Aura Silver Resources Inc.

(An Exploration Stage Company)

Unaudited Condensed Consolidated Interim Financial Statements

For the three month periods ended March 31, 2018 and 2017

(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, 2018 $	December 31, 2017 $
Assets		
Current assets:		
Cash	69,927	89,541
Amounts receivable	2,632	1,578
Prepaid expenses	5,410	8,560
	77,969	99,679
Mineral exploration properties (note 4)	-	-
Deferred exploration expenditures (note 4)	-	-
	-	-
	77,969	99,679
Liabilities and shareholders' equity (deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	139,717	105,781
Shareholders' equity (deficiency)		
Capital stock (note 6)	12,863,354	12,863,354
Warrants (note 6)	174,243	174,243
Contributed surplus (note 6)	4,703,244	4,682,506
Accumulated deficit	(17,701,415)	(17,627,037)
Accumulated other comprehensive loss	(101,174)	(99,168)
	(61,748)	(6,102)
	77,969	99,679

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"	*(signed) "Robert Boaz"*
Director	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, 2018 $	Three months ended March 31, 2017 $
Expenses		
Promotion and annual meeting costs	10,035	28,237
Regulatory authority and transfer agent fees	3,092	2,877
Professional fees	8,906	10,454
General and administrative	31,607	43,118
Stock based compensation (note 6)	20,738	-
Total expenses	(74,378)	(84,686)
Other income	-	-
Net loss for the period	(74,378)	(84,686)
Other comprehensive loss:		
Items that may be subsequently reclassified to operations		
Currency translation differences	(2,006)	(1,634)
Total comprehensive loss for the period	(76,384)	(86,320)
Net loss per common share:		
Basic and diluted	(0.00)	(0.00)
Weighted average number of common shares outstanding:		
Basic and diluted	128,116,558	124,350,943

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)
	#	$	#	$	$	$	$	$
Balance, December 31, 2017	128,116,558	12,863,354	25,435,714	174,243	4,682,506	(17,627,037)	(99,168)	(6,102)
Stock based compensation (note 6)	-	-	-	-	20,738	-	-	20,738
Net loss for the period	-	-	-	-	-	(74,378)	-	(74,378)
Currency translation differences	-	-	-	-	-	-	(2,006)	(2,006)
Balance, March 31, 2018	128,116,558	12,863,354	25,435,714	174,243	4,703,244	(17,701,415)	(101,174)	(61,748)
Balance, December 31, 2016	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)
Balance, March 31, 2017	128,116,558	12,863,354	25,435,714	174,243	4,528,936	(17,345,491)	(107,679)	113,363

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, 2018 $	Three months ended March 31, 2017 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(74,378)	(84,686)
Items not affecting cash:		
Stock based compensation (note 6)	20,738	-
Change in non-cash working capital items:		
Amounts receivable	(1,054)	(15,493)
Prepaid expenses	3,150	(44,028)
Accounts payable and accrued liabilities	33,936	(66,802)
	(17,608)	(211,009)
Investing activities		
Mineral exploration property costs (note 4)	-	-
Deferred exploration expenditures (note 4)	-	-
	-	-
Financing activities		
Issuance of common shares and warrants (note 6)	-	379,973
Share issue costs	-	(23,396)
	-	356,577
Effect of exchange rate changes on cash	(2,006)	(1,634)
Net change in cash	(19,614)	143,934
Cash - Beginning of period	89,541	13,589
Cash - End of period	69,927	157,523

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

(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, 2018, the Company had cash totalling $69,927 and had a working capital deficiency of $61,748. Existing funds on hand at March 31, 2018 will not be sufficient to support the Company's needs for cash to conduct or co-fund exploration on either of its projects, to maintain its Taviche, Mexico property concession in good standing 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 solely funded exploration on the property since inception of the option agreement up until June 1, 2017 (see note 4). During April 2018, the Company announced the initiation of a private placement financing to raise up to $600,000 (see note 11). 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 statement of financial position 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, 2017 and 2016, 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 29, 2018.

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

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 acquiror 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.

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.

New and revised accounting standards

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9) which replaces International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

IFRS 9 was effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. The Company adopted the new standard effective January 1, 2018. The adoption of IFRS 9 had no impact on the Company's results of operations, financial position, and disclosures.

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, 2017 and 2016.

(expressed in U. S. dollars)

4. Mineral exploration properties and deferred exploration expenditures

	Taviche (Mexico)	Greyhound (Canada)	Total
Mineral exploration properties:			
Balance, March 31, 2018 and December 31, 2017	$ -	$ -	$ -
Deferred exploration expenditures:			
Balance, December 31, 2016	-	-	-
General field costs	3,039	-	3,039
Impairment of deferred exploration expenditures	(3,039)	-	(3,039)
Balance, March 31, 2018 and December 31, 2017	$ -	$ -	$ -

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.

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 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. The reduced concession was renamed Higo Blanco and 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, 2018 and December 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 an impairment charge totalling $Nil (2017 - $3,039) with respect to the mineral exploration property costs and deferred exploration expenditures associated with the project.

On March 26, 2018, the Company received a lapsing notice with respect to the Higo Blanco concession. This notice provided the Company with a sixty-day period to May 25, 2018 to pay concession fees in arrears of approximately $69,631 (MXN$1,272,959) in order to avoid cancellation of the concession. On May 23, 2018, the Company made a submission to the Mexican mining ministry and provided a payment of $25,000 (MXN$477,502). The Company anticipates

(expressed in U. S. dollars)

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. Of these claims, 13 are subject to an option agreement with Agnico Eagle Mines Limited (see below) and the Company has a 100% direct ownership interest in the remaing 7 claims.

