Plata Latina Minerals Corporation

Consolidated Financial Statements
For the Year Ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Plata Latina Minerals Corporation

We have audited the accompanying consolidated financial statements of Plata Latina Minerals Corporation, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows 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 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Plata Latina Minerals Corporation as at December 31, 2017 and its financial performance and its 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 conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Plata Latina Minerals Corporation's ability to continue as a going concern.

Other Matters

The consolidated financial statements of Plata Latina Minerals Corporation for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on May 1, 2017.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 5, 2018

Plata Latina Minerals Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash	$ 172,557	$ 166,718
Amounts receivable (Note 4)	33,846	241,426
Prepaid expenses	7,463	7,397
	213,866	415,541
Non-current assets		
Exploration and evaluation assets (Note 5)	2,446,785	3,417,067
Property, plant and equipment	-	327
	2,446,785	3,417,394
Total assets	$ 2,660,651	$ 3,832,935
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6, 9)	$ 391,003	$ 497,236
Loan payable (Note 7, 9, 15)	313,958	292,083
	704,961	789,319
Deferred tax liability (Note 14)	170,673	174,150
Shareholders' equity		
Share capital (Note 8)	11,072,622	11,072,622
Reserves (Note 8)	523,913	529,416
Deficit	(9,811,518)	(8,732,572)
	1,785,017	2,869,466
Total liabilities and shareholders' equity	$ 2,660,651	$ 3,832,935

Nature of operations and going concern (Note 1)
Commitment (Note 10)
Subsequent event (Note 15)

Approved by the Board of Directors on April 4, 2018:

/s/ Gilmour Clausen
Director

/s/ W. Durand Eppler
Director

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

Plata Latina Minerals Corporation
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
Expenses		
Salaries and benefits (Note 9)	$ 51,975	$ 49,378
Directors' fees (Note 9)	60,000	46,250
Professional fees (Note 9)	232,861	205,198
Office and administration	35,128	29,434
Investor relations	6,647	2,977
Filing fees and transfer agent	13,197	14,831
Travel	8,287	326
Property investigations (Note 5)	38,773	6,431
Share-based payments (Note 8, 9)	1,664	5,198
Depreciation	327	783
	(448,859)	(360,806)
Other items		
Interest income	5,369	37,952
Foreign exchange gain	16,063	4,332
Interest expense (Note 7)	(21,875)	(25,416)
Impairment on exploration and evaluation assets (Note 5)	(629,644)	(3,305,263)
Loss before tax	(1,078,946)	(3,649,201)
Income tax recovery (Note 14)	-	650,536
Loss for the year	$ (1,078,946)	$ (2,998,665)
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
Foreign currency translation adjustment	(7,167)	(1,217,920)
Comprehensive loss for the year	$ (1,086,113)	$ (4,216,585)
Basic and diluted loss per share	$ (0.02)	$ (0.04)
Weighted average number of shares outstanding - basic and diluted	67,432,826	67,432,826

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

Plata Latina Minerals Corporation

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

	Share Capital (Note 8)		Reserves				
	Number of Shares	Amount	Accumulated other comprehensive income (loss)	Options and Warrants	Total Reserves	Deficit	Total Shareholders' Equity
Balance, December 31, 2015	67,432,826	$ 11,072,622	$ 128,484	$ 1,613,654	$ 1,742,138	$ (5,733,907)	$ 7,080,853
Share-based payments	-	-	-	5,198	5,198	-	5,198
Loss for the year	-	-	-	-	-	(2,998,665)	(2,998,665)
Foreign currency translation adjustment	-	-	(1,217,920)	-	(1,217,920)	-	(1,217,920)
Balance, December 31, 2016	**67,432,826**	**$ 11,072,622**	**$ (1,089,436)**	**$ 1,618,852**	**$ 529,416**	**$ (8,732,572)**	**$ 2,869,466**
Share-based payments	-	-	-	1,664	1,664	-	1,664
Loss for the year	-	-	-	-	-	(1,078,946)	(1,078,946)
Foreign currency translation adjustment	-	-	(7,167)	-	(7,167)	-	(7,167)
Balance, December 31, 2017	**67,432,826**	**$ 11,072,622**	**$ (1,096,603)**	**$ 1,620,516**	**$ 523,913**	**$ (9,811,518)**	**$ 1,785,017**

