

# **Aura Silver Resources Inc.**

(An Exploration Stage Company)

## **Unaudited Condensed Consolidated Interim Financial Statements**

For the three month periods ended March 31, 2017 and 2016

(expressed in United States dollars)

**NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying condensed consolidated interim financial statements of Aura Silver Resources Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's Audit Committee and Board of Directors has reviewed and approved these condensed consolidated interim financial statements.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements.

# Aura Silver Resources Inc.

(An Exploration Stage Company)

## Unaudited Condensed Consolidated Statements of Financial Position

---

(expressed in U.S. dollars)

	March 31, 2017 \$	December 31, 2016 \$
<b>Assets</b>		
Current assets:		
Cash	157,523	13,589
Amounts receivable	17,840	2,347
Prepaid expenses	48,409	4,381
	<hr/> 223,772	<hr/> 20,317
<b>Mineral exploration properties</b> (note 4)	-	-
<b>Deferred exploration expenditures</b> (note 4)	-	-
	<hr/> -	<hr/> -
	<hr/> 223,772	<hr/> 20,317
<b>Liabilities and shareholders' equity (deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	110,409	177,211
	<hr/>	<hr/>
<b>Shareholders' equity (deficiency)</b>		
<b>Capital stock</b> (note 6)	12,863,354	12,649,725
<b>Warrants</b> (note 6)	174,243	36,100
<b>Contributed surplus</b> (note 6)	4,528,936	4,524,131
<b>Accumulated deficit</b>	(17,345,491)	(17,260,805)
<b>Accumulated other comprehensive loss</b>	(107,679)	(106,045)
	<hr/> 113,363	<hr/> (156,894)
	<hr/> 223,772	<hr/> 20,317

Going concern (note 1)

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

Approved by the Board of Directors:

(signed) "W. William Boberg"

Director

(signed) "Robert Boaz"

Director

# Aura Silver Resources Inc.

(An Exploration Stage Company)

## Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss

---

(expressed in U.S. dollars)

	Three months ended March 31, 2017 \$	Three months ended March 31, 2016 \$
<b>Expenses</b>		
Promotion and annual meeting costs	28,237	661
Regulatory authority and transfer agent fees	2,877	3,318
Professional fees	10,454	11,741
General and administrative	43,118	39,869
Impairment of mineral exploration properties and deferred exploration expenditures (note 4)	-	27,325
	<hr/>	<hr/>
Total expenses	(84,686)	(82,914)
Other income (note 7)	-	32,485
	<hr/>	<hr/>
<b>Net loss for the period</b>	(84,686)	(50,429)
<b>Other comprehensive loss:</b>		
<b>Items that may be subsequently reclassified to operations</b>		
Currency translation differences	(1,634)	(1,959)
	<hr/>	<hr/>
<b>Total comprehensive loss for the period</b>	(86,320)	(52,388)
	<hr/>	<hr/>
Net loss per common share:		
Basic and diluted	(0.00)	(0.00)
Weighted average number of common shares outstanding:		
Basic and diluted	124,350,943	113,292,382

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

**Aura Silver Resources Inc.**

(An Exploration Stage Company)

**Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**

(expressed in U.S. dollars)

	Capital stock		Warrants		Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity (deficiency)
	#	\$	#	\$	\$	\$	\$	\$
<b>Balance, January 1, 2017</b>	113,830,844	12,649,725	11,150,000	36,100	4,524,131	(17,260,805)	(106,045)	(156,894)
Private placement of units (note 6)	14,285,714	241,830	14,285,714	138,143	-	-	-	379,973
Share issue costs	-	(23,396)	-	-	-	-	-	(23,396)
Compensation options issued to finders (note 6)	-	(4,805)	-	-	4,805	-	-	-
Net loss for the period	-	-	-	-	-	(84,686)	-	(84,686)
Currency translation differences	-	-	-	-	-	-	(1,634)	(1,634)
<b>Balance, March 31, 2017</b>	<b>128,116,558</b>	<b>12,863,354</b>	<b>25,435,714</b>	<b>174,243</b>	<b>4,528,936</b>	<b>(17,345,491)</b>	<b>(107,679)</b>	<b>113,363</b>
<b>Balance, January 1, 2016</b>	112,830,844	12,639,625	11,150,000	36,100	4,524,131	(17,172,687)	(103,390)	(76,221)
Issue of common shares for property (notes 4 and 6)	1,000,000	10,958	-	-	-	-	-	10,958
Net loss for the period	-	-	-	-	-	(50,429)	-	(50,429)
Currency translation differences	-	-	-	-	-	-	(1,959)	(1,959)
<b>Balance, March 31, 2016</b>	<b>113,830,844</b>	<b>12,650,583</b>	<b>11,150,000</b>	<b>36,100</b>	<b>4,524,131</b>	<b>(17,223,116)</b>	<b>(105,349)</b>	<b>(117,651)</b>

