XTIERRA INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in US$000's)

XTIERRA INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND DECEMBER 31, 2015

UHY McGovern Hurley LLP
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Xtierra Inc.

We have audited the accompanying consolidated financial statements of Xtierra Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Xtierra Inc. and its subsidiaries as at December 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Xtierra Inc. had continuing losses during the year ended December 31, 2016 and a cumulative deficit as at December 31, 2016. Xtierra Inc. also has secured notes payable which matured on April 30, 2016 and remain unpaid at December 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the ability of Xtierra Inc. to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 19, 2017

XTIERRA INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31,

(Expressed in US$000's)	Note	2016	2015
		$	$
ASSETS			
Current assets			
Cash	6	18	59
Amounts receivable and other	7	18	14
Total current assets		36	73
Non-current assets			
Mineral properties	9	1	-
Property, plant and equipment	8	19	29
Total non-current assets		20	29
Total assets		56	102
LIABILITIES			
Current			
Accounts payable and accruals	4/10	31	23
Notes payable	12	1,251	1,110
Total current liabilities		1,282	1,133
Non-current liabilities			
Property acquisition obligations	9/11	1,604	1,392
Total non-current liabilities		1,604	1,392
Total liabilities		2,886	2,525
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Capital stock	13	34,712	34,712
Share-based payment reserve	15	-	1,472
Total capital stock and reserve		34,712	36,184
Deficit		(37,542)	(38,607)
(Deficiency)		(2,830)	(2,423)
Total liabilities and shareholders' equity (deficiency)		56	102

COMMITMENTS AND CONTINGENCIES (Notes 1, 9, 12 and 19)

The financial statements were approved by the Board of Directors on April 19, 2017 and signed on its behalf by:

Signed "John F. Kearney" , Director   Signed "Timothy Gallagher" , Director

See accompanying notes to the consolidated financial statements.

XTIERRA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,

(Expressed in US$000's, except for per share amounts)	Note	2016	2015
		$	$
Expenses			
General and administrative expenses		28	10
Corporate expenses		16	20
Professional fees	4	12	32
Accretion on property acquisition obligation	9	212	180
Exploration and evaluation expenses	9	88	78
Loss before other items		356	320
Other items			
Interest expense and fees on notes payable	12	65	80
Foreign exchange loss/(gain)		(14)	(20)
Proceeds on sale of Golden Dust SA de CV		-	(10)
Net loss and comprehensive loss for the year		407	370
Net loss per share – basic and diluted		0.004	0.003
Weighted average common shares outstanding – basic and diluted		116,370,336	116,315,541

See accompanying notes to the consolidated financial statements.

XTIERRA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in US$000's)	Stock Capital $	Share-based payment reserve $	Deficit $	Total $
Balance as at December 31, 2014	**34,669**	**2,140**	**(38,862)**	**(2,053)**
Shares issued for services (Note 15)	43	(43)	-	-
Share-based payments expired	-	(625)	625	-
Net loss for the year	-	-	(370)	(370)
Balance as at December 31, 2015	**34,712**	**1,472**	**(38,607)**	**(2,423)**
Share-based payments expired	-	(1,472)	1,472	-
Net loss for the year	-	-	(407)	(407)
Balance as at December 31, 2016	**34,712**	**-**	**(37,542)**	**(2,830)**

See accompanying notes to the consolidated financial statements.

