

CONSOLIDATED FINANCIAL STATEMENTS



December 31, 2016
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Auramex Resource Corp.

We have audited the accompanying consolidated financial statements of Auramex Resource Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity 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.

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

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



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Auramex Resource Corp. as at December 31, 2016 and 2015 and its financial performance and its 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 describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Auramex Resource Corp.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 24, 2017

AURAMEX RESOURCE CORP.
Consolidated Statements of Financial Position
Expressed in Canadian dollars

As at	December 31, 2016	December 31, 2015
ASSETS		
Current		
Cash	\$ 20,556	\$ 25,465
Receivables	5,702	3,774
Prepaid expenses	854	855
	<u>27,112</u>	<u>30,094</u>
Reclamation deposits (Note 4)	-	5,003
Equipment (Note 5)	1,545	1,996
Exploration and evaluation assets (Notes 6 and 9)	<u>2,256,874</u>	<u>2,128,701</u>
	<u>\$ 2,285,531</u>	<u>\$ 2,165,794</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 714,769	\$ 543,845
Shareholder loans (Note 7)	50,000	50,000
	<u>764,769</u>	<u>593,845</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	13,274,153	13,249,265
Equity reserves (Note 8)	1,093,577	1,093,577
Deficit	<u>(12,846,968)</u>	<u>(12,770,893)</u>
	<u>1,520,762</u>	<u>1,571,949</u>
	<u>\$ 2,285,531</u>	<u>\$ 2,165,794</u>

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

Approved and authorized by the Board of Directors on April 24, 2017:

"Wayne Crocker"

"Judie Whitby"

Director

Director

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

AURAMEX RESOURCE CORP.

Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars

	Years ended December 31	
	2016	2015
Expenses		
Bank charges, interest and penalties	\$ 64	\$ 541
Currency exchange (gain)loss	(29,615)	1,683
Depreciation (Note 5)	451	648
Directors fees (Note 9)	750	750
Insurance	4,000	4,108
Management and consulting fees (Note 9)	30,312	42,481
Marketing	1,127	138
Office and sundry	2,204	5,770
Professional fees	24,616	33,866
Property expense	27,301	57,580
Shareholders communications	1,806	4,642
Transfer agent and filing fees	13,042	11,950
Travel	17	1,047
Loss and comprehensive loss for the year	(76,075)	(165,204)
Loss per share— basic and diluted	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	21,212,264	18,378,145

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

AURAMEX RESOURCE CORP.

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

Expressed in Canadian dollars

	Years ended December 31	
	2016	2015
Cash flows from operating activities		
Loss for the year	\$ (76,075)	\$ (165,204)
Items not involving cash		
Depreciation	451	648
Interest earned (accrued) on reclamation deposits	3	109
Changes in non-cash working capital items		
Receivables	(1,928)	(3,006)
Prepaid expenses	1	(621)
Accounts payable and accrued liabilities	32,176	120,879
Cash used in operating activities	(45,372)	(47,195)
Cash flows from investing activities		
Refund of reclamation deposits	5,000	24,000
Recovery of exploration and evaluation assets	13,950	1,400
Acquisition of exploration and evaluation assets	(3,375)	(3,375)
Cash provided by investing activities	15,575	22,025
Cash flows from financing activities		
Shares issued for cash	25,000	40,000
Share issuance costs	(112)	(2,658)
Cash provided by financing activities	24,888	37,342
Increase (decrease) in cash	(4,909)	12,172
Cash, beginning of year	25,465	13,293
Cash, end of year	\$ 20,556	\$ 25,465
Supplemental Disclosure of Cash Flow Information		
Interest received	\$ 74	\$ 160
Taxes received	\$ -	\$ -
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	\$ 273,895	\$ 135,148

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

AURAMEX RESOURCE CORP.
Consolidated Statement of Changes in Shareholders' Equity
December 31, 2016
Expressed in Canadian dollars

Issued and outstanding	Capital Stock		Equity reserves	Deficit	Total Shareholders' Equity
	Number of shares	Amount			
Balance as at December 31, 2014	16,332,483	13,211,923	1,093,577	(12,605,689)	1,699,811
Shares issued for cash	2,666,666	40,000	-	-	40,000
Share issuance costs		(2,658)			(2,658)
Loss for the year	-	-	-	(165,204)	(165,204)
Balance as at December 31, 2015	18,999,149	\$ 13,249,265	\$ 1,093,577	\$ (12,770,893)	\$ 1,571,949
Shares issued for cash	2,500,000	25,000	-	-	25,000
Share issuance costs		(112)			(112)
Loss for the year	-	-	-	(76,075)	(76,075)
Balance as at December 31, 2016	21,499,149	\$ 13,274,153	\$ 1,093,577	\$ (12,846,968)	\$ 1,520,762

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

AURAMEX RESOURCE CORP.

Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in Canadian dollars

1. NATURE AND CONTINUANCE OF OPERATIONS

Auramex Resource Corp. ("Auramex" or the "Company") is a Canadian company incorporated in the province of British Columbia and trades on the TSX Venture Exchange. The Company is currently active in the acquisition, exploration and evaluation of mineral properties.

The address of the Company's registered and corporate office and principal place of business is 750 Grand Boulevard, North Vancouver, B.C.

The Company is exploring and evaluating its mineral property interests and has not yet determined whether the reserves of its properties are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition thereof.

The Company's consolidated financial statements are prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenue from operations and will require additional financing or outside participation to undertake further exploration and subsequent development of its exploration and evaluation assets. Future operations of the Company are dependent on its ability to raise additional equity financing and the attainment of profitable operations. These material uncertainties may cast a significant doubt on the Company's ability to continue as a going concern.

	December 31, 2016	December 31, 2015
Working capital deficiency	\$ (737,657)	\$ (563,751)
Deficit	(12,846,968)	(12,770,893)

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company are presented in Canadian dollars, unless otherwise indicated. These financial statements include the accounts of the Company and its wholly owned Mexican subsidiary, Exploración Auramex S.A de C.V. All intercompany transactions and balances have been eliminated upon consolidation.

These financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and are in accordance with interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

AURAMEX RESOURCE CORP.

Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in Canadian dollars

2. BASIS OF PREPARATION (continued)

Critical accounting estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Critical Judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of these consolidated financial statements, as well as the determination of functional currency.

The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and its subsidiary, Exploración Auramex S.A de C.V., has been determined to be the Canadian dollar by conducting an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates.

The determination of the cash generating units ("CGU's") to which exploration properties and their related costs are allocated for the purposes of assessing impairment, and the related estimation of the future events that could result in impairment are inherently subject to uncertainty. The estimated recoverable amount could be impacted by changes in these judgments in the future.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting our consolidated financial statements include:

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Deferred tax Assets & Liabilities

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

AURAMEX RESOURCE CORP.

Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in Canadian dollars

2. BASIS OF PREPARATION (continued)

Deferred tax Assets & Liabilities (continued)

To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets and liabilities, and deferred income tax provisions or recoveries could be affected.

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up and adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the market value of those shares will be considered fair value.

Carrying value and recoverability of Exploration & Evaluation Assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and for that of its subsidiary, Exploración Auramex S.A. de C.V., is the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit loss.

AURAMEX RESOURCE CORP.

Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

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 less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash as fair value through profit and loss. The Company's receivables and reclamation deposits are classified as loans and receivables. The Company's accounts payable and accrued liabilities and shareholder loans are classified as other financial liabilities.

AURAMEX RESOURCE CORP.

Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities (continued)

The Company records the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value, using Level 1 inputs.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing then item and restoring the site on which it is located. Depreciation is recognized using the declining balance method at the following annual rates:

Exploration equipment	30%
Computer and office equipment	30%
Furniture and fixtures	20%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

AURAMEX RESOURCE CORP.

Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, exploration and evaluation costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development, and is classified as "mines under construction". Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Management reviews the carrying value of exploration and evaluation assets whenever events or circumstances indicate they may be impaired. If impairment is indicated an impairment loss is recorded, calculated as the amount by which the carrying amount of the exploration and evaluation asset exceeds the estimated recoverable amount.

Impairment

At the end of each reporting period, the Company's long term assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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 fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 profit or loss for the year. For an asset that does not generate largely independent cash inflow, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

AURAMEX RESOURCE CORP.

Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral interests (exploration and evaluation assets), when those obligations result from the acquisition, construction development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of the related asset is capitalized to the related asset along with the corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to a related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are revised annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

As at December 31, 2016 and December 31, 2015, there are no significant rehabilitation obligations.

Basic and diluted loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. Potential issuable common shares are not included in the calculation if their inclusion would be anti-dilutive. The calculation assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of 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. Otherwise, share-based payments are measured at the fair value of goods or services received.

AURAMEX RESOURCE CORP.

Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) capital stock. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as amortization of flow-through share premium liability.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a period of up to two-years.

Share Issuance Costs

Costs directly identifiable with the raising of capital are charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs are presented as other assets until the issuance of the shares, to which the costs relate, at which time the costs are charged against the related capital stock or charged to operations if the shares are not issued.

AURAMEX RESOURCE CORP.

Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. Gains and losses that would otherwise be recorded as part of net earnings is presented in "other comprehensive income (loss)" until it is considered appropriate to recognize into profit or loss.

The presentation of comprehensive income (loss) and its components in a separate financial statement is displayed with the same prominence as the other financial statements. Accumulated other comprehensive income is presented as a new category in shareholders' equity. For the years presented, comprehensive loss is the same as net loss.

Accounting Standards adopted during the year

The Company has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2012-2014 Cycle which were effective for annual periods beginning on or after January 1, 2016. The amendments did not have an impact on the Company's consolidated financial statements. The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

New standards and interpretations not yet adopted

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of this pronouncement

IFRS 16, Leases ("IFRS 16"). The new standard brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company has not yet assessed the full impact of IFRS 16.

4. RECLAMATION DEPOSITS

Reclamation deposits are funds required by the Mines Department to be held on deposit against future reclamation and remediation of environmental disturbance as a result of mining exploration and development activity. After reclamation and remediation, if required, the funds can be recovered.

AURAMEX RESOURCE CORP.
Notes to the Consolidated Financial Statements
December 31, 2016
Expressed in Canadian dollars

4. RECLAMATION DEPOSITS (continued)

The following table shows the reclamation deposits by property:

	Brandywine Property	Stewart Properties	Total
Balance, December 31, 2014	\$ 5,013	\$ 24,099	\$ 29,112
Deposits refunded	(5,000)	(19,000)	(24,000)
Interest (received) accrued	(13)	(96)	(109)
Balance, December 31, 2015	-	5,003	5,003
Deposits refunded	-	(5,000)	(5,000)
Interest (received) accrued	-	(3)	(3)
Balance, December 31, 2016	\$ -	\$ -	\$ -

During the year ended December 31, 2015, \$5,013 was received due to reclamation of the Brandywine Property formerly held by the Company, and \$19,096 was received from the cancellation of drill permits whereby no reclamation was required. During the year ended December 31, 2016, \$5,003 was received due to reclamation of a drill site in the Stewart Properties. As at December 31, 2016, no reclamation deposits remain.

5. EQUIPMENT

	Computer and Office Equipment	Exploration Equipment	Furniture and Fixtures	TOTAL
Cost				
Balance at December 31, 2014, December 31, 2015 and December 31, 2016	\$ 7,985	\$ 5,143	\$ 2,025	\$ 15,153
Accumulated depreciation				
Balance at December 31, 2014	\$ (6,391)	\$ (4,923)	\$ (1,195)	\$ (12,509)
Depreciation for the year	(416)	(66)	(166)	(648)
Balance at December 31, 2015	(6,807)	(4,989)	(1,361)	(13,157)
Depreciation for the year	(304)	(29)	(118)	(451)
Balance at December 31, 2016	\$ (7,111)	\$ (5,018)	\$ (1,479)	\$ (13,608)
Net Book Value				
At December 31, 2015	\$ 1,178	\$ 154	\$ 664	\$ 1,996
At December 31, 2016	\$ 874	\$ 125	\$ 546	\$ 1,545

6. EXPLORATION AND EVALUATION ASSETS

	At December 31, 2016
Acquisition Costs	
Balance, December 31, 2015	\$ 410,623
Additions	-
Impairment	-
Balance, December 31, 2016	\$ 410,623
Deferred Exploration	
Balance, December 31, 2015	\$ 1,718,078
Geological, mapping and field expenses	141,958
Permits, taxes and assessment fees	165
Government tax credit recovery	(13,950)
Balance December 31, 2016	\$ 1,846,251
Total, December 31, 2016	\$ 2,256,874

AURAMEX RESOURCE CORP.

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6. EXPLORATION AND EVALUATION ASSETS (continued)

	<u>At December 31, 2015</u>
Acquisition Costs	
Balance, December 31, 2014	\$ 410,368
Additions	255
Balance, December 31, 2015	<u>\$ 410,623</u>
Deferred Exploration	
Balance, December 31, 2014	\$ 1,649,562
Geological, mapping and field expenses	69,751
Permits, taxes and assessment fees	165
Government tax credit recovery	(1,400)
Balance December 31, 2016	<u>\$ 1,718,078</u>
Total, December 31, 2016	<u>\$ 2,128,701</u>

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has mineral property interests in Canada and formerly in México. The Company has investigated title to all of its mineral property interests, and, to the best of its knowledge, title to all of its interest are in good standing.

