Discovery Metals

(formerly Ayubowan Capital Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the four-month period ended December 31, 2017
and
for the year ended August 31, 2017
(expressed in Canadian dollars)

April 24, 2018

Independent Auditor's Report

To the Shareholders of
Discovery Metals Corp.

We have audited the accompanying consolidated financial statements of Discovery Metals Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and August 31, 2017 and the consolidated statements of loss and total comprehensive loss, cash flows and changes in equity for the four-month period ended December 31, 2017 and for the year ended August 31, 2017, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Discovery Metals Corp. and its subsidiaries as at December 31, 2017 and August 31, 2017 and their financial performance and their cash flows for the four-month period ended December 31, 2017 and the year ended August 31, 2017 in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes		**As at December 31, 2017**		As at August 31, 2017
ASSETS					
Current					
Cash and cash equivalents	**6**	**$**	**12,234,811**	$	14,643,353
Sales tax receivable			**212,894**		26,655
Prepaids and deposits	**7**		**37,787**		77,728
			12,485,492		14,747,736
Non-current					
Property and Equipment	**8**		**156,517**		-
Mineral properties	**9**		**1,055,393**		1,164,406
TOTAL ASSETS		**$**	**13,697,402**	$	15,912,142
LIABILITIES					
Current					
Accounts payable and accrued liabilities	**10**	**$**	**442,391**	$	802,667
TOTAL LIABILITIES			**442,391**		802,667
SHAREHOLDERS' EQUITY					
Share capital	**11(b)**		**23,539,388**		23,539,388
Contributed surplus			**3,650,374**		3,257,380
Warrants	**11(e)**		**8,010,367**		8,010,367
Accumulated other comprehensive loss			**(346,429)**		-
Accumulated deficit			**(21,598,689)**		(19,697,660)
TOTAL EQUITY			**13,255,011**		15,109,475
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**13,697,402**	$	15,912,142

Commitments and contractual obligations (Note 20)

Approved on Behalf of the Board on April 24, 2018:

"Jeff Parr"	"Murray John"
Jeff Parr – Director	Murray John – Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS AND TOTAL COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	Notes		Four Months Ended December 31, 2017		Year Ended August 31, 2017
Expenses (income)					
General office and other expenses	**13**	**$**	**748,075**	$	190,948
Interest income			**(36,100)**		(1,980)
Professional fees	**14**		**268,048**		456,636
Exploration and project evaluation expenses	**12**		**758,628**		949,265
Share-based compensation	**11(d)**		**392,994**		1,984,871
Foreign exchange (gain) loss			**(230,616)**		8,871
Net loss		**$**	**1,901,029**	$	3,588,611
Other comprehensive loss			**346,429**		-
Net loss and total comprehensive loss		**$**	**(2,247,458)**	$	(3,588,611)
Weighted average shares outstanding					
Basic and diluted	**11(b)**		**65,043,998**		35,367,831
Loss per share					
Basic and diluted			**(0.03)**		(0.10)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Notes		Four Months Ended December 31, 2017		Year Ended August 31, 2017
Operating Activities					
Net loss		**$**	**(1,901,029)**	$	(3,588,611)
Items not affecting cash:					
Depreciation			**6,511**		-
Share-based compensation	**11(d)**		**392,994**		1,984,871
Unrealized foreign exchange gain			**(64,607)**		-
Changes in non-cash operating working capital:					
Sales tax receivable			**(186,240)**		(104,383)
Prepaids and deposits	**7**		**39,941**		-
Accounts payable and accrued liabilities	**10**		**(360,275)**		644,937
Net cash used in operating activities		**$**	**(2,072,705)**	$	(1,063,186)
Investing Activities					
Acquisition of property and equipment	**8**		**(163,028)**		-
Acquisition of mineral properties	**9**		**(144,751)**		(667,359)
Cash used in investing activities		**$**	**(307,779)**	$	(667,359)
Financing Activities					
Issuance of shares, net of costs	**11(b)**		**-**		7,303,598
Issuance of warrants	**11(e)**		**-**		8,010,367
Cash Provided by financing activities		**$**	**-**	$	15,313,965
Effect of exchange rates on cash and cash equivalents			**(28,058)**		-
(Decrease) increase in cash			**(2,408,542)**		13,583,420
Cash and cash equivalents, beginning of period	**6**		**14,643,353**		1,059,933
Cash and cash equivalents, end of period	**6**	**$**	**12,234,811**	$	14,643,353
Supplemental Cash Flow Inflow Information:					
Income tax expense paid		**$**	**-**	$	-
Interest paid		**$**	**-**	$	-

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars, except share information)

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At August 31, 2016		32,669,998	$ 15,881,039	$ -	$ 1,272,509	$ -	$ (16,109,049)	$ 1,044,499
Shares issued under non-brokered private placement	11(c)	31,237,000	15,618,500	-	-	-	-	15,618,500
Shares issued as finders' fees under private placement	11(c)	427,500	213,750	-	-	-	-	213,750
Finders' fees for private placement	11(c)	-	(518,284)	-	-	-	-	(518,284)
Shares issued on acquisition of mineral properties	11(c)	709,500	354,750	-	-	-	-	354,750
Warrants issued under non-brokered private placement	11(e)	-	(8,010,367)	8,010,367	-	-	-	-
Share-based compensation	11(d)	-	-	-	1,984,871	-	-	1,984,871
Net loss and total comprehensive loss		-	-	-	-	-	(3,588,611)	(3,588,611)
At August 31, 2017		65,043,998	$ 23,539,388	$ 8,010,367	$ 3,257,380	$ -	$ (19,697,660)	$ 15,109,475
Share-based compensation	**11(d)**	**-**	**-**	**-**	**392,994**	**-**	**-**	**392,994**
Net loss and total comprehensive loss		**-**	**-**	**-**	**-**	**(346,429)**	**(1,901,029)**	**(2,247,458)**
At December 31, 2017		**65,043,998**	**$ 23,539,388**	**$ 8,010,367**	**$ 3,650,374**	**$ (346,429)**	**$ (21,598,689)**	**$ 13,255,011**