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

Plata Latina Minerals Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
Operating activities		
Loss for the year	$ (1,078,946)	$ (2,998,665)
Items not affecting cash:		
Share-based payments	1,664	5,198
Depreciation	327	783
Interest expense (Note 7)	21,875	25,416
Unrealized foreign exchange loss	-	(50,934)
Impairment on exploration and evaluation assets	629,644	3,305,263
Income tax recovery (Note 14)	-	(650,536)
Changes in non-cash working capital items:		
Amounts receivable	207,580	507,764
Prepaid expenses	(66)	(5,551)
Accounts payable and accrued liabilities	52,157	54,238
Net change from operating activities	(165,765)	192,976
Investing activities		
Expenditures on exploration and evaluation assets	(385,659)	(315,552)
Option receipts on exploration and evaluation assets (Note 5)	523,102	241,923
Net change from investing activities	137,443	(73,629)
Effect of exchange rate changes on cash	34,161	(7,899)
Change in cash during the year	5,839	111,448
Cash, beginning of the year	166,718	55,270
Cash, end of the year	$ 172,557	$ 166,718

Supplemental cash flow information (Note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Plata Latina Minerals Corporation ("Plata" or the "Company") was incorporated on April 1, 2010 and is organized under the laws of British Columbia, Canada. Plata's registered and records office is located at 1100 – 1111 Melville Street, Vancouver, British Columbia Canada, V6E 3V6. The consolidated financial statements as at December 31, 2017, consisted of Plata and its five wholly owned subsidiaries: Plaminco S.A. de C.V. ("Plaminco"), Minera Central Vaquerias S.A. de C.V. ("MCV"), Minera Exploradora del Centro S.A. de C.V. ("MEC"), Servicio PLMC ("Servicio") and Plata Latina US Ltd. ("Plata US"), which are collectively referred to as the "Company". Plaminco, MCV, MEC and Servicio are organized under the laws of Mexico and Plata US is organized under the laws of Colorado, U.S.. On April 11, 2012, Plata began trading on the TSX Venture Exchange under the symbol "PLA".

The Company is in the business of acquiring and exploring mineral property interests and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The amounts of exploration and evaluation expenditures represent acquisition and exploration costs and do not necessarily represent current values. Recoverability of the exploration and evaluation costs is dependent upon: the discovery of economically viable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing to carry out exploration and development of its mineral properties, future profitable production or proceeds from the disposition of the mineral properties.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations and meet its obligations as they become due. Plata has incurred ongoing losses and will continue to incur further losses in the course of developing its business. To date, Plata has not generated revenue from operations as it is in the exploration stage. At December 31, 2017, Plata had a deficit of $9,811,518 and working capital deficiency of $491,095. Plata recognizes that it will require to raise further funding through equity financing, debt financing and/or loans from related parties. However, there is no assurance that Plata will be able to obtain such additional funding or on acceptable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss and the Naranjillo property (Note 5) which is recorded at fair value less costs to sell. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements are presented in Canadian dollars. The functional currency of Plata is the Canadian dollar, the functional currency of Plaminco, MCV, MEC, and Servicio is the Mexican peso, and the functional currency of Plata US is the United States dollar.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

These consolidated financial statements include the accounts of Plata and its wholly owned subsidiaries, Plaminco, MCV, MEC, Servicio and Plata US. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the five subsidiaries are included in the consolidated financial statements from the date which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Critical accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make certain judgments, estimates and assumptions that impact the Company's reported financial position. Actual outcomes could differ from these estimates. Revisions to these estimates are recognized in the period in which the estimates are revised and in future periods affected.

The significant judgments and estimates that affect these consolidated financial statements are as follows:

a) *Carrying value of exploration and evaluation assets*

The carrying values and assessment of impairment of exploration and evaluation assets are based on costs incurred and management's estimate of net recoverable value. Estimates may not necessarily reflect actual recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to achieve commercial production. The recoverable amount of the Naranjillo project is dependent on the probabilities assigned to the various option payments and discount rates used in the discounted cash flows calculation (Note 5). The Company terminated the Vaquerias option agreement during the year ended December 31, 2017, and accordingly wrote off costs of $546,834 in relation to the option agreement.

b) *Going concern*

The Company uses judgment in assessing its ability to continue as a going concern for the next 12 months. In considering the factors affecting its going concern as disclosed in Note 1, the Company concluded that there is a material uncertainty that may cast significant doubt on its ability to continue as a going concern.

c) *Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Options and warrants

The fair value of options and warrants is determined on the grant date. To compute the fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain assumptions in relation to the expected life of options and warrants, future volatility of the stock price, expected dividend yield, risk-free interest rate and future forfeiture rate of options.