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 had the exclusive right to earn an undivided 51% ownership interest by meeting annual commitments that totalled CDN$210,000 in cash payments to the Company and incurring CDN$1,750,000 in exploration work expenditures on the project.

Agnico Eagle completed all requirements to earn a 51% interest effective June 1, 2017. Agnico Eagle had an option to increase its ownership interest in the project to 70% over a further three year period which was exercisable for a 180 day period following June 1, 2017. This second option was not exercised and lapsed during November 2017. From June 1, 2017 forward, the 13 claims became subject of a joint operating agreement between the Company and Agnico Eagle. Future work programs are to be established by a management committee comprised of one representative from each of the Company and Agnico Eagle. If either party to the joint operating agreement fails to fund its pro-rata share of approved exploration programs its interest in the project will be diluted on a pro-rata basis.

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.

On May 30, 2017, the Company received the third anniversary cash option payment of $81,761 (CDN$110,000) from Agnico Eagle. This amount was included in other income.

As at March 31, 2018, the Company's interest in the Greyhound project was 49%. On April 7, 2018, the Company received notice of the operating costs incurred by the operator for the period from June 1, 2017 to March 31, 2018 which total $290,810. Under the joint operating agreement, the Company can elect to fund its pro-rata share of these joint operating expenditures (amounting to $142,497) within a 30 day period following receipt of the operator's invoice for these expenditures. If the Company elects not to fund, or is unable to fund these expenditures, its interest in the Greyhound project would be diluted to approximately

5. Accounts payable and accrued liabilities

	March 31, 2018 $	December 31, 2017 $
Trade accounts payable	61,441	54,617
Accrued liabilities	78,276	51,164
	139,717	105,781

(expressed in U. S. dollars)

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 $379,973 (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.

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

As at March 31, 2018, 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
8,307,977	CDN $0.05	January 31, 2020
25,435,714		

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, 2018 outstanding compensation options are summarized as follows:

Number	Exercise price	Expiry
267,429	CDN $0.05	January 16, 2020
48,880	CDN $0.05	January 31, 2020
316,309		

As at March 31, 2018, 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.

(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
Balance, December 31, 2016	4,150,000	0.05	May 2017 to June 2019
Granted	5,300,000	0.07	April 2022
Expired	(250,000)	0.10	May 2017
Forfeited	(400,000)	0.05	June 2019
Balance, March 31, 2018 and December 31, 2017	8,800,000	0.06	June 2019 to April 2022

As at March 31, 2018 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	3,500,000	1.2	3,500,000	1.2	June 20, 2019
0.07	5,300,000	4.1	2,915,000	4.1	April 23, 2022
	8,800,000	2.9	6,415,000	2.5	

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 2017, a total of 650,000 stock options expired or were forfeited. As at December 31, 2017, a total of 5,620,000 stock options were exercisable.

During the three month period ended March 31, 2018, the Company recorded a total of $20,738 (Q1 2017 - $Nil) related to stock based compensation with respect to stock options. A balance of $38,673 remains to be expensed during 2018. Stock based compensation amounts are included in shareholders' equity as contributed surplus. The values determined using the Black-Scholes option pricing model, with respect to stock options granted during 2017, utilized the following assumptions:

	2017
Expected volatility	118%
Expected option life (in years)	5.0
Risk-free interest rate	0.50%
Expected dividend yield	0%
Weighted-average exercise price	CDN$0.07
Weighted-average market price at grant date	CDN$0.07
Weighted-average fair value	CDN$0.057

The Company determines expected volatility in relation to both historical Company volatility and by analysis of comparable companies in the mineral exploration sector.

(expressed in U. S. dollars)

7. 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, 2018 $	**Three months ended March 31, 2017 $**
Management service contract fees	28,963	40,038
Stock based compensation	22,905	-
	51,868	40,038

As at March 31, 2018, a total of $58,437 (December 31, 2017 - $32,370) is included in accounts payable and accrued liabilities with respect to amounts due to Company officers who are related parties.

8. 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, 2017. There have been no changes in the Company's risk management policies or procedures since the year end.

9. 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.

10. 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.

11. Subsequent events

Taviche Project / Higo Blanco concession
On March 26, 2018, the Company received a lapsing notice with respect to the Higo Blanco concession. This notice provided the Company with a sixty-day period to May 25, 2018 to pay concession fees in arrears of approximately $69,631 (MXN$1,272,959) in order to avoid cancellation of the concession. On May 23, 2018, the Company made a submission to the Mexican mining ministry and provided a payment of $25,000 (MXN$477,502). The Company anticipates concluding payment of the balance outstanding during June 2018.

Private placement financing
On April 18, 2018, the Company announced the initiation of a private placement financing of units for a minimum of CDN$150,000 (5,000,000 units) and a maximum of CDN$600,000 (20,000,000 units). The units in this financing are priced at CDN$0.03 per unit. Each unit is comprised 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 date of issuance. The Company applied for, and received, approval from the TSX Venture Exchange for a waiver from the five-cent minimum price requirement. In connection with this private placement, the Company may pay finders fees in accordance with TSX Venture Exchange policies.