See accompanying notes to the consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Discovery Metals Corp. ("Discovery Metals" or the "Company") is a mineral exploration company whose main objective is to identify and successfully define and develop mineral deposits, primarily in Mexico.

The Company was incorporated on October 10, 1986 under the laws of British Columbia as Ayubowan Capital Ltd. On June 13, 2017, the Company's name was changed to Discovery Metals Corp. The Company is listed on the TSX Venture Exchange (the "Exchange" or "TSXV") under the symbol "DSV". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

Discovery Metals' former business was through its wholly owned operating company, Abode Mortgage Corporation ("AMC"), an underwriting entity focused primarily on the origination and servicing of mortgages from various distribution channels. AMC permanently closed its mortgage operation on March 4, 2010. There were no operations from that date and until the completion of the change of business transaction (the "Transaction") on August 17, 2017. Refer to note 11(c).

On March 21, 2017 the Company incorporated a 100% wholly owned subsidiary in Mexico, Discovery Metals, S.A. de C.V. ("Discovery Mexico").

On May 1, 2017, the Company announced it had entered into a mineral exploration and option agreement on the Puerto Rico Property in Coahuila, Mexico. The Puerto Rico Property is the Company's qualifying property under the TSXV's policies. Over the next several months the Company signed option agreements on six other properties in Coahuila, Mexico.

On July 17 and July 19, 2017, the Company completed the first and second tranches respectively, of a non-brokered private placement (the "Offering"). Aggregate gross proceeds from both tranches of the Offering were $15,618,500. The proceeds of the Offering were held in escrow, pending the Company receiving all applicable regulatory approvals and completing the Transaction (note 11(c)). Subsequently, on August 17, 2017, the Company completed the Transaction and began trading on the Exchange as a junior exploration company.

2. BASIS OF PREPARATION

During the four months ended December 31, 2017, the Company changed its fiscal year-end to December 31 from August 31. The Company's transition period is the four months ended December 31, 2017. The comparative period is the twelve months ended August 31, 2017. The new financial year will align the Company with its peer group in the mineral resources sector and facilitate marketplace assessment of the Company's business performance. Certain of the comparative figures have been reclassified to conform with the current period presentation.

These audited consolidated financial statements for the four months ended December 31, 2017 and August 31, 2017 ("consolidated financial statements"), have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). IFRS includes IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs").

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2017, the Company had working capital of $12,043,100 (August 31, 2017 – $13,945,069), shareholders' equity of $13,255,011 (August 31, 2017 – $15,109,475) and an accumulated deficit of $21,598,689 (August 31, 2017 – $19,697,660).

The Company has not yet determined whether the properties on which it has options contain mineral reserves that are economically recoverable. The continued operations of the Company are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

The Company's Board of Directors authorized the issuance of the consolidated financial statements on April 24, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in the preparation of its consolidated financial statements are set out below.

a) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value through profit or loss ("FVTPL"), as explained in the accounting policies described herein. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Certain of the comparative figures for August 31, 2017 have been reclassified to conform with current year's presentation.

b) Basis of Consolidation

The consolidated financial statements are presented in Canadian dollars ("CAD") unless otherwise noted. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

Subsidiaries are entities over which the Company has the power to, directly or indirectly, govern the financial and operating policies of the entity to obtain benefits from its activities. In assessing whether control exists, potential voting rights that are presently exercisable or convertible, are taken into consideration. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

The Company's principal subsidiary and its geographic locations at December 31, 2017 were as follows:

Direct Parent Company	Location	Ownership Percentage	Properties under Option Agreements
Discovery México S.A. de C.V.	Mexico	100%	Puerto Rico, La Kika, Minerva, Monclova, Jemi Rare, Renata, Santa Rosa

All intercompany assets, liabilities, equity, income, expenses and cash flows arising from intercompany transactions have been eliminated on consolidation.

c) Currency of Presentation

The consolidated financial statements are presented in Canadian dollars ("CAD") which is the functional and presentation currency of Discovery Metals. The functional currency for the entities through which the Company conducts its operations is determined depending upon the primary economic environment in which they operate. The functional currency of the Canadian subsidiary is CAD and the functional currency of the Mexican subsidiary is Mexican pesos ("MXP").

d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are not re-translated. Total foreign exchange gains and losses are recognized in the income statement and the unrealized portion is reported separately in the consolidated statement of cash flows. The foreign exchange differences arising from the translation of the subsidiary with functional currency different than the consolidated functional currency are recognized as currency translation adjustments in other comprehensive income (loss) in the consolidated statement of loss and total comprehensive income (loss).

e) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash and highly liquid investments with original maturities of twelve months or less. The Company invests excess cash in high yield savings accounts maintained in high credit-rated institutions. Restricted cash comprises cash balances which are restricted from being immediately exchanged or used to settle a transaction and can be classified as either a current or non-current asset depending on the terms of the restriction(s).

f) Mineral properties and equipment

On initial acquisition, mineral properties and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition. The Company capitalizes cash and share-based payments made to acquire mineral properties (note 9). Land is stated at cost less any impairment in value and is not depreciated. Exploration and development costs are capitalized if a pre-feasibility study demonstrates that future economic benefits are probable. Upon disposal or abandonment, the carrying amount of mineral properties are derecognized and any associated gains or losses are recognized in profit and loss.