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of Plata and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates (“IAS 21”).

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation of non-monetary items are recognised in profit or loss.

Foreign operations

A subsidiary that has a functional currency other than Canadian dollars translates its results of operations to Canadian dollars at the average rate during the period. Assets and liabilities are translated at exchange rates prevailing at end rates of exchange. The resulting changes are recognized in accumulated other comprehensive income (loss) within reserves in shareholders’ equity.

For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognized in profit or loss at the time of disposal.

Amounts receivable

Amounts receivable are stated at carrying value less provision for impairment, which approximates fair value due to their short terms to maturity. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due accordingly.

Equipment

Equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of 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.

Depreciation is calculated on a straight-line basis over the following term:

Computer hardware	2 Years

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation costs expensed

Until the Company acquires the permit, license or the right to explore the mineral properties, costs incurred are expensed as property investigations in the period in which they are incurred.

Exploration and evaluation assets

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized, unless the Company concludes that a future economic benefit is not likely to be realized, in which case the expenditures will be charged to profit or loss as incurred. These costs include, but are not limited to, drilling costs, payments made to contractors, materials and fuels used and surveying costs.

At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to profit or loss at the time of abandonment or when it has been determined that there is evidence of impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

Decommissioning and restoration provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit of production method.

Following the initial recognition of a decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset. At December 31, 2017 and 2016, the Company did not have any decommissioning liabilities.

Impairment of long-lived assets

At the end of each reporting period, the Company assesses each long-lived asset or cash generating unit (“CGU”) to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk of a specific asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an impairment subsequently reverses, the carrying amount of the asset or CGU 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 CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Common shares issued by the Company are recorded in share capital at the value of proceeds received, net of issue costs. The fair value of common shares issued as consideration for exploration and evaluation assets or other non-cash consideration is based on the trading price of those shares on the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to warrants on a residual value basis.

Loss per share

Loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The Company calculates the dilutive effect on loss per share by presuming the exercise of outstanding options and warrants. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the years presented. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

Financial instruments

i) Financial assets

Upon initial recognition all financial assets are initially recorded at fair value and designated into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables, or at fair value through profit or loss (“FVTPL”). The designation depends on the purpose for which the financial assets were acquired.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company has not designated any financial assets upon initial recognition as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity assets are measured at amortized cost. The Company’s cash and amounts receivable are classified as loans and receivables. The Company did not have any held-to-maturity investments in the years ended December 31, 2017 or 2016.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income and loss except for losses in value that are considered impairments which are recognized in profit or loss. The Company did not have any available-for-sale financial assets in the years ended December 31, 2017 or 2016.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. All of the Company's financial liabilities are classified as other financial liabilities. The Company does not have any financial liabilities classified as FVTPL.

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

Income taxes

i) Current income tax

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

ii) Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit or loss. Deferred tax is also not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. 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 enacted or substantively enacted at the reporting date. 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 utilised. The carrying amount of deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes of the same taxable entity and levied by the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

Other comprehensive income (loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to foreign operations.

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's comprehensive income (loss) and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

3. NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC. Some updates that are not applicable or are not consequential to the Company may have been excluded.

IFRS 9, *Financial Instruments,* replaces IAS 39 by providing a revised model for classification and measurement, a single, forward-looking "expected loss" impairment model and a reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any significant impact on its consolidated financial statements from this standard.

IFRS 16, *Leases*, addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect any significant impact on its consolidated financial statements from this standard.

4. AMOUNTS RECEIVABLE

		December 31, 2017		December 31, 2016
Mexican value added tax ("IVA") recoverable	$	24,528	$	239,772
Good and services tax receivable		4,150		1,654
Other receivable		5,168		-
	$	33,846	$	241,426

During the year ended December 31, 2017, the Company received IVA refunds of $183,923 (2016 - $545,543). The Company expects full recovery of the IVA amounts within the next twelve months.

5. EXPLORATION AND EVALUATION ASSETS

The Company holds interest in its mineral properties through its wholly owned subsidiary, Plaminco.

Naranjillo Project

The Company holds four mineral concession licenses under the Naranjillo project. The four licenses - La Sibila, La Sibila I, La Sibila II and La Sibila III – were issued by the Mexican General Directorate of Mines ("GDM") on April 20, 2011, September 23, 2011, August 26, 2011 and April 10, 2013, respectively. These licenses are valid for fifty years until 2061 to 2063.