Stewart Properties, British Columbia

The Stewart Properties are located in the Skeena Mining Division, British Columbia. The properties have been acquired under various option agreements, purchase agreements and by staking. All option agreements have been exercised.

Certain claims are subject to a net smelter royalty ranging from 1% - 2%.

During the year ended December 31, 2016, the Company incurred \$142,123 in exploration expenditures.

During the year ended December 31, 2015, the Company incurred \$69,916 in exploration expenditures.

7. SHAREHOLDER LOANS

On August 2, 2011, certain related party shareholders subscribed to a private placement that was not completed. These deposits have been converted to shareholders' loans. Repayment terms and rate of interest have not been set. Due to certain regulatory restrictions, these loans can be repaid by the Company only from proceeds of financings in which the related parties do not participate, by shares for debt settlement or profitable operations.

8. CAPITAL STOCK

a) Authorized

Unlimited number of common shares without par value

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8. CAPITAL STOCK (continued)

During the year ended December 31, 2016, the Company had the following share transactions:

The Company issued 2,500,000 units at \$0.01 for gross proceeds of \$25,000 with each unit consisting of one common share and one half flow-through share purchase warrant. Each full warrant entitled the holder to purchase one flow-through common share in the Company. The warrants expired July 5, 2016 without exercise. Share issuance costs were \$112 for this issuance.

During the year ended December 31, 2015, the Company had the following share transactions:

On March 27, 2015, the Company issued 2,666,666 units, each unit consisting of one common share in the Company and one share purchase warrant at a price \$0.015 per unit. Each warrant is exercisable into one common share of the Company at a price of \$0.05 per share until March 27, 2016 and at a price of \$0.10 per share until March 27, 2017.

Share issuance costs in connection with the issuance were \$2,658.

b) Share Purchase Warrants

A summary of share purchase warrant activity for the years ended December 31, 2015 and 2016 is as follows:

	Number of Warrants		Exercise Price
Balance outstanding at December 31, 2014	7,673,334	\$	0.14
Issued	2,666,666		0.05
Expired	(940,000)		0.10
Balance outstanding at December 31, 2015	9,400,000	\$	0.14
Issued	1,250,000		0.05
Expired	(1,250,000)		0.05
Balance outstanding at December 31, 2016	9,400,000	\$	0.09

As at December 31, 2016, the Company has the following share purchase warrants outstanding:

Exercise Price	Number Outstanding	Remaining Years	Expiry Date
\$ 0.10 ⁽²⁾	2,666,666	0.23	27 March 2017
\$ 0.25 ⁽¹⁾	6,733,334	0.91	27 November 2017

~~(1) Each warrant was exercisable into one common share of the Company at a price of \$0.20 from September 28, 2015 until September 27, 2016 and is now exercisable at a price of \$0.25 from September 28, 2016 until September 27, 2017.~~

(2) Each warrant is exercisable into one common share of the Company at a price of \$0.10 from March 28, 2016 until March 27, 2017.

c) Stock options

The Company's stock option plan provides for the grant of incentive stock options for up to 3,266,000 common shares to employees, consultants, officers and directors of the Company. Options are granted for a term of up to ten years from the date granted. Stock options granted to directors, officers employees and consultants for other than investor relations activities vest at the discretion of the directors. Options granted for investor relations activities vest over 12 months with no more than 25% of the options vesting in any three month period.

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8. CAPITAL STOCK (continued)

c) Stock options (continued)

A summary of share option activity for the year ended December 31, 2016 is as follows:

	Number of options	Weighted average exercise price
Balance, December 31, 2014 and December 31, 2015	1,875,000	\$ 0.06
Forfeited	(425,000)	0.07
Balance, December 31, 2016	1,450,000	\$ 0.06

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2016:

Exercise price	Number outstanding and exercisable	Weighted average remaining years	Expiry date
\$ 0.10	350,000	2.96	December 16, 2019
0.05	1,100,000	7.74	September 24, 2024

Share-based payments

The Company recognizes share-based compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. During the years ended December 31, 2016 and December 31, 2015, the Company recognized no share-based payment expense.

The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average term is the average expected period to exercise, based on the historical activity. The expected volatility is based on the historical volatility of the Company.

9. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