Depreciation

Depreciation is recognized in earnings or loss on a straight-line basis over the estimated useful lives of each part of an item (component), since this most closely reflects the expected pattern of consumption of economic benefits embodied in the asset. The estimated useful lives for assets and components that are depreciated on a straight-line basis range from three to five years.

Depreciated assets	**Useful Life**
Computer equipment and software	3 years
Vehicles	4 years
Office equipment and furniture	5 years

Impairment

At the end of each reporting period, the Company reviews whether there is any indication that the 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 asset's fair value less costs to sell and its 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 its value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the 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 earnings or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

Where an impairment loss 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 periods. A reversal of an impairment loss is recognized immediately in earnings or loss.

Where an item of mineral properties and equipment is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is disclosed as earnings or loss on disposal in the consolidated financial statements of operations and total comprehensive income (loss). Any items of mineral properties and equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

g) Exploration and evaluation assets

The Company expenses all exploration and evaluation expenditures. Such costs are capitalized once technical feasibility and commercial viability are reached, demonstrating future economic benefits are probable and will flow to the Company.

h) Leases

In addition to contracts which take the legal form of a lease, other significant contracts are assessed to determine whether, in substance, they are or contain a lease, if the contractual arrangement contains the use of a specific asset and the right to use that asset. Where the Company receives substantially all of the risks and rewards of ownership of the asset, these assets are capitalized at the lower of the fair value of the leased asset or the estimated present value of the minimum lease payments. The corresponding lease obligation is included within lease obligations and accretion expense is recognized over the term of the lease.

Operating leases are not capitalized, and payments are included in the consolidated statements of operations and total comprehensive income (loss) on a straight-line basis over the term of the lease.

i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present liability for statutory, contractual, or legal obligations that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

j) Financial instruments

Financial assets and liabilities are recognized when the Company or its subsidiaries become party to the contracts that give rise to them and are classified as loans and receivables, financial instruments at FVTPL, held-to-maturity, available for sale financial assets and other liabilities, as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at FVTPL and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Company ceases to recognize financial assets when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset.

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, current debt is measured at amortized cost using the effective interest method and the currency swap was measured at FVTPL.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred.

Available for sale financial assets

AFS financial assets are those non-derivative financial assets that are designated as such or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. AFS financial assets are measured at fair value upon initial recognition and at each period end, with unrealized gains or losses being recognized as a separate component of equity in other comprehensive income (loss) until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in earnings. The Company classifies its investments in certain public companies as AFS.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of operations and comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized to profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprise derivatives, or liabilities acquired or incurred principally for selling or repurchasing it in the near term. They are carried on the statements of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

Other financial liabilities, including loans and borrowings, are recognized initially at fair value, net of transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in earnings when the liabilities are derecognized as well as through the amortization process. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, and are derecognized when, and only when, the Company's obligations are discharged or they expire.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in the statement of operations and comprehensive income.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Impairment of financial assets

Financial assets, other than those recorded at FVTPL, are assessed for indicators of impairment at each period end. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been adversely impacted. If an available for sale asset is impaired, the change in fair value is transferred to earnings in the period, including cumulative gains or losses previously recognized in other comprehensive income (loss). Reversals of impairment in respect of equity instruments classified as available for sale are not recognized in earnings but included in other comprehensive income (loss).

k) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

l) Share-based payments

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The Company annually revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to reserve.

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

m) Income taxes

Income tax on the earnings or loss for the years presented comprises current and deferred tax. Income tax is recognized in earnings or loss in the statements of operation except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Total comprehensive income (loss)

Total comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). The Company has other comprehensive income (loss) components as a result of currency translation adjustments from the functional currency of MXP in Discovery Mexico to the presentation currency of CAD in the consolidated financial statements.

o) Earnings (loss) per share

Basic earnings or loss per share (“EPS”) represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted EPS represents the profit for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted losses per share is anti-dilutive and accordingly, the diluted loss per share would be the same as the basic loss per share.

4. CHANGES IN ACCOUNTING POLICIES

a) Application of new or amended standards effective January 1, 2017

The Company has adopted the following new IFRS standards, amendments to standards and interpretations for the year ended December 31, 2017. The Company determined there to be no material impact on the consolidated financial statements.

i. *IAS 12 – Income Taxes* (“IAS 12”)

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of a reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset.

ii. *IAS 7 – Statement of Cash Flows* (“IAS 7”)

This amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from both cash and non-cash changes.

b) Future accounting standards and interpretations effective January 1, 2018 and thereafter

Certain new IFRS standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements.