(Expressed in Canadian Dollars, unless otherwise stated)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

On February 8, 2017, Plata entered into an option agreement (the "Naranjillo Option Agreement") with a wholly owned subsidiary of Fresnillo PLC ("Fresnillo"). The Naranjillo Option Agreement (which superseded the Letter of Intent signed on July 12, 2016) granted Fresnillo the option to explore the Naranjillo property (the "Naranjillo Property") for a total cash payment of US $1,650,000 over three years (the "Option Payment"). In addition, Fresnillo is required to spend US $3,000,000 in exploration on the Naranjillo Property over the three-year period. If Fresnillo fails to meet the obligations of the Naranjillo Option Agreement, it will forfeit all rights to the Naranjillo Property.

The schedule of the cash payments is as follows:

Due Date	Cash in US$	
July 29, 2016	$100,000	(received - CAD$120,961)
September 12, 2016	$100,000	(received - CAD$120,962)
April 5, 2017	$200,000	(received - CAD$232,490)
August 8, 2017	$250,000	(received - CAD$290,612)
February 8, 2018	$250,000	(received - CAD $314,650) subsequent to December 31, 2017
August 8, 2018	$250,000	
February 8, 2019	$250,000	
August 8, 2019	$250,000	
Total	**$1,650,000**	

At the end of the three-year period, if Fresnillo wishes to acquire 100% of the Naranjillo Property, it will pay the Company an additional US $500,000 and grant the Company a 3% net smelter return royalty ("Royalty") on the Naranjillo Property. Fresnillo will be required to pay advance royalty payments to the Company of US $100,000 annually (the "Advanced Royalty Payment"), until the earlier of (a) a maximum of US $1,000,000 in the Advance Royalty Payments having been paid, or (b) commercial production of minerals commences from the Naranjillo Property. Fresnillo has the option to reduce the Royalty to 2% by paying an additional US $1,000,000, and, thereafter, may reduce the remaining 2% Royalty to nil by paying an additional US $5,000,000. The respective additional payments of US $500,000, US $1,000,000 and US $5,000,000 are collectively referred to as the "Additional Option Payments".

Impairment assessment on the Naranjillo Property:

During the year ended December 31, 2016, the Company performed an impairment assessment of the Naranjillo Property based on the terms of the Naranjillo Option Agreement with Fresnillo. The assessment determined that carrying value of the Naranjillo Property was lower than its recoverable amount, which is the greater of the its value in use (the "VIU") and its fair value less cost to sell (the "FVLCS"). The recoverable amount was determined to be the FVLCS. In calculating the FVLCS, the Company used significant assumptions and estimates (the "Assumptions and Estimates") as follows: i) discount rate of 15%, and ii) probability-weighted cash flows from the Option Payment, the Advanced Royalty Payments, and the Additional Option Payments. As a result of the impairment assessment, the Company recognized an impairment loss of $3,305,263 in profit or loss of fiscal year 2016.

During the year ended December 31, 2017, the Company reviewed the estimated probabilities of the Advanced Royalty Payments, the Additional Option Payments and the remaining Option Payments of the Option Agreement. Based on Fresnillo's active exploration program on the Naranjillo Property in 2017, the Company concluded that Fresnillo will continue its commitments and obligations pursuant to the terms of the Naranjillo Property Agreement. As such, the Company determined that there have been no changes to the Assumptions and Estimates that were used in the impairment assessment performed in fiscal year 2016. During the year ended December 31, 2017, the Company incurred a total of $82,810 in exploration expenditures. As these costs were not expected to be recovered under the Naranjillo Option Agreement, the Company has written off the entire amount resulting in an impairment loss of $82,810 in profit or loss of fiscal year 2017.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Vaquerias Project

On June 30, 2011, the Company entered into a Purchase Option Agreement (the “Vaquerias Option Agreement”) with the vendors of the Vaquerias license. The Vaquerias Option Agreement gave the Company the right to purchase the Vaquerias license for US $530,000 until December 31, 2017, with the vendors retaining a 2% net smelter return (the “Vaquerias Option”). In addition, the Company had the option to purchase the 2% net smelter return for US $500,000 within 18 months of exercising the Vaquerias Option.