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

# Aura Silver Resources Inc.

(An Exploration Stage Company)

## Unaudited Condensed Consolidated Statements of Cash Flows

---

(expressed in U.S. dollars)

	Three months ended March 31, 2017 \$	Three months ended March 31, 2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	(84,686)	(50,429)
Items not affecting cash:		
Impairment of mineral exploration properties and deferred exploration expenditures (note 4)	-	27,325
Change in non-cash working capital items:		
Amounts receivable	(15,493)	(4,380)
Prepaid expenses	(44,028)	(864)
Accounts payable and accrued liabilities	(66,802)	32,378
	<u>(211,009)</u>	<u>4,030</u>
<b>Investing activities</b>		
Mineral exploration property costs (note 4)	-	(15,165)
Deferred exploration expenditures (note 4)	-	(1,479)
	<u>-</u>	<u>(16,644)</u>
<b>Financing activities</b>		
Issuance of common shares and warrants (note 6)	379,973	-
Share issue costs	(23,396)	-
	<u>356,577</u>	<u>-</u>
Effect of exchange rate changes on cash	<u>(1,634)</u>	<u>(1,959)</u>
<b>Net change in cash</b>	143,934	(14,573)
<b>Cash - Beginning of period</b>	<u>13,589</u>	<u>50,070</u>
<b>Cash - End of period</b>	<u>157,523</u>	<u>35,497</u>

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

## Aura Silver Resources Inc.

(An Exploration Stage Company)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2017 and 2016

---

(expressed in U. S. dollars)

### 1. Nature of operations and going concern

#### General information

Aura Silver Resources Inc. (referred to herein collectively with its subsidiaries as the "Company") is an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of mineral properties in North America. The Company has not determined whether the properties contain mineral resources that are economically recoverable. The recoverability of amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

Aura Silver Resources Inc. is publicly listed on the TSX Venture Exchange. The Company's registered office is located at Manotick (Ottawa), Ontario, K4M 1A3, Canada, where it is domiciled.

#### Going concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast significant doubt on the validity of this assumption and hence the appropriateness ultimately of the use of accounting principles relating to a going concern. From inception to date, the Company has incurred losses from operations and experienced negative cash flows from operating activities. As at March 31, 2017, the Company had cash totalling \$157,523 and had working capital of \$113,363. Existing funds on hand at March 31, 2017 will not be sufficient to support the Company's needs for cash to conduct exploration and to continue operations during the coming year. During June 2014, the Company entered into an option agreement with Agnico Eagle Mines Limited ("Agnico Eagle") with respect to its Greyhound property. Agnico Eagle has the right to fund exploration on the property in order to earn an interest in the project (see note 4). During January 2017, the Company closed tranches of a private placement financing of units raising gross proceeds of CDN\$500,000 (see note 6). The Company will require additional funding to be able to advance and retain mineral exploration property interests and to meet ongoing requirements for general operations. The ability of the Company to continue as a going concern is dependent on raising additional financing, retaining or attracting joint venture partners, developing its properties and/or generating profits from operations or disposition of properties in the future.

Management has been successful in obtaining sufficient funding for operating, capital and exploration requirements from the inception of the Company to date. There is, however, no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to management.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

### 2. Basis of preparation

#### Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These condensed consolidated interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the years ended December 31, 2016 and 2015, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the board of directors for issue on May 30, 2017.

#### Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis and are expressed in United States dollars, which is the Company's presentation currency.