The Company is currently evaluating the impact the following standards are expected to have on its consolidated financial statements.

i. *IFRS 9 – Financial Instruments* (“IFRS 9”)

In July 2014, the IASB issued final amendments to IFRS 9, replacing earlier versions of IFRS 9 already adopted by the Company. These amendments to IFRS 9 introduce a single, forward-looking ‘expected credit loss’ impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value in other comprehensive income “FVOCI” category for financial assets that are debt instruments. Other previously issued amendments to IFRS 9 that have not yet been adopted by the Company include a substantially reformed approach to hedge accounting and requirements to recognize gains or losses that relate to the effect of a company’s own credit risk in measuring liabilities elected to be measured at fair value outside of net earnings or loss. The amendments to IFRS

9 that are not yet adopted by the Company are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Company has assessed the impact of the amendments to IFRS 9 on its annual consolidated financial statements and does not expect a material impact upon adoption on January 1, 2018.

ii. *IFRS 16 – Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16, replacing *IAS 17 - Leases*. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently assessing the impact of the adoption of IFRS 16 but does not anticipate there to be a material impact on its consolidated financial statements.

iii. *IFRIC 22 – Foreign Currency Transactions and Advanced Consideration* ("IFRIC 22")

On December 8, 2016, the IASB issued IFRIC 22 which clarifies which date should be used for translation when a foreign currency transaction involves an advanced payment or receipt. The amendments to IFRIC 22 that are not yet adopted by the Company are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Company is currently assessing the impact of IFRIC 22 but does not anticipate there to be a material impact on its consolidated financial statements upon adoption on January 1, 2018.

5. CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

a) *Critical accounting judgments*

The significant areas of judgment considered by management in preparing the consolidated financial statements include, but are not limited to:

i. *Functional currency*

The functional currency for each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that for each of the Canadian entities, the functional currency is CAD and for the Mexican subsidiary the functional currency is MXP. Foreign exchange differences arising from the translation from functional to presentation currency are recognized each period in other comprehensive income and may or may not be subsequently reclassified to profit or loss depending on future events.

ii. *Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs*

The Company makes determinations whether development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgical information, economic assessments and existing permits for land access and drilling. The estimates contained within these criteria could change over tie which could affect the economic recoverability of capitalized costs.

b) ***Critical accounting estimates***

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

i. *Determination of useful lives*

Equipment is depreciated using the straight-line method based on the specific asset's useful life. Should the actual useful life vary from the initial estimation, future depreciation charges may change. Should the componentization of these like assets change, depreciation charges may vary materially.

ii. *Impairment charges*

The Company assesses its CGUs at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. 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. The estimates are subject to risk and uncertainty and therefor there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the individual assets or CGUs.

iii. *Income taxes*

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of changes. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for saleable metals, production costs, interest rates and foreign currency exchange rates.

(Expressed in Canadian dollars, except where otherwise noted)

iv. *Share-based payments*

The fair value of the estimated number of stock options that will eventually vest is recognized as share-based compensation expense over the vesting period of the stock options with the corresponding increase in equity.

Determining the fair value of options and warrants requires the exercise of judgment related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Option and warrant pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options or warrants at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

6. CASH AND CASH EQUIVALENTS

		December 31, 2017		August 31, 2017
Cash	**$**	**12,144,811**	$	14,583,353
Cash equivalents [1]		**90,000**		60,000
	$	**12,234,811**	$	14,643,353

[1] Marketable securities with short-term maturities and no restrictions on redemption.

7. PREPAIDS AND DEPOSITS

		December 31, 2017		August 31, 2017
Prepaid insurance	**$**	**22,878**	$	20,129
Office deposit		**7,553**		-
Other deposit		**7,356**		57,599
	$	**37,787**	$	77,728

(Expressed in Canadian dollars, except where otherwise noted)

8. PROPERTY AND EQUIPMENT

	Vehicles	Furniture	Computer	Total
Cost				
Balance at September 1, 2017	$ -	$ -	$ -	$ -
Additions	**91,807**	**19,500**	**51,721**	**163,028**
Balance at December 31, 2017	**$ 91,807**	**$ 19,500**	**$ 51,721**	**$ 163,028**
Accumulated depreciation				
Balance at September 1, 2017	$ -	$ -	$ -	$ -
Additions	**(2,062)**	**(556)**	**(3,893)**	**(6,511)**
Balance at December 31, 2017	**$ (2,062)**	**$ (556)**	**$ (3,893)**	**$ (6,511)**
Carrying amount at August 31, 2017	$ -	$ -	$ -	$ -
Carrying amount at December 31, 2017	**$ 89,745**	**$ 18,944**	**$ 47,828**	**$ 156,517**

9. MINERAL PROPERTIES

	Amount
Balance at September 1, 2016	$ -
Puerto Rico Property	842,863
Renata Property	153,313
Minerva Property	102,401
La Kika Property	65,829
Balance at August 31, 2017	$ 1,164,406
Currency translation adjustment	(109,013)
Balance at December 31, 2017	**$ 1,055,393**

(1) Option Agreements for Jemi Rare, Santa Rosa and Monclova Properties did not require cash or share payments. Refer to note 9c.

a) Puerto Rico Option Agreement

On April 7, 2017, the Company, through its wholly owned subsidiary, Discovery Mexico, entered into a mineral exploration and option agreement ("Option Agreement") with the vendors (the "Vendors"). The Option Agreement allows Discovery Mexico to acquire certain mineral concessions located in Coahuila, Mexico, forming part of the Puerto Rico exploration project ("Puerto Rico Property").