XTIERRA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

(Expressed in US$000's)	2016	2015
	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss for the year	(407)	(370)
Accretion on property acquisition obligation	212	180
Interest expense and fees on notes payable	65	80
Depreciation	7	(2)
Proceeds on the sale of Golden Dust SA de CV	3	(10)
Operating cash flow before movements in working capital	(120)	(122)
Movements in working capital		
(Increase) in amounts receivable and other and prepaids	(4)	(2)
Increase/(decrease) in accounts payable and accruals	8	(32)
Net cash used in operating activities	(116)	(156)
FINANCING ACTIVITIES:		
Notes payable	75	65
Net cash generated by financing activities	75	65
INVESTING ACTIVITIES:		
Proceeds from sale of equipment	-	23
Proceeds on the sale of Golden Dust SA de CV	-	10
Net cash generated by investing activities	-	33
Change in cash	(41)	(58)
Cash, beginning of year	59	117
Cash, end of year	18	59

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Xtierra Inc. (the "Company" or "Xtierra") has interests in exploration and evaluation properties located in Mexico. Substantially all of the Company's efforts are devoted to exploring and developing these properties. There has been no determination whether the Company's interests in exploration and evaluation projects contain mineral reserves which are economically recoverable.

The Company's head office is located at 55 University Ave, Suite 1805, Toronto, Ontario M5J 2H7.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values of the Company's assets. All of the Company's mining assets are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The Company's properties may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and regulatory and environmental requirements.

Basis of measurement and going concern

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the current fiscal year. Several conditions discussed below create a material uncertainty about the Company's ability to continue as a going concern.

At December 31, 2016, the Company had not achieved profitable operations, had a working capital deficiency, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company will need to negotiate an extension to the maturity date of its secured notes, which matured and became due and payable on April 30, 2016, and generate additional financial resources in order to continue as a going concern. Furthermore, one or both of the Company's major shareholders, which collectively hold 66.4% of the Company's outstanding shares and all of its secured debt, may initiate foreclosure actions in respect of the secured notes which matured April 30, 2016. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

There is a significant risk that an extension of the maturity date of the secured notes, or a successful financial restructuring, may not be achieved and/or that additional financing will not be available to the Company on a timely basis or on acceptable terms, or at all. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and may be required to conduct a sales process to liquidate its assets in a formal process

The Company has not yet determined whether its exploration and evaluation projects contain economically recoverable mineral reserves. The underlying value and the recoverability of the exploration and evaluation projects is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation projects, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation projects.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

(b) Exploration and evaluation expenditures

Exploration expenditure relates to the search for precious and base metals in Mexico. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

Exploration and evaluation costs are expensed as incurred and included in the statement of operations until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects.

(c) Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset.

Property, plant and equipment is amortized over the estimated useful life of the assets using the declining balance method at rates of 20% to 30% per annum, as appropriate. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

(d) Asset retirement obligations

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration and evaluation projects and property, plant and equipment. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to mineral properties, plant and equipment, and amortized over the useful life of these assets. Management is currently not aware of any existing significant asset retirement obligations and the Company does not currently have any legal or constructive obligations relating to the reclamation of its exploration and evaluation projects and property, plant and equipment at December 31, 2016 and 2015.

(e) Cash

Cash is comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired. Term deposits can be redeemed at any time without interest or penalty.

(f) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets at fair value through profit or loss: Financial assets classified as held-for-trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in profit or loss.

(ii) Financial liabilities at fair value through profit or loss: Financial liabilities classified as fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as a fair value through profit or loss. Derivatives, including separable embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in profit or loss. Certain other financial instruments (conversion option component of the convertible notes) are classified under IFRS as financial liabilities measured at fair value through profit or loss as a result of the conversion option being convertible into an other than fixed number of common shares of the Company.

(iii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not have any instruments classified in this category. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of operations and are included in other gains and losses.

(iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and amounts receivable and other due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(v) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accruals, notes payable and property acquisition obligations and certain other financial instruments. Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities at amortized cost are measured using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(g) Functional and presentation currency

The functional currency of the Company and its subsidiaries is the US Dollar. For the purpose of the consolidated financial statements, the results and financial position of each company are expressed in US Dollars (the Company's presentation currency). In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in operations for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company records compensation cost using the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as share-based payments expense and share-based payment reserve. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to capital stock.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. On expiry, any related amount in share-based payment reserve will be credited to deficit.