#### Basis of consolidation

Aura Silver Resources Inc. was incorporated under the Business Corporations Act (Ontario) by Articles of Amalgamation dated July 12, 1988. On June 9, 2006 the shareholders approved a name change to Aura Silver Resources Inc. and continued the Company under the Canada Business Corporation Act. On December 16, 2005, Aura Silver Resources Inc. acquired all of the issued and outstanding shares of Au Martinique Inc. ("Au Martinique") which had been operating since October 27, 2003, in exchange for 14,534,120 common shares and 6,576,825 warrants valued, in the aggregate, at \$973,500. The share exchange was accounted for as a reverse take-over with Au Martinique deemed to be the acquirer for accounting purposes. Consequently, Au Martinique's assets and liabilities were carried forward into the consolidated statement of financial position at their historical carrying values. As Aura Silver Resources Inc. had no assets at the acquisition date, the fair value of the common shares and warrants provided for the acquisition were charged to accumulated deficit.

On May 4, 2010, Aura Resources Mexico S.A. de C.V. was incorporated as a wholly-owned Mexican subsidiary of Aura Silver Resources Inc.

These consolidated financial statements include the assets, liabilities and expenses of Aura Silver Resources Inc. and its wholly-owned subsidiaries Au Martinique (which is inactive) and Aura Resources Mexico S.A. de C.V. All inter-company balances and transactions have been eliminated upon consolidation.

## Aura Silver Resources Inc.

(An Exploration Stage Company)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2017 and 2016

---

(expressed in U. S. dollars)

### Critical accounting estimates, judgments and estimation uncertainties

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes thereto. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. The most significant items requiring the use of management estimates and valuation assumptions are related to the recoverable value of mineral exploration properties and deferred exploration expenditures; the valuation of all liability and equity instruments including flow-through share premiums, warrants, compensation options and stock options; and, the ability of the Company to continue as a going concern.

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of mineral exploration properties and deferred exploration assets requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amounts of the exploration assets are unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during subsequent periods.

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model. The Company has made estimates as to the volatility of its own common shares, the probable life of share options, warrants and compensation options granted and the time of exercise of those instruments.

The Company allocates values to share capital and to warrants according to their fair value using the proportional method when the two are issued together as a unit. The Company uses the Black-Scholes valuation model to determine the fair value of warrants issued.

These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions. Further information regarding going concern is outlined in note 1.

### 3. Summary of significant accounting policies

These condensed consolidated interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual consolidated financial statements for the years ended December 31, 2016 and 2015.



**Aura Silver Resources Inc.**

(An Exploration Stage Company)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2017 and 2016

(expressed in U. S. dollars)

**4. Mineral exploration properties and deferred exploration expenditures**

	Taviche (Mexico)	Greyhound (Canada)	Total
<b><u>Mineral exploration properties:</u></b>			
<b>Balance, December 31, 2015</b>	\$ -	\$ -	\$ -
Common shares issued for property	10,958	-	10,958
Claim fees and property costs	15,165	-	15,165
Impairment of mineral exploration properties	(26,123)	-	(26,123)
<b>Balance, December 31, 2016 and March 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>Deferred exploration expenditures:</u></b>			
<b>Balance, December 31, 2015</b>	\$ -	\$ 1,628	\$ 1,628
Geology	1,202	-	1,202
Drilling related	-	3,498	3,498
General field costs	4,103	-	4,103
Agnico Eagle option payment	-	(5,126)	(5,126)
Impairment of deferred exploration expenditures	(5,305)	\$ -	(5,305)
<b>Balance, December 31, 2016 and March 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Taviche - Mexico**

On June 8, 2009, the Company concluded a definitive option agreement with Plata Panamericana S.A. de C.V. ("Plata", a wholly-owned subsidiary of Pan American Silver Corporation ("PanAm")), Intrepid Mines Limited and Intrepid Minerals Corporation (collectively "Intrepid"). This definitive option agreement confirmed and superseded all prior agreements (which were entered into during 2006) for a potential joint venture with Intrepid and PanAm with respect to the Taviche properties in Oaxaca State, Mexico. The property concessions subject of the option agreement consisted of the East and West Taviche concessions and the Alma Delia concession. Under the terms of the option agreement the Company and Intrepid (the "Taviche JV") were able to jointly earn a 70% interest in the properties by spending a minimum of \$4.0 million over five years on exploration and making option payments totalling \$790,000 over the same period. During the remainder of the five year option period with Plata, the Company and Intrepid could equally share exploration expenses and payment requirements or either party's interest in the project would be diluted. Initially, Intrepid had the right to act as operator of the project.