Pursuant to the Option Agreement, Discovery Mexico may exercise the option and acquire the mineral concessions from the Vendors, on the following terms:

i. a cash payment of USD$300,000 (payment made on closing of the Transaction);
ii. issuance of 500,000 common shares at $0.50 for an amount of $250,000 (issuance made on closing of the Transaction);
iii. an additional cash payment of USD$300,000 and the issuance of a further 500,000 common shares upon the receipt of all necessary permits and approvals to conduct drilling activities on the mineral concessions from the applicable authorities;

iv. the issuance of four tranches of 500,000 common shares on each anniversary of the closing of the Transaction, with the first issuance occurring on the second anniversary of the closing; and
v. the issuance of additional common shares, representing 30% of the Company's then issued and outstanding share capital, taking into account any common shares already issued to the Vendors.

In order to exercise the option, Discovery Mexico is required to complete exploration expenditures of not less than USD$12,500,000 on the mineral concessions within five years of receipt of the drilling approvals. The Company must complete not less than USD$2,000,000 of these expenditures within the first twelve months of receipt of drilling approvals.

In the event that the market value of the 30% interest is less than USD$10,000,000 at the time of issuance, the Company will issue further common shares of the Company (the "Additional Consideration Shares") to the Vendors such that the common shares of the Company issued to the Vendors, in aggregate, have a market value of USD$10,000,000, subject to a maximum aggregate ownership interest by the Vendors of 35%. Any amount in excess of the 35% share threshold will be paid to the Vendors in cash, to an aggregate value of USD$10,000,000.

In the event the Company has any material assets apart from the Puerto Rico Property at the time of the issuance of the Additional Consideration Shares, the number of the Additional Consideration Shares issuable to the Vendors ownership will be reduced to represent 30% of the market value of only the Puerto Rico Property, as determined by an independent third-party valuation.

b) Renata Option Agreement

Also on April 7, 2017, Discovery Mexico entered into a second mineral exploration and option agreement ("Second Option Agreement"), with the Vendors, providing an option to acquire certain additional mineral concessions also located in Coahuila, Mexico, and comprising the Renata exploration project ("Renata Property").

Pursuant to the Second Option Agreement, Discovery Mexico may exercise the option and acquire the mineral concessions from the Vendors, on the following terms:

i. a cash payment of USD$100,000 (payment made on closing of the Transaction); and

ii. Discovery Mexico incurring exploration expenditures on the additional mineral concessions of not less than USD$2,000,000 within three years of the latter of the closing date and the entering into by the Company of any required land occupation or lease agreements on the subject lands.

On the execution of the Option Agreement and the Second Option Agreement, the Company advanced loans to the Vendors in the aggregate amount of USD$150,000 (the "Loan"). The Loan was credited towards the first cash payments required under the Option Agreement and the Second Option Agreement. On June 29, 2017, the Company advanced an additional loan of USD$50,000 to the Vendors. This additional loan was also credited toward the required first cash payments made on closing of the Transaction.

c) Minerva, Monclova, Santa Rosa and Jemi Rare Option Agreements

On May 15, 2017, Discovery Mexico entered into four additional mineral exploration and option agreements (the "Additional Option Agreements") with the Vendors, providing the option to acquire mineral concessions also located in Coahuila, Mexico, and comprising the Minerva, Monclova, Santa Rosa and Jemi Rare properties.

Pursuant to the terms of the Additional Option Agreements, Discovery Mexico may exercise its option and acquire the underlying concessions that are subject to each option agreement on the following terms:

i. incurring exploration expenditures of not less than USD$2,000,000 per Additional Option Agreement within five years of the closing of the Transaction; and
ii. the issuance to the Vendors of an aggregated 1,000,000 common shares in respect to three of the Additional Option Agreements, and the issuance of 2,000,000 common shares in respect of the Additional Option Agreement governing the Monclova Property.

In addition, Discovery Mexico agreed to pay back taxes owing on one of the properties of approximately USD$48,000 (paid subsequent to August 31, 2017), and made a cash payment to the Vendors of USD$70,000 with respect to the Minerva Property upon closing of the Transaction. The Company, through its wholly owned subsidiary, Discovery Mexico, will be the operator of the additional minerals concessions during the term of the Additional Option Agreements and is required to pay all mining duties to maintain the underlying concessions in good standing.

d) La Kika Option Agreement

On June 7, 2017, Discovery Mexico entered into an agreement with the Vendors to acquire an additional mineral concession located in the state of Coahuila, Mexico comprising the La Kika project ("La Kika Property").
Pursuant to the terms of the agreement, Discovery Mexico may exercise its option and acquire the underlying La Kika concession on the following terms:

i. making a cash payment of USD$45,000 to the Vendors (payment made on closing of the Transaction);
ii. incurring exploration expenditures of not less than USD$2,000,000 within five years; and
iii. the issuance to the Vendors 1,000,000 common shares of the Company.

In addition, the Company has agreed to pay the Vendors a royalty on the first 450,000 tonnes of ore extracted by the Company from the La Kika concession. The royalty will equal 30% of the operating profits in the event that the Company undertakes direct shipping operations, or a 2% net smelter return otherwise. Discovery Mexico, will be the operator of the La Kika concession during the term of the La Kika Agreement and is required to pay all mining duties to maintain the underlying concession.