As at December 31, 2017, the Company had paid the vendors US $200,000 (CAD $213,195) on the Vaquerias license. In October 2017, the Company completed a small drilling program on the optioned Vaquerias property. The assaying results showed minimal potential on the Vaquerias vein within the small optioned license. As a result, on November 20, 2017, the Company provided the vendors a notice to terminate the Vaquerias Option Agreement effectively immediately, and the final option payment of US $330,000 was cancelled accordingly. Upon the termination of the Vaquerias Option Agreement, the Company recorded an impairment loss of $546,834 (2016 - $nil), which represents the total capitalized costs related to the optioned Vaquerias property, to profit or loss of fiscal year 2017.

Besides the optioned Vaquerias property, the Company also holds two titled adjacent concessions: Sol and Luna. The Sol and Luna licenses were issued by the GDM on December 13, 2011 and December 8, 2011, respectively and are valid until 2061. As of December 31, 2017, the carrying value of the Vaquerias Project represents total capitalized costs related to these two licenses.

Palo Alto Project

The Palo Alto project consists of three licenses: Catalina, Catalina II, and Catalina III. The Catalina, Catalina II and Catalina III licences were issued by the GDM on November 22, 2012, November 4, 2011, and November 30, 2011, respectively and are valid until 2061 to 2062.

The Palo Alto project falls within a Protected Natural Area in the state of Aguas Calientes and requires the submission of an environmental impact assessment (“EIA”) and Federal permission to drill. The Company is currently in the process of obtaining the necessary approvals to commence drilling.

(Expressed in Canadian Dollars, unless otherwise stated)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

At December 31, 2017, the cumulative expenditures on exploration and evaluation assets were as follows:

	Naranjillo	Vaquerias	Palo Alto	Total
Balance, December 31, 2015	**$ 6,867,730**	**$ 966,746**	**$ 160,165**	**$ 7,994,641**
Field work phase				
Contractor and general labour	-	-	572	572
Vehicles and related costs	-	-	330	330
Drilling phase				
Contractor and general labour	74,534	22,325	-	96,859
Camp costs, supplies and other	16,225	1,564	-	17,789
Travel and vehicle costs	4,142	1,130	-	5,272
Other				
Claims, taxes and acquisitions costs	43,571	112,127	13,834	169,532
Salaries and benefits	(24,693)	(1,900)	(1,900)	(28,493)
Legal fees	11,172	-	-	11,172
Depreciation	159	-	-	159
	125,110	135,246	12,836	273,192
Option payments [1]	(241,923)	-	-	(241,923)
Foreign exchange movements	(1,120,619)	(159,731)	(23,230)	(1,303,580)
Impairment on exploration and evaluation assets	(3,305,263)	-	-	(3,305,263)
	(4,542,695)	(24,485)	(10,394)	(4,577,574)
Balance, December 31, 2016	**$ 2,325,035**	**$ 942,261**	**$ 149,771**	**$ 3,417,067**
Field work phase				
Assaying	-	-	1,309	1,309
Contractor and general labour	-	-	2,196	2,196
Travel and vehicle costs	-	-	2,528	2,528
Geophysical	-	-	795	795
Drilling phase				
Drilling and assaying	-	28,888	-	28,888
Contractor and general labour	22,162	23,331	-	45,493
Camp costs, supplies and other	7,367	7,130	-	14,497
Travel and vehicle costs	2,080	3,195	-	5,275
Other				
Claims, taxes and acquisitions costs	-	48,531	19,180	67,711
Salaries and benefits	45,045	3,465	3,465	51,975
Legal fees	6,156	446	-	6,602
	82,810	114,986	29,473	227,269
Option payments [1]	(523,102)	-	-	(523,102)
Foreign exchange movements	(26,710)	(15,839)	(2,256)	(44,805)
Impairment on exploration and evaluation assets	(82,810)	(546,834)	-	(629,644)
	(549,812)	(447,687)	27,217	(970,282)
Balance, December 31, 2017	**$ 1,775,223**	**$ 494,574**	**$ 176,988**	**$ 2,446,785**

[1] *Option payments of $523,102 (US $450,000) (2016 - $241,923 (US $200,000)) were related to the Naranjillo Option Agreement with Fresnillo entered in February 2017.*

(Expressed in Canadian Dollars, unless otherwise stated)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Property Investigations

The Company holds title to the La Carmen license for its La Joya project. The La Carmen license was issued by the GDM on December 21, 2010 and is valid until December 20, 2060.

The La Joya project surrounds a third-party license. The Company has been negotiating with the interior license owners before advancing to drilling on the property. The Company carries out reconnaissance work on and around the licensed areas and such related costs are expensed as property investigations.