(i) Operating loss

Operating loss comprises of general administrative costs incurred by the Company, exploration expenditures and all impairment charges relating to intangible assets and financial assets during the period. Operating loss is stated before finance income, finance costs and other gains and losses.

(j) Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Statement of Financial Position date. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(k) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below:

Key sources of estimation uncertainty
Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

Mineral reserve estimates
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Share-based payments
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 Company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Critical accounting judgements and key sources of estimation uncertainty (continued)

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(l) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in the statement of operations.

(m) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(n) Income (loss) per share

Basic income (loss) per share is calculated using the weighted average number of shares outstanding. Diluted income (loss) per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options, warrants and other convertible securities that would decrease income (loss) per share, as a result, all outstanding convertible securities at December 31, 2016 and 2015 have been excluded from diluted loss per share.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. 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.

(q) Changes in Accounting Policies

During 2016, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS1 and IAS 38. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

(r) New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") was amended to clarify the scope of the standard to include interests that are classified as held for sale; held for distribution or as discontinued operations in accordance with IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted.

(Expressed in US$000's except for per share amounts)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

4. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2016 or December 31, 2015. Key management personnel remuneration comprises payments, including share-based payments, for administration, geological, investor relations and legal services provided by persons, or corporations controlled by persons, who are directors or provided by any other person with the authority and responsibility for planning, directing and controlling the activities of the Company.

During 2015 and 2016, the Company entered into various funding agreements with its major shareholders, see Note 12.

For the year ended December 31, 2016, the Company made payments or accrued $7 (2015 - $13) to Steenberglaw Professional Corporation, a company controlled by Neil J.F. Steenberg, Director and Secretary, for legal fees.

Included in accounts payable and accruals at December 31, 2016 is $1 (2015 - $4) due to related parties other than notes due to major shareholders. These balances are due on demand, unsecured and non-interest bearing (Note 10).

The subsidiaries of the Company at December 31, 2016 were as follows:

Name of Subsidiary	Country of Incorporation	Percentage owned	Principal activity
Orca Minerals Limited	Canada	100%	Holding company for Orca Gold International
Orca Gold International Limited	Bahamas	100%	Holding company for Mexican subsidiaries
Bilbao Resources S.A. de C.V.	Mexico	100%	Exploration
Minera Orca S.A. de C.V.	Mexico	100%	Exploration
Orca Mining Exploration S.A. de C.V.	Mexico	100%	Exploration
Bilbao Mining S.A. de C.V.	Mexico	100%	Exploration

In 2015, the Company sold its subsidiary Golden Dust SA de CV for $10.

(Expressed in US$000's except for per share amounts)

5. SEGMENTAL ANALYSIS

	Segment result	
	December 31, 2016	December 31, 2015
	$	$
Continuing Operations		
Canada	(289)	(260)
Mexico	(118)	(110)
Total for continuing operations	(407)	(370)
Income tax	-	-
Loss for the year	(407)	(370)

Segment assets and segment liabilities	Assets	
	December 31, 2016	December 31, 2015
	$	$
Canada	13	55
Mexico	43	47
	56	102

	Liabilities	
	December 31, 2016	December 31, 2015
	$	$
Canada	(2,870)	(2,525)
Mexico	(15)	-
	(2,885)	(2,525)

6. CASH

	December 31, 2016	December 31, 2015
	$	$
Cash	18	59

The currency profile of cash and cash equivalents is as follows:

Canadian Dollars	4	15
US Dollars	11	41
Mexican Pesos	3	3
	18	59

(Expressed in US$000's except for per share amounts)

7. AMOUNTS RECEIVABLE AND OTHER AND PREPAID EXPENSES

	December 31, 2016 $	December 31, 2015 $
Receivable sales taxes - Canada	1	1
Receivable sales taxes - Mexico	17	13
Amounts receivables and other	18	14

8. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2016 $	Disposal $	December 31, 2015 $	Disposal $	December 31, 2014 $
Equipment at cost	53	(17)	70	(64)	134
Accumulated depreciation	(34)	7	(41)	43	(84)
Total	19	(10)	29	(21)	50

9. EXPLORATION AND EVALUATION EXPENDITURES

The following table shows the Company's cumulative exploration and evaluation expenditures:

	December 31, 2016 $	Additions $	December 31, 2015 $	Additions $	December 31, 2014 $
Bilbao	22,594	88	22,506	78	22,428
Laguna	7,281	-	7,281	-	7,281
Total	29,875	88	29,787	78	29,709

Bilbao

The Company holds a 100% interest in the Bilbao zinc-silver-lead-copper project, subject to a 1.5% net smelter royalty. In 2012, the Company acquired the necessary surface lands for surface installations and development of the Bilbao deposit.

Prior to August 2008, the Company was earning into a 75% interest in the Bilbao property. In August 2008, the Company acquired the outstanding 25% interest in the Bilbao property for total consideration of $5,000 of which $2,500 was paid on the closing date and a further $500 was paid one year after the closing date. The remaining balance of $2,000 is payable in four consecutive equal payments of $500 each, the first such $500 annual payment to be made at the time of commencement of construction of any mine developed on the Bilbao concession but in any event shall be paid in full no later than August 2018. At the time of the agreement in 2008 the present value of then outstanding future payments of $2,500 was determined to be $1,023 based on a discount rate of 15%. This value was recorded as a liability and was being accreted to its face value over the estimated life of the payment obligations.

As at December 31, 2016, the remaining present value of the property acquisition obligation amounted to $1,604 (2015 - $1,392).

Laguna

The Company holds a 100% interest in the Laguna silver-gold-mercury tailings development project and has been granted a twenty year concession dated December 10, 2003 by the Comision Nacional del Agua ("Conagua") relating to the extraction rights to six million cubic metres of tailings material, subject to an amount payable to Conagua in the amount MX$11.00 (approximately US$1.00) per cubic metre of tailings.

On October 25, 2013, Conagua, the Mexican authority responsible for water resources, advised the Company of their decision to rescind the Company's December 10, 2003, twenty year extraction licence for the Laguna project on the basis that no extraction has been done for at least three years. The Company appealed this decision through the courts. The appeal was heard by the Court of Zacatecas in June 2014 and a judgement in favor of the Company and setting aside the rescission was issued on October 7, 2014.

(Expressed in US$000's except for per share amounts)

9. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $52 (MXN $1,080) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions.

10. ACCOUNTS PAYABLE AND ACCRUALS

	December 31, 2016 $	December 31, 2015 $
Trade creditors	20	2
Payable to related parties (Note 4)	1	4
Accrued liabilities	10	17
	31	23

11. NON CURRENT LIABILITIES

Property acquisition obligations (stated at net present cost - See Note 10) due as follows:	December 31, 2016 $	December 31, 2015 $
Between one and two years	1,604	-
Between two and five years	-	1,392
	1,604	1,392

See Note 8.

12. OTHER FINANCIAL LIABILITIES

	December 31, 2016 $	December 31, 2015 $
Notes payable		
Note payable to Pacific Road	691	653
Note payable to Minco plc	559	457
Total notes payable	1,250	1,110

Notes payable

In 2014, the Company entered in to agreements with its major shareholders Pacific Road Group of Funds ("Pacific Road") and Minco Plc for notes payable of $933 which carried interest of 5% and were due April 30, 2015. The notes payable are secured, pari-passu with Minco, by a pledge by Xtierra of its shares of Orca Minerals Limited.