(Expressed in Canadian dollars, except where otherwise noted)

e) Transaction costs

In connection with the projects forming the proposed transaction, the Company issued 209,500 common shares of the Company in lieu of finder's fees of $104,750 to certain arm's length individuals. An additional 25,000 common shares will be issued to these finders on each of the four tranches of share issuances to the Vendors, on the second through fifth anniversaries of the closing of the proposed transaction; and, a number of common shares equal to 5% of any common shares issued by the Company on exercise of any of the Additional Option Agreements, and the La Kika Agreement.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2017		August 31, 2017
Trade payables	**$**	**146,201**	$	40,393
Sales tax payable		**16,811**		-
Accrued liabilities		**279,379**		762,274
	$	**442,391**	$	802,667

11. SHARE CAPITAL AND WARRANTS

a) Authorized

- Unlimited common shares with no par value; and
- Unlimited preferred voting shares with no par value.

b) Shares issued and outstanding

	Common Shares		**Amount**
As at August 31, 2016	32,669,998	$	15,881,039
Shares issued on acquisition of mineral properties	709,500		354,750
Shares issued under non-brokered private placement	31,237,000		15,618,500
Shares issued as finders' fees under private placement	427,500		213,750
Finders' fees for private placement	-		(518,284)
Warrants issued under non-brokered private placement	-		(8,010,367)
As at August 31, 2017	65,043,998	$	23,539,388
As at December 31, 2017	**65,043,998**	**$**	**23,539,388**

c) Non-brokered private placement

During the year-ended August 31, 2017, the Company proposed a change of business from its previous mortgage origination and servicing business (which ceased operations in 2010) to a mineral exploration company. Prior to completion of the Transaction, certain regulatory approvals were required.

On June 8, 2017, the Company announced that it intended to complete a non-brokered private placement (the "Offering") to raise up to $10,000,000 through the issuance of up to 20,000,000 Subscription Receipts at a price of $0.50 per subscription receipt.

On July 17, 2017, the Company closed the first (the "First Tranche") of the Offering. An aggregate of 25,787,000 Subscription Receipts at a price of $0.50 per subscription receipt were issued for gross proceeds of $12,893,500.

On July 19, 2017, the Company closed the second and final tranche (the "Second Tranche") of its Offering. An aggregate of 5,450,000 Subscription Receipts at a price of $0.50 per subscription receipt were issued for gross proceeds of $2,725,000.

Aggregate gross proceeds from both tranches of the Offering were $15,618,500, through the issuance of 31,237,000 Subscription Receipts. The proceeds of the Offering were held in escrow, pending the Company receiving all applicable regulatory approvals and completing the Transaction.

On August 17, 2017, the Company completed the Transaction, and the previously issued 31,237,000 Subscription Receipts of the Company, each converted into one unit of the Company for no additional consideration. Each unit consists of one common share and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional common share at a price of $1.00 per share for a period of 24 months. The Company paid fees of $304,534 and issued 427,500 units valued at $213,750 to certain finders who introduced subscribers to the private placement. In addition, finders received 1,244,460 finder's warrants valued at $346,993, exercisable at $0.60 per share for 18 months. The securities issued in connection with the Offering have hold periods which expired between November 15 and November 20, 2017. The securities issued to finders had a hold period which expired December 18, 2017.

d) Stock Options

The Company has adopted a rolling 10% stock option plan (the "Plan") which provides that the directors of the Company may grant options to purchase common shares of the Company to directors, officers, employees and service providers, with the number of options being limited to 10% of the issued common shares at the time of granting of options. The Board in its sole discretion may determine any vesting provisions for options. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Plan. The expiry date for an option shall not be more than ten years from the grant date.

(Expressed in Canadian dollars, except where otherwise noted)

Option transactions and the number of options outstanding are summarized as follows:

	Outstanding		Weighted Average Exercise Price
As at August 31, 2016	-	$	-
Options granted	6,600,000		0.53
Options forfeited or cancelled	(1,800,000)		0.45
As at August 31, 2017	4,800,000	$	0.56
Options granted	**900,000**		**0.68**
Options forfeited or cancelled	**(266,667)**		**0.81**
As at December 31, 2017	**5,433,333**	**$**	**0.57**

The share-based compensation expense for the four months ended December 31, 2017 was $392,994 (year ended August 31, 2017 - $1,984,871).

As at December 31, 2017, the options outstanding and exercisable are as follows:

	Options Outstanding			Options Exercisable		
Exercise Price	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average remaining life	Weighted average exercise price
$0.45	650,000	3.76 years	$0.45	650,000	3.76 years	$0.45
$0.45	550,000	0.63 years	$0.45	550,000	0.63 years	$0.45
$0.60	3,600,000	4.63 years	$0.60	2,266,667	4.63 years	$0.60
$0.81	283,333	4.72 years	$0.81	183,333	4.72 years	$0.81
$0.48	350,000	4.87 years	$0.48	116,667	4.87 years	$0.48
	5,433,333	**4.14 years**	**$0.57**	**3,766,667**	**3.91 years**	**$0.55**

The fair value of each option grant has been estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

		Four Months Ended December 31, 2017		Year Ended August 31, 2017
Exercise price	**$**	**0.68**	$	0.53
Share price	**$**	**0.68**	$	0.53
Expected life (years)		**5.00**		5.00
Risk free interest rate		**1.73%**		1.12%
Expected volatility		**100%**		100%
Dividend yield		**0%**		0%
Fair Value	**$**	**0.51**	$	0.40

e) Warrants

There were no warrant transactions during the four months ended December 31, 2017. Warrant transactions for the year ended August 31, 2017 and the number of warrants outstanding as at August 31, 2017 and December 31, 2017 are summarized as follows:

(Expressed in Canadian dollars, except where otherwise noted)

	Term	Expiry Date	Exercise Price	Number	Value		Amount
As at August 31, 2016	-	-	-	-	-	$	-
Issued under non-brokered private placement	2 years	8/17/2019	$1.00	31,237,000	$0.24	$	7,559,911
Issued as finders' fees under private placement	2 years	8/17/2019	$1.00	427,500	$0.24	$	103,463
Issued as finders' fees under private placement	1.5 years	2/17/2019	$0.60	1,244,460	$0.28	$	346,993
As at August 31, 2017				32,908,960		$	8,010,367
As at December 31, 2017				**32,908,960**		**$**	**8,010,367**

The remaining contractual lives of Warrants outstanding as at December 31, 2017 are as follows:

Weighted average exercise price	Number of Warrants	Weighted average remaining life
$1.00	31,664,500	1.63 years
$0.60	1,244,460	1.13 years
$0.98	**32,908,960**	**1.61 years**

12. EXPLORATION AND PROJECT EVALUATION

	Four Months Ended December 31, 2017								
	Puerto Rico	**La Kika**	**Minerva**	**Monclova**	**Jemi Rare**	**Renata**	**Santa Rosa**	**Project Evaluation**	**Total**
Permitting	**$ 130,583**	**$ 19,656**	**$ 19,656**	**$ 67,432**	**$ 19,656**	**$ 19,656**	**$ 19,656**	**$ -**	**$ 296,295**
Mining duties	-	-	-	-	-	-	-	-	-
Surface access	-	**154,777**	-	-	-	-	-	-	**154,777**
Site access	-	**75,182**	-	-	-	-	-	-	**75,182**
Drilling	-	**69,816**	-	-	-	-	-	-	**69,816**
Assays	**3,404**	**1,135**	-	-	-	-	-	**6,259**	**10,798**
Salaries and benefits	-	**64,679**	-	-	-	-	-	**62,172**	**126,851**
Travel	-	**8,167**	-	-	-	-	-	**8,557**	**16,724**
Administrative and other	-	-	-	-	-	-	-	**8,185**	**8,185**
Total	**$ 133,987**	**$ 393,412**	**$ 19,656**	**$ 67,432**	**$ 19,656**	**$ 19,656**	**$ 19,656**	**$ 85,173**	**$ 758,628**

	Year Ended August 31, 2017								
	Puerto Rico	La Kika	Minerva	Monclova	Jemi Rare	Renata	Santa Rosa	Project Evaluation	Total
Permitting	$ -	$ 55,847	$ 55,847	$ -	$ 55,848	$ 55,848	$ 55,848	$ -	$ 279,238
Mining duties	9,789	-	28,256	78,625	5,392	243	306	-	122,611
Site access	-	175,441	-	-	-	-	-	-	175,441
Project evaluation	-	-	-	-	-	-	-	371,975	371,975
Total	$ 9,789	$ 231,288	$ 84,103	$ 78,625	$ 61,240	$ 56,091	$ 56,154	$ 371,975	$ 949,265

(Expressed in Canadian dollars, except where otherwise noted)

13. GENERAL OFFICE AND OTHER EXPENSES

		Four Months Ended December 31, 2017		Year Ended August 31, 2017
Travel	$	**85,873**	$	60,181
Salaries and benefits		**419,065**		23,138
Shareholder communication and investor relations		**35,686**		21,821
Business development		**61,623**		4,176
General office and other		**145,828**		81,632
	$	**748,075**	$	190,948

14. PROFESSIONAL FEES

	Note		Four Months Ended December 31, 2017		Year Ended August 31, 2017
Legal		$	**95,608**	$	343,930
Management fees	**21**		**5,000**		60,000
Audit and accounting			**52,780**		26,610
Consulting			**114,660**		26,096
		$	**268,048**	**$**	456,636

15. INCOME TAXES

		Four Months Ended December 31, 2017		Year Ended August 31, 2017
Loss before tax at statutory rate of 26% (2016 – 26%)	$	**494,268**	$	933,039
Effect on taxes of:				
Non-deductible expenses		**(104,984)**		(547,158)
Change in deductible temporary differences		**(389,284)**		(385,881)
Income tax recovery (expense)	$	**-**	$	-

a) Unrecognized Deductible Temporary Differences

Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

		Four Months Ended December 31, 2017		Year Ended August 31, 2017
Non-capital loss carry-forwards	$	**4,957,000**	$	4,334,000
Capital loss carry-forwards		**12,640,000**		12,640,000
Share issue costs		**380,000**		415,000
Resource properties		**1,486,000**		577,000
	$	**19,463,000**		17,966,000

The tax loss carry-forwards will expire in 2026.

16. CAPITAL MANAGEMENT

The Company defines capital as its shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's objectives when managing capital are to support the Company's main activities of identifying, defining and developing mineral deposits, thus creating shareholder value, as well ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at December 31, 2017, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the four months ended December 31, 2017.

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable and deposits, and accounts payable and accrued liabilities.

Accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used in the fair value measurement are observable.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 Inputs that are not based on observable market data.

As at December 31, 2017 the Company had no financial instruments classified as Level 2 or 3.

(Expressed in Canadian dollars, except where otherwise noted)

18. FINANCIAL RISK MANAGEMENT

The Company's has exposure to certain risks resulting from its use of financial instruments.