The cumulative reconnaissance costs incurred on the La Joya project and outside the licensed area for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Contractor and general labour	$ 18,657	$ 1,731
Travel and vehicle costs	10,298	76
Claims and land taxes	5,626	4,513
Assaying	4,192	111
	$ 38,773	$ 6,431

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables	$ 81,193	$ 161,292
Accrued liabilities	309,810	325,886
Income tax payable	-	10,058
	$ 391,003	$ 497,236

7. LOAN PAYABLE

In May 2015, the Company received from a director (the “Director”) of the Company a loan of $250,000 bearing interest at 10% per annum. subject to any prepayment by the Company, payable on the earlier of: i) December 31, 2015; ii) the date the Company completes a financing by way of sale of securities greater than $2,000,000 or iii) the issuance of any debt instrument by the Company, unless consented by the director. In March 2016, the term of the loan was extended to December 31, 2016 and in November 2016, the term was further extended to December 31, 2017.

In November 2017, the Director agreed to stop accruing interest charges on the loan as of November 16, 2017. The Company accrued $21,875 (2016 - $25,416) interest expense on the loan during the year ended December 31, 2017. As at December 31, 2017, interest payable on the loan was $63,958 (2016 - $42,083).

Subsequent to December 31, 2017, on March 12, 2018, the Company and the Director entered into a debt settlement agreement (the “Debt Settlement Agreement”). Both parties agreed to settle the total loan payable and accrued interest in the amount of $313,958 with 6,976,845 of the Company’s common shares at the market price. The Debt Settlement Agreement is subject to the approvals of the shareholders and regulatory (Note 15).

(Expressed in Canadian Dollars, unless otherwise stated)

8. SHARE CAPITAL AND RESERVES

a) Share capital

Authorized - unlimited number of common shares without par value

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the foreign operations, from the foreign operations' functional currency to the Company's presentation currency, as well as from the translation of inter-group loans that form the Company's net investment in its foreign subsidiaries.

b) Options and warrants reserves

Stock options

The Company has a stock option plan which provides directors, officers, employees and consultants the opportunity to acquire an ownership interest in the Company. The maximum number of options granted is 10% of the total number of common shares issued and outstanding at the grant date. Options granted have a five-year term and the exercise prices and the vesting periods are determined by the Board of Directors.

The Company's stock option activities and numbers outstanding for the years ended December 31, 2017 and 2016 were as follows:

	2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the year	1,365,000	$0.35	1,265,000	$0.37
Expired	(890,000)	($0.50)	-	-
Granted	75,000	$0.06	100,000	$0.06
Outstanding, end of the year	550,000	$0.06	1,365,000	$0.35

At December 31, 2017, the Company's outstanding and exercisable options were as follows:

Expiry date	Exercise price	Options outstanding and excisable	Weighted average remaining contractual life (year)
March 3, 2020	$0.06	225,000	2.17
May 25, 2020	$0.06	75,000	2.40
June 9, 2020	$0.06	75,000	2.44
August 1, 2021	$0.06	100,000	3.58
June 5, 2022	$0.06	75,000	4.43
		550,000	2.80

(Expressed in Canadian Dollars, unless otherwise stated)

8. SHARE CAPITAL AND RESERVES (CONTINUED)

Options granted

During the year ended December 31, 2017, the Company granted 75,000 options (2016 – 100,000) with an exercise price at $0.06 (2016 - $0.06) per share for five years from the date of grant. The fair value of the options granted in fiscal year 2017 was calculated at $1,664 (2016 – $4,292) using the Black-Scholes option pricing model with the following assumptions:

	2017	2016
Risk-free interest rate	0.940%	0.630%
Expected annual volatility	94.53%	94.81%
Expected life (in year)	5	5
Expected dividend yield	0.00%	0.00%
Forfeiture rate	0.00%	0.00%
Weighted average fair value of option	$0.022	$0.043

For the year ended December 31, 2017, the Company recognized share-based payments of $1,664 (2016 - $5,198). No amount was capitalized to exploration and evaluation assets for both fiscal years 2017 and 2016.

Option-pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input 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 incentive stock options.

c) *Warrants*

At December 31, 2017, no warrants were outstanding (2016 – nil). On August 27, 2016, 5,615,000 warrants exercisable at $0.25 per share expired. There was no warrant activity during the year ended December 31, 2017.