On March 10, 2010, Intrepid notified the Company that it would not participate in funding the next phase of exploration for the Taviche project and, therefore, would allow its participating interest in the project to be diluted by the Company's ongoing funding of project costs. Operatorship of the project was transferred to the Company during March 2010. Intrepid has not provided further funding since this time. During early 2016, the Company's and Intrepid's ownership interests were 73.5% and 26.5%, respectively. During February 2016, the Company acquired Intrepid's diluting interest resulting in the Company holding a 100% ownership interest in the Taviche project (see below).

During April 2012, the Company, Intrepid and Plata entered into a new agreement which supersedes the option agreement and established the ownership interests of each party in the Taviche and Alma Delia concessions and related matters. Under the terms of the new agreement the Taviche JV acquired a full 100% ownership interest in both the East Taviche and Alma Delia concessions while Plata retained a 100% ownership position in the West Taviche concession. The Taviche JV was entitled to receive a cash payment of \$2.0 million, dependent on certain sale or disposition transactions undertaken by Plata in excess of a 70% interest with respect to the West Taviche property (see below). Plata refunded the final earn-in payment of \$250,000 paid in September 2011. Additionally, the Taviche JV granted Plata a 1.5% net smelter royalty ("NSR") as well as a right of first offer on the East Taviche and Alma Delia concessions based on certain terms and conditions. The agreement vested a 100% ownership position in East Taviche and Alma Delia with the Taviche JV.

During February 2013, the Taviche JV determined that it would not renew the Alma Delia concession in order to focus on the core project holdings at East Taviche and to reduce project land maintenance costs.

## Aura Silver Resources Inc.

(An Exploration Stage Company)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2017 and 2016

(expressed in U. S. dollars)

On July 24, 2013, the Company received a cash payment of \$1,309,111 from Plata. This payment was triggered by the completion of Plata's sale of the West Taviche concession to Fortuna Silver Mines Inc. and was in accordance with the April 2012 agreement between the Taviche JV and Pan Am. The payment was comprised of the Company's pro-rata share of the total payment of \$2 million paid to the Taviche JV of \$1,412,000 net of prior concession fees of \$102,889 related to East Taviche which were reimbursable to Plata.

During February 2015, the Company completed filings with Mexican authorities to request a reduction in the size of the East Taviche concession. This reduction decreased the East Taviche concession to 986 hectares from its prior 7,470 hectares and retains the core area encompassing the Higo Blanco trend which has been the focus of the Company's exploration efforts in Mexico since 2009. New title documentation for the concession was issued by Mexican authorities during January 2016.

During February 2016, the Company entered into a binding letter agreement with Intrepid for the acquisition of Intrepid's 26.5% diluting joint venture interest in the Taviche project. The acquisition consolidates to 100% the Company's ownership interest in the Taviche project and eliminates a potential 1.5% NSR to Intrepid that would have applied to future production if Intrepid's interest in the joint venture had fallen below 10%. The 1.5% NSR held by Maverix Metals Inc. (previously held by Plata) remains in place. Consideration payable for the acquisition of Intrepid's project interest comprised 1,000,000 common shares of the Company valued at \$10,958 (CDN\$15,000).

During April 2016, the Company was advised by Plata of its intention to assign its 1.5% NSR on the Taviche property to MacMillan Minerals Inc. pursuant to a purchase and sale agreement. MacMillan Minerals Inc. changed its name to Maverix Metals Inc. upon completion of a reverse takeover transaction during July 2016.

As at March 31, 2017, due to junior resource market conditions and the uncertainty associated with the Company's ability to retain its interest in and exploit any future economic benefit from the Taviche, Mexico project, the Company had recorded a full impairment charge with respect to prior mineral exploration property costs and deferred exploration expenditures associated with the Taviche project.