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash balance of $12,234,811 (August 31, 2017 - $14,643,353) to settle current liabilities of $442,392 (August 31, 2017 - $802,667). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at December 31, 2017, the Company has no sources of revenue to fund its operating expenditures. During the year-ended August 31, 2017, the Company closed a non-brokered private placement of 31 million common shares at a price of $0.50 per share for gross proceeds of $15,618,500. Management believes these financings will fund the Company's initial exploration work on the properties in Coahuila, Mexico as well as the existing administrative needs for the near term. However, the Company will require additional financing to accomplish the Company's long term strategic objectives. Future funding may be obtained by means of issuing share capital, or debt financing. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is currently exposed to a moderate level of liquidity risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. The Company's sales tax receivable is with the Canadian and Mexican governments, both of which have a positive history of refunding balances owing. Management therefore deems the credit risk to be low. Due to the immaterial amount of prepaids and deposits, Management has determined the exposure to this risk to be at an acceptable level.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's consolidated statements of financial position.

		December 31, 2017		August 31, 2016
Cash and cash equivalents	$	**12,234,811**	$	14,643,353
Sales tax receivable		**212,894**		26,655
Prepaids and deposits		**37,787**		77,728
	$	**12,485,492**	$	14,747,736

c) Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

i. Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At December 31, 2017, cash balances were held primarily in Canadian dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian Dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP. As at December 31, 2017, the Company had the following foreign currency denominated trade payables

		Four Months Ended December 31, 2017		Year Ended August 31, 2017
United States dollar	**$**	**33,970**	$	181,791
Mexican Peso		**20,584**		430,023
	$	**54,554**	$	611,814

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss for the year by approximately $8,231 (August 31, 2017: $61,181).

As at December 31, 2017, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

iii. Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base metals, and movement in the price of individual equity securities movements and the stock market generally, to determine the appropriate course of action to be taken by the Company. As at December 31, 2017, Management has determined the Company's exposure to price risk to be at an acceptable level.

(Expressed in Canadian dollars, except where otherwise noted)

19. SEGMENTED INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has one operating segment, which involves the exploration of polymetallic deposits. All mineral properties are located in Mexico. The Company currently has no revenues.

Segment performance is evaluated based on several operating and financial measures, including net income (loss) and total comprehensive income (loss), which is measured consistently with net income (loss) and total comprehensive income (loss) in the consolidated financial statements.

The net loss and total comprehensive loss is distributed by geographic region as follows:

		Four Months Ended December 31, 2017		Year Ended August 31, 2017
Canada	**$**	**(1,338,684)**	$	(3,011,321)
Mexico		**(908,774)**		(577,290)
Net loss and total comprehensive loss	**$**	**(2,247,458)**	$	(3,588,611)

20. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

a) Puerto Rico Property

On completion of the permitting for the Puerto Rico Property, expected in the second half of 2018, the Company will have to pay USD$300,000 and issue 500,000 shares of the Company to the Vendors.

Please refer to Note 9 for a full description of the terms necessary to exercise the options on the exploration properties.

(Expressed in Canadian dollars, except where otherwise noted)

b) Other commitments

The Company has a five-year operating lease for premises and certain office equipment in Canada. Total payments made during the four-months ended December 31, 2017 totalled $16,153 (year-ended August 31, 2017 - $nil). Total future minimum lease payments, under non-cancellable operating leases as at December 31, 2017 are as follows:

Year	December 31, 2017	August 31, 2017
2018	**$ 93,785**	$ 78,293
2019	**93,785**	93,400
2020	**92,864**	93,400
2021	**91,024**	90,640
2022	**75,854**	90,640
	$ 447,312	$ 446,373

21. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

A company partially owned by one of the directors of the Company, Oxygen Capital Corp. ("Oxygen"), provides access to administrative and exploration personnel and has made certain payments on behalf of the Company on an as-needed basis. Oxygen does not charge a fee to the Company, allocating all expenses at cost. Reimbursed expenses to Oxygen for the four months ended December 31, 2017 totalled $30,230 (August 31, 2017 - $118,156). The Company also had $34,431 in expenses payable to Oxygen as at December 31, 2017 (August 31, 2017 - $nil). These expenses are not included in the table below.

Similar to the arrangement with Oxygen, the Company reimbursed expenses of USD$3,289 and had expenses payable at December 31, 2017 of USD$4,958 to a company which has a Director in common. These expenses are not included in the table below.

(Expressed in Canadian dollars, except where otherwise noted)

Transaction Type	Nature of Relationship		Four Months Ended December 31, 2017		Year Ended August 31, 2017
Professional fees	A director and a company with a former director/officer	**$**	**80,000**	$	60,000
Consulting fees	Officer		**41,667**		-
Share-based payments	Directors, officer and a company with a former director/officer in common		**251,660**		1,760,296
Shares to purchase mineral properties	Director		**-**		125,000
Payment to purchase mineral properties	Director		**-**		325,592
Salaries	Officers		**305,083**		18,827
Directors fees	Directors		**63,890**		6,848
		$	**742,300**	$	2,296,563

Summary of amounts due to related parties:

Transaction Type	Nature of Relationship		December 31, 2017		August 31, 2017
Accounts payable and accrued liabilities	A director and a company with a director/officer in common with the Company	**$**	**76,554**	$	6,848
		$	**76,554**	$	6,848