9. RELATED PARTY TRANSACTIONS

Compensation of Key Management

Key management includes the Company's directors and officers. Their compensation paid or accrued for the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
Salaries	$ 51,975	$ 49,378
Salaries capitalized to exploration and evaluation assets	51,975	-
Directors' fees	60,000	46,250
Professional fees	59,000	20,000
Share-based payments (Note 8(c))	1,664	3,219
Total	$ 224,614	$ 118,847

At December 31, 2017, included in accounts payable and accrued liabilities were $309,810 (2016 - $249,810) due to directors and a former officer. Amounts due to related parties are non-interest bearing and have no fixed terms of repayment.

In May 2015, a director of the Company provided a $250,000 loan to the Company bearing interest at 10% per annum. As at December 31, 2017, interest payable on the loan was $63,958 (2016 - $42,083) and interest expense on the loan for the year ended December 31, 2017 was $21,875 (2016 - $25,416) (Note 7). On March 12, 2018, the Company and the director agreed to restructure the debt into equity by converting it into the common shares of the Company. 6,976,845 common shares will be issued to settle the total indebtedness of $313,958 (Note 15).

10. COMMITMENT

The Company does not have any commitments except to certain land taxes payments in order to maintain its titles in good standing.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
Exploration and evaluation assets in accounts payable and accrued liabilities	$ 39,506	$ 197,896
Other cash flow information:		
Interest paid	$ -	$ -
Income tax paid	$ -	$ -

12. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Financial Instruments

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities, and loan payable approximate fair value due to the short-term to maturity of these financial instruments.

The financial instruments are classified into the following categories of financial assets and liabilities and shown at carrying values which approximate fair values:

The financial instruments are classified into the following categories of financial assets and liabilities and shown at carrying values which approximate fair values:

Category	Measurement	December 31, 2017	December 31, 2016
Cash	Loans and receivables	$ 172,557	$ 166,718
Amounts receivable	Loans and receivables	$ 33,846	$ 241,426
Accounts payable and accrued liabilities	Other financial liabilities	$ (391,003)	$ (497,236)
Loan payable	Other financial liabilities	$ (313,958)	$ (292,083)

Risk management

The main risks that could adversely affect the Company's financial assets, liabilities and future cash flows are foreign currency risk, liquidity risk, commodity price risk and credit risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign currency risk

The Company's operations are in Canada, United States and Mexico. The Company maintains Mexican Peso and US Dollar bank accounts in Mexico and USA. The Company is subject to gains and losses from fluctuations in the Mexican Peso and US Dollar against the Canadian Dollar. The Company does not hedge its exposure to currency fluctuations.

For the years ended December 31, 2017 and 2016, the Company was exposed to currency risk through the following assets and liabilities denominated in US dollars ("US$"):

	2017	2016
Cash	US$ 99,639	US$ 30,069
Accounts payable and accrued liabilities	(272)	(1,556)
	US$ 99,367	US$ 28,513

12. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

For the years ended December 31, 2017 and 2016, the Company was exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos ("MXN"):

		2017		2016
Cash	MXN	512,451	MXN	632,124
Accounts payable and accrued liabilities		(761,301)		-
	MXN	(248,850)	MXN	632,124

A 10% change of the Canadian dollar against the US dollar at December 31, 2017 would have increased or decreased net loss by $12,380 (2016 – $3,829) and would have increased or decreased the comprehensive loss by $1,229 (2016 – $6,789). A 10% change of the Canadian dollar against the Mexican peso at December 31, 2017 would have increased or decreased the comprehensive loss by $1,588 (2016 – $239,612). This analysis assumes that all other variables, in particular interest rates, remain consistent.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company seeks to achieve this by maintaining sufficient cash balances (refer to Note 1 on going concern).

Commodity Price risk

While no resource estimate has yet been prepared for the Company's core mineral resource properties, the market value of the Company is related to the price of silver and the outlook for this mineral. The Company currently does not have any operating mines and hence does not have any hedging or other commodity-based risks in respect of its operational activities.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on amounts receivable. Credit risk exposure on cash is limited through maintaining the Company's balances with high-credit quality financial institutions and assessing institutional exposure. IVA recoverable (Note 4) represents value added tax receivables generated on the purchase of supplies and services, which are refundable from the Mexican government. In January 2017, the Company received the majority of the IVA refunds. The Company's maximum exposure to credit risk as at December 31, 2017 was the carrying value of its cash and amounts receivable.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue the exploration of mineral properties and to maintain flexible capital which optimizes the costs of capital at an acceptable risk level.

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and cash. 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. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. No changes were made in the objectives, policies or procedures during the year ended December 31, 2017.