### Greyhound - Nunavut, Canada

During June 2006, the Company initiated its Greyhound project in the central Churchill region of Nunavut, Canada, staking 10 claims for a total of 10,451 hectares. From 2008 to 2011, the Company increased its land holdings in the Whitehills area to a total of 57 claims comprising over 55,000 hectares. During 2013 and 2014, the Company allowed a total of 37 low priority claims to lapse. Currently, the Greyhound project comprises a total of 20 claims covering approximately 19,658 hectares. The Company currently has a 100% direct ownership interest in the Greyhound project.

During June 2014, the Company entered into a definitive option agreement with Agnico Eagle Mines Limited which allows Agnico Eagle to earn an interest in 13 claims (approx. 13,586 hectares) comprising part of the Greyhound project. The option agreement was amended effective June 1, 2015 in order to change the timing and amounts of certain cash option payments. Under the terms of the amended option agreement, over the first three years of the agreement, Agnico Eagle has the exclusive right to earn an undivided 51% ownership interest by making a total of CDN\$210,000 in cash payments to the Company and incurring CDN\$1,750,000 in work expenditures (or, in respect of work expenditures, at Agnico Eagle's option, by making cash payments to the Company or a combination of work expenditures and cash payments). Details with respect to the initial option period are as follows:

<u>Due date</u>	<u>Cash payments (CDN\$)</u>	<u>Work expenditures (CDN\$)</u>
On or before May 31, 2015 (incurred)		250,000
On or before June 1, 2015 (received)	50,000	
On or before May 31, 2016 (incurred)		500,000
On or before June 1, 2016 (received)	50,000	
On or before May 31, 2017 (ongoing)		1,000,000
On or before June 1, 2017 (received on May 30, 2017)	110,000	
Cumulative totals	210,000	1,750,000

Upon completion of earning a 51% interest, Agnico Eagle will have an option to increase its ownership interest in the project to 70% over a further three year period by: (A) either (i) solely financing a Feasibility Study in respect of the project, or (ii) solely incurring CDN\$5,000,000 of additional work expenditures (or, at Agnico Eagle's option, providing cash payments to the Company in an equivalent amount or a combination of work expenditures and cash payments) on or in respect of the project, and (B) providing to the Company cash option payments of (i) CDN\$100,000 with the delivery of the notice as to its exercise of this option, and (ii) CDN\$150,000 at the first anniversary of exercise of the option.

If any party's interest in the project falls below 10% then that party will forfeit their 10% interest and in return will receive a 2% NSR. The other party may at any time purchase one-half of the NSR, namely a 1% NSR, for an amount of CDN\$2,000,000. Agnico Eagle will be the operator of the project.

Prior to the option agreement with Agnico Eagle, as at March 31, 2014, the Company had recorded a full impairment charge with respect to the mineral exploration property costs and deferred exploration expenditures associated with the Greyhound project.

During June 2016, the Company received the second anniversary cash option payment of \$38,281 (CDN\$50,000) from Agnico Eagle. This amount was applied to reduce the carrying amount of deferred exploration expenditures for the Greyhound project by \$5,126 with the balance of \$33,155 recorded in other income. Subsequent to quarter end, on May 30, 2017, the Company received the third anniversary cash option payment of CDN\$110,000 from Agnico Eagle.

## Aura Silver Resources Inc.

(An Exploration Stage Company)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2017 and 2016

(expressed in U. S. dollars)

### 5. Accounts payable and accrued liabilities

	March 31, 2017	December 31, 2016
	\$	\$
Trade accounts payable	79,667	136,490
Accrued liabilities	30,742	40,721
	<u>110,409</u>	<u>177,211</u>

### 6. Capital stock

#### Authorized

The Company is authorized to issue an unlimited number of common shares, having no par value, and an unlimited number of preference shares, having no par value, in one or more series with the rights, privileges and conditions as determined by the Board of Directors at the time of issuance.

