at November 30, 2015:

| **Number of Warrants Outstanding** | **Exercise Price** | **Remaining Contractual Life Expiry Date** |
|---|---|---|
| 4,169,167 | $0.10 | October 22, 2017 |
| 12,709,999 | $0.05 | February 13, 2017 |
| 16,879,166 | | |

## 9. INCOME TAXES

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| Loss before income taxes | **(633,641)** | (12,639,468) |
| Statutory tax rate | **26%** | 26% |
| Expected income tax recovery | **(164,747)** | (3,286,262) |
| Non-deductible expenses | **(82,492)** | 3,449,708 |
| Change in unrecognized deferred tax assets | **247,239** | (163,446) |
| Future income tax recovery | **—** | — |

Significant components of the Company's unrecognized deferred income tax assets and liabilities after applying enacted corporate income tax rates are as follows:

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| Non-capital losses carry forward | 2,024,022 | 1,843,133 |
| Canadian exploration expenditures | 1,318,441 | (299,711) |
| Others | — | 9,620 |
| Unrecognized deferred income tax assets | 3,342,463 | 1,553,042 |

The Company has non-capital losses of approximately $7,784,702 available to offset future income for income tax purposes which expire in various amount from 2015 to 2035. Due to the uncertainty of realization of these loss carry-forwards, the benefit is not reflected in the financial statements as the Company has provided a full valuation allowance for the potential future tax assets.

## 10. RELATED PARTY TRANSACTIONS

The related party balances and transactions not disclosed elsewhere in this consolidated financial statements are listed below. Related party transactions in normal course of operations are measured at the exchange amount. Due to the related parties are unsecured, non-interest bearing and no specific term of repayment.

a) The Company has the following balances owed to and from related entities as at November 30, 2015:
   i. $Nil (2014: $68,165) due to Stealth Minerals Ltd., a related Company.
   ii. $635,935 (2014: $327,485) due to the CEO who is also the director of the Company.
   iii. $262,213 (2014: $159,130) due to the Company's corporate secretary, who is also the immediate family member of the CEO for services provided.
   iv. $88,435 (2014: $18,000) due to AFRI, an entity controlled by the CEO who is the director of the Company.
   v. $64,803 (2014: $31,583) due to the Company's chief financial officer (the "CFO") of the Company.

b) During the year ended November 30, 2015, the Company had the following transactions with related parties:
   i. Charged $18,000 (2014: $18,000) in office rent to AFRI, a company controlled by the Company's CEO.
   ii. Incurred $160,000 (2014: $160,000) in management fees to the CEO.
   iii. Incurred $84,000 (2014: $72,000) in office and administrative fees charged by the Company's corporate secretary of the Company.
   iv. Incurred $38,900 (2014: $22,950) in accounting fees charged by the CFO of the Company.
   v. Key management includes the CEO and CFO. The compensation paid or payable to key management for services during the years ended November 30, 2015 and 2014 is identical to the disclosure above other than share-based compensation. During the year ended November 30, 2015, key management received share-based compensation of $52,714 (2013: $26,478).

## 11. CONTINGENT LIABILITY

Canada Revenue Agency ("CRA") has disallowed certain exploration expenditures incurred by the Company as non-eligible exploration expenditures that do not qualify for transfer of the tax deduction to holders of the flow-through shares. In this connection, the Company has been assessed by CRA on Part XII.6 tax, in respect of certain flow-through shares issued in the 2004 taxation year, in the amount of $237,976 plus interest of approximately $80,407 for a total of $318,383. Of this total in tax and interest, the Company will not contest an amount of $199,616. Accordingly, the full amount, contested and not contested, has been included in accrued liabilities in the Company's financial statements.

The balance in assessed Part XII.6 tax and interest is being formally contested by the Company as management disagrees with CRA's position on this amount. The outcome of this matter cannot be determined at this time. A provision has been made in these financial statements for the total amount of the contingent liability.

## 12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

## 13. SUBSEQUENT EVENTS

a) On December 21, 2015, the Company and Regberg Ltd. ("Regberg") signed an Amendment #2 Operating Agreement SESA Holdings, LLC (the "Amendment #2 Agreement"). According to the Amendment #2 Agreement, Regberg will acquire 25% in SHL for US$850,000. Regberg has an option to acquire a further 5% interest in SHL by paying US$175,000 before May 18, 2018. As at November 30, 2015, the Company has received $686,650 (US$515,000) from Regberg as a deposit towards to the Amendment #2 Agreement.

b) On December 18, 2015, the Company disposed Salta to an unrelated party for $6,885 (Argentina Pesos 50,000). Immediately prior to the disposition, the Company has transferred mineral claims out of Salta.