In order to maximize funds available for its exploration efforts, the Company does not pay out dividends. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars, unless otherwise stated)

13. SEGMENT INFORMATION

The Company operates in one reportable and operating segment, being the exploration and evaluation of mineral resource properties in Mexico. Geographic information for the years ended below was as follows:

	Canada	Mexico	Total
Non-current assets as at:			
December 31, 2017	$ 1,029,784	$ 1,417,001	$ 2,446,785
December 31, 2016	$ 1,153,924	$ 2,263,470	$ 3,417,394

14. INCOME TAXES

Income tax expense

The major components of income tax expense for the years ended December 31, 2017 and 2016 are:

	2017	2016
Current income tax:		
Current income tax charge	$ -	$ 6,329
Deferred income tax:		
Relating to Mexican Special Mining Duty	-	(165,261)
Relating to origination and reversal of temporary differences	-	(491,604)
Income tax expense	$ -	$ (650,536)

A reconciliation between tax expense and accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2017 and 2016 is as follows:

	2016	2016
Net loss before tax	$ (1,078,946)	$ (3,649,201)
Statutory tax rate	26%	26%
Income tax benefit	(280,526)	(948,792)
Reconciling items:		
Difference between statutory and foreign tax rate	(26,739)	(137,268)
Difference between statutory and future tax rates	(4,865)	-
Tax losses not recognized in the period that the benefit arose	399,183	220,422
Non-deductible expenses	(70,549)	46,617
Deferred taxes in respect of exploration expenditures	-	358,636
Deferred taxes in respect of Mexican Special Mining Duty	-	(165,261)
Other	(16,504)	(24,890)
Income tax expense	$ -	$ (650,536)

In September 2017, the British Columbia (BC) government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company’s combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

In December 2017, the United States Government proposed changes to the Federal corporate income tax rate to reduce the rate from 34% to 21% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on December 22, 2017. The relevant deferred tax balances have been remeasured to reflect the decrease in the Company’s Federal income tax rate from 34% to 21% applicable to the Company’s US subsidiary.

(Expressed in Canadian Dollars, unless otherwise stated)

14. INCOME TAXES (CONTINED)

Deferred taxes

Deferred income taxes result primarily from temporary differences in the recognition of certain revenue and expense items from financial and income tax reporting purposes. The approximate tax effect of each item that gives rise to the Company's recognised deferred income tax assets and liabilities as at December 31, 2017 and 2016 are as follows:

	2017	2016
Mexican Special Mining Duty	(170,673)	(174,150)
Deferred income tax liabilities, net	$ (170,673)	$ (174,150)

The deferred tax expense and associated deferred tax liability of $170,673 (2016 - $174,150) are non-cash items. In future if the exploration properties are anticipated to be brought into production, the currently unrecognized deferred tax assets may be used to offset the deferred tax liabilities.

The movement in the net deferred income tax position is as follows:

	2017	2016
Beginning of the year	$ (174,150)	$ (1,025,013)
Income statement charge		656,865
Foreign exchange impact in equity	3,477	193,998
End of the year	$ (170,673)	$ (174,150)

The Company's unrecognized unused tax losses and other deductible temporary differences for which no deferred tax asset is recognized consists of the following:

	2017	2016
Non-capital losses and other future tax deductions	$ 8,575,800	$ 7,660,900
Exploration and evaluation assets	1,348,481	1,072,700
Property, plant and equipment	40,400	40,100
	$ 9,964,681	$ 8,773,700

No deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is not probable. The unrecognized available to be deducted difference will be deducted from taxable income in future years.

As at December 31, 2017, the Company has Canadian loss carry forwards of $5,429,000 (2016 – $4,964,000) and Mexican loss carry forwards of $3,158,000 (2016 – $2,443,000) available to reduce future years' income tax for tax purposes. The tax losses carry forwards expire at various times between 2020 and 2037.

Mexican tax law changes

Effective January 1, 2014, the Mexican government enacted a 7.5% Special Mining Duty and 0.5% Extraordinary Mining Duty. Since that time the Company continues to recognized a non-cash deferred tax charges to be drawn down to nil as a reduction of tax expense over the life of mine as the mine and its related assets are depreciated. Fluctuations of the deferred tax liability will occur due to foreign currency translation.

15. SUBSEQUENT EVENT

On March 12, 2018, the Company entered into a debt settlement agreement with a director of the Company (Note 7). Both parties agreed to settle the total debt of $313,958 with the issuance of 6,976,845 of the Company's common shares. The debt conversion to equity transaction is subject to the approvals of shareholders and the TSX Venture Exchange.