#### Issued

During January 2017, the Company closed a private placement financing, in two tranches, issuing a total of 14,285,714 units at CDN\$0.035 per unit for gross proceeds of \$379,972 (CDN\$500,000). The Company applied for, and received, approval from the TSX Venture Exchange for a waiver from the five-cent minimum price requirement. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of CDN\$0.05 per share for a period of 36 months following the dates of issuance. In connection with this private placement, the Company paid finders fees of CDN\$11,071 and issued 316,309 compensation options. Each compensation option entitles the finder to acquire a unit (having the same features as described above) at an exercise price of \$0.05 per unit and is exercisable for 36 months from the date of issuance.

On February 17, 2016, the Company acquired Intrepid Mines Limited's 26.5% diluting joint venture interest in the Taviche, Mexico project. Consideration payable for the acquisition comprised 1,000,000 common shares of the Company valued at \$10,958 (CDN\$15,000).

#### Warrants

During January 2017, the Company issued a total of 14,285,714 warrants in connection with a private placement. These warrants are exercisable at CDN\$0.05 per share and expire in January 2020. These warrants were recorded at a value of \$138,143. This value was determined using the Black-Scholes option pricing model with the following assumptions: expected volatility 118%; expected warrant life of 3 years; risk-free interest rate of 0.42%; and an expected dividend yield of nil.

As at March 31, 2017, details with respect to outstanding warrants are as follows:

Number	Exercise price	Expiry
11,150,000	CDN \$0.05	July 9, 2018
5,977,737	CDN \$0.05	January 16, 2020
<u>8,307,977</u>	CDN \$0.05	January 31, 2020
<u>25,435,714</u>		

#### Compensation options and compensation option warrants

The Company has provided compensation options to agents who refer investors to the Company. Compensation options are exercisable into equity instruments having the same attributes as those purchased by the referred investor. As at March 31, 2017 outstanding compensation options are summarized as follows:

Number	Exercise price	Expiry
267,429	CDN \$0.05	January 16, 2020
<u>48,880</u>	CDN \$0.05	January 31, 2020
<u>316,309</u>		

As at March 31, 2017, outstanding compensation options are exercisable for units comprised of one common share and one whole common share purchase warrant. Warrants potentially issuable upon the exercise of compensation options are as follows: 267,429 warrants exercisable at CDN\$0.05 expiring January 16, 2020 and 48,880 warrants exercisable at CDN\$0.05 expiring January 31, 2020.

Outstanding compensation options were recorded at a total value of \$4,805 using the Black-Scholes option pricing model. The assumptions used for the valuation of compensation options during 2017 are as follows: dividend yield of nil; expected volatility 118%; risk-free interest rate of 0.42%; and an expected life of the options of three years.

**Aura Silver Resources Inc.**

(An Exploration Stage Company)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

**March 31, 2017 and 2016**

(expressed in U. S. dollars)

**Stock options**

On July 8, 2005, the Company's shareholders approved the creation of the Company's stock option plan (the "Plan"). Eligible participants in the Plan include directors, officers, employees and consultants to the Company. The exercise price of the options granted under the Plan is fixed by the Board of Directors but may not be less than the Discounted Market Price, as that term is defined by the TSX Venture Exchange, of the shares at the time the option is granted. Options granted under the Plan have a five year life subject to earlier expiry upon the termination of the optionee's employment or the optionee ceasing to be a director or officer of the Company. Options vest with Plan participants as follows: 10% at the date of grant and 15% quarterly over the 18 month period following the date of grant. On June 28, 2012, shareholders of the Company approved an amendment to the Plan to increase the maximum number of common shares reserved for issuance under the Plan from 5,700,000 to 9,700,000.

Activity with respect to stock options is summarized as follows:

	Number	Weighted- average exercise price CDN \$	Expiry
<b>Balance, December 31, 2015</b>	6,850,000	0.12	July 2016 to June 2019
Expired	(2,500,000)	0.23	July and August 2016
Forfeited	<u>(200,000)</u>	0.10	May 2017
<b>Balance, December 31, 2016 and March 31, 2017</b>	<u>4,150,000</u>	0.05	May 2017 to June 2019

As at March 31, 2017 outstanding stock options are as follows:

Options outstanding		Options exercisable			
Exercise price CDN \$	Number of options	Weighted- average remaining contractual life (years)	Number of options	Weighted- average remaining contractual life (years)	Expiry
0.05	3,900,000	2.2	3,900,000	2.2	June 20, 2019
0.10	<u>250,000</u>	0.2	<u>250,000</u>	0.2	May 25, 2017
	<u>4,150,000</u>	2.1	<u>4,150,000</u>	2.1	

As at December 31, 2016, a total of 4,150,000 stock options were exercisable. During 2016, a total of 2,500,000 stock options exercisable at CDN\$0.23 expired and 200,000 stock options exercisable at CDN\$0.10 were forfeited. Subsequent to quarter end, on April 24, 2017, the Company granted a total of 5,300,000 stock options exercisable at CDN\$0.07 with an expiry date of April 23, 2022.

During the three month periods ended March 31, 2017 and 2016, the Company did not record any stock based compensation expense with respect to stock options as all outstanding stock options had vested in prior periods.

**7. Other income / Mexican value added tax refunds**

During January 2016, the Company received Mexican value added tax ("VAT") refunds with respect to two claims related to claim periods in 2010. In total, VAT refunds and interest of MXN\$585,374 (\$32,485) were received. These refund claims were originally filed during 2011 and were initially rejected and were later resubmitted. Due to the uncertainty and inconsistency related to the Mexican tax authority's interpretation of tax laws related to value added tax claims and due to the significant time periods it can take to realize collection of claimed amounts, the Company records Mexican value added tax refunds only at the time of receipt.

## Aura Silver Resources Inc.

(An Exploration Stage Company)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2017 and 2016

(expressed in U. S. dollars)

### 8. Related party transactions and compensation of key management and directors

Key management includes all persons named or performing the duties of Chief Executive Officer, President, Chief Financial Officer, Vice-President and the directors of the Company. Compensation awarded to key management and directors included:

	Three months ended March 31, 2017 \$	Three months ended March 31, 2016 \$
Management service contract fees	40,038	13,736
Stock option compensation charges at fair value	-	-
	<u>40,038</u>	<u>13,736</u>

Effective December 31, 2016, the Company's Chief Executive Officer forfeited accrued compensation totalling \$106,918 (CDN\$140,000) with respect to fourteen months of compensation related to the period from July 2015 to September 2016. Management service contract fee amounts disclosed above for the three month period ended March 31, 2016 are net of the compensation amount forfeited of \$22,508 related to that period. The total amount forfeited of \$106,918 was recorded in other income in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2016.

As at March 31, 2017, a total of \$16,058 (December 31, 2015 - \$73,085) is included in accounts payable and accrued liabilities with respect to amounts due to Company officers who are related parties.

### 9. Financial instruments and risk management

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest rate or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, currency risk and interest rate risk. These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Company's annual financial statements as at December 31, 2016. There have been no changes in the Company's risk management policies or procedures since the year end.

### 10. Segmented information

The Company's operations comprise one reportable segment being the exploration and development of mineral resource properties. The Company's corporate and administrative offices are in Canada. The Company's exploration activities are focused on projects in Canada and Mexico; therefore, any mineral exploration property and deferred exploration expenditure assets would be located in those countries.

### 11. Capital structure

The Company's capital structure is comprised of shareholders' equity. The Company is not subject to externally imposed capital requirements. The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its exploration activities and general corporate costs.

The Company monitors its capital structure using future forecasts of cash flows, particularly those related to its exploration programs.

The Company manages its capital structure and makes adjustments to it to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust its exploration programs, operating expenditure plans, or issue new common shares and warrants. The Company's capital management objectives have remained unchanged over the periods presented in these consolidated financial statements.

### 12. Subsequent event

#### **Stock option grant**

On April 24, 2017, the Company granted a total of 5,300,000 stock options to officers, directors and consultants of the Company. These stock options are exercisable at CDN\$0.07 per stock option and expire on April 23, 2022. These stock options vest over an 18-month period following the grant date and are governed by the terms and conditions of the company's stock option plan.

#### **Receipt of CDN\$110,000 Agnico Eagle option payment**

On May 30, 2017, the Company received the third anniversary cash option payment of CDN\$110,000 from Agnico Eagle with respect to the option agreement for the Greyhound project, Nunavut.