On April 29, 2015, Pacific Road and Minco plc, both agreed to extend the due dates of the non-convertible 5% secured notes in the amount of $965 from April 30, 2015 to August 31, 2015, and to provide further advances up to $15 each. On August 24, 2015, Pacific Road and Minco both agreed to further extend the due dates of the Notes from August 31, 2015 to January 31, 2016 and to provide further advances of up to $17.5 each to fund the Company's property maintenance costs and working capital. The Company agreed to a fee of $29 to obtain the extension, which amount was added to the principal amount of the Notes. On January 31, 2016, Pacific Road and Minco both agreed to an extension of the maturity dates of the secured notes to April 30, 2016.

(Expressed in US$000's except for per share amounts)

12. OTHER FINANCIAL LIABILITIES (continued)

Notes payable (continued)

The purpose of the extension of the maturity date of the secured notes is to provide the Company additional time to assess its strategic alternatives. Pacific Road advised that Xtierra should move within the extension period to either complete a strategic transaction or restructure the Company.

On July 26, 2016, Minco made an advance in the amount of $50 in Notes, and on December 8, 2016, Minco made a further advance in the amount of $25 in Notes to fund the Company's working capital and maintain its mineral properties.

The Notes matured and became due and payable on April 30, 2016. Pacific Road and Minco have not made demands for payment and are discussing possible solutions with Xtierra on a without prejudice basis. Xtierra has made certain settlement or restructuring proposals to each of Pacific Road and Minco. Pacific Road has advised Xtierra that Pacific Road desires to see this process come to a conclusion in the near term and, in the absence of an acceptable outcome, Pacific Road reserves all its rights to demand repayment of the Notes and if necessary to initiate foreclosure actions.

The principal amount of the Notes outstanding at any time, and from time to time shall bear interest before maturity, demand, default, and judgment at a rate of 5% per annum, calculated daily, compounded annually and payable at the Maturity Date. The principal amount and any unpaid interest outstanding at any time, and from time to time, from and after the Maturity Date shall bear interest from and after maturity, demand, default, and judgment at a rate of 25% per annum. The Company has recognized in liabilities the principal amount of the Notes together with accrued interest calculated at a rate of 5% per annum. The Company has not recognized any additional interest after maturity and such unrecognized amounts are treated as contingent liabilities.

The Notes are secured by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Minerals Limited, which indirectly holds the Company's Mexican assets. The security includes various standard provisions, including the right of the lenders to enforce their security in an event of default, including default in payment on the notes when due, which enforcement remedies include foreclosure against the pledged shares of Orca Minerals Limited.

13. CAPITAL STOCK

Authorized
Unlimited number of common shares

Issued	Shares (000's)	Amount $
Balance, December 31, 2014	115,370	34,669
Shares issued in 2015	1,000	43
Balance, December 31, 2015 and 2016	116,370	34,712

In January 2015, the Company issued 1,000,000 shares of the Company to Mackie Research Capital Corporation in part payment for services rendered in 2014.

14. STOCK OPTIONS

The board of directors has approved a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are exercisable over a period not exceeding ten years. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

As at December 31, 2016, the Company had no outstanding stock options.

(Expressed in US$000's except for per share amounts)

14. STOCK OPTIONS (Continued)

Stock option transactions for the respective periods were as follows:

	Number of Options	Weighted Average Exercise Price
	(000's)	Cdn$
Balance, December 31, 2014	6,576	0.43
Expired	(2,801)	0.26
Balance, December 31, 2015	3,775	0.51
Expired	(3,775)	0.51
Balance, December 31, 2016	-	-

15. SHARE-BASED PAYMENT RESERVE

Share-based payment reserve transactions for the years ended December 31, 2016 and 2015 were as follows:

	$
Balance, December 31, 2014	2,140
Shares issued for services rendered	(43)
Stock options expired	(625)
Balance, December 31, 2015	1,472
Stock options expired	(1,472)
Balance, December 31, 2016	-

In January 2015, the Company issued 1,000,000 shares of the Company to Mackie Research Capital Corporation in part payment for services rendered in 2014.

16. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2015 – 26.5%) were as follows:

	December 31, 2016	December 31, 2015
	$	$
(Loss) before income taxes	(407)	(370)
Expected recoverable income taxes at statutory rates	108	98
Increase (decrease) resulting from:		
Expenses not deductible for tax purposes	6	114
Other	-	94
Change in foreign exchange rates	(720)	281
Changes and differences in tax rates	-	(102)
Change in benefit of tax assets not recognized	606	(485)
Deferred income tax provision (recovery)	-	-

(Expressed in US$000's except for per share amounts)

16. INCOME TAXES (CONTINUED)

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

	2016	2015
	$	$
Non-capital loss carry-forwards - Canada	3,319	3,146
Non-capital loss carry-forwards - Mexico	14,382	14,719
Unrecorded deferred tax assets	17,701	17,865

The Company has approximately Cdn$4,409 ($3,319) of non-capital losses in Canada and approximately MXN296,639 Mexican Pesos ($14,382), which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire at various dates through 2036 and the Mexican losses expire at various dates through 2026.

17. FINANCIAL INSTRUMENTS

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. There have been no significant changes in the risks or the Company's objectives, policies and procedures related to risk management during 2016 and 2015.

The principal risks to which the Company is exposed to are described below.

Fair value:
The carrying amounts for cash, amounts receivable and other, accounts payable and accruals, and notes payable on the consolidated statements of financial position approximate fair value because of the limited term of these instruments.

Capital Risk:
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration and evaluation projects.

Credit Risk:
Credit risk is the risk that a counterparty will be unable to pay amounts owing to the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in Canadian banks.

Liquidity Risk:
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2016, the Company had cash of $18 (2015 - $59) to settle current liabilities of $1,274 (2015 - $1,133). The Company's accounts payable and accruals generally have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's notes payable are payable on demand and the property acquisition obligations are due in 2018.

Price Volatility of Publicly Traded Securities
Securities of exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports.

Price Risk:
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

Interest Rate Risk:
The Company is not subject to interest rate risk due to the minimal cash levels, and the debt being at a fixed rate or not interest-bearing.

17. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk:
The Company is subject to foreign exchange risk as some of its operating, investing and financing activities are transacted in currencies other than the United States ("US") dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the U.S. dollar. As at December 31, 2016, the Company held Canadian monetary assets and liabilities totalling approximately (Cdn$-5) ($-3 net), and Mexican monetary assets and liabilities totalling approximately (MXN$145) ($8 net).

Sensitivity Analysis:
Financial instruments included in cash and amounts receivable and other are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accruals, notes payable and property acquisition obligation are classified as other financial liabilities, which are measured at amortized cost.

The Company holds approximately (Cdn$-5) ($-3) in financial assets and liabilities. A one percent change in the Canadian - US foreign exchange rates could result in a foreign exchange impact of approximately $Nil based on monetary asset and liability balances existing at December 31, 2016.

The Company holds approximately (Mxn$145) ($8) in financial assets and liabilities. A one percent change in the Mexican - US foreign exchange rates could result in a foreign exchange impact of approximately $Nil based on monetary asset and liability balances existing at December 31, 2016.

A one percent change in interest rates will result in a corresponding change in interest income of approximately $Nil based on monetary asset and liability balances existing at December 31, 2016.

Fair Value Hierarchy and Liquidity Risk Disclosure:
The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at December 31, 2016 and 2015, the Company did not have any financial instruments carried at fair value.

18. CAPITAL MANAGEMENT

The Company's capital structure consists of its capital stock and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and development stages; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will utilize its existing working capital and seek to raise additional amounts as needed through the issue of common shares or other securities.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) CDN$50 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016 and 2015, the Company was not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

There have been no changes to the Company's capital management during 2016 and 2015.

19. COMMITMENTS AND CONTINGENCIES

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $52 (MXN $1,080) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. See Note 9.

20. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, Minco plc made further cash advances to Xtierra in the total amount of $43 in Notes payable, which carry interest at 5% and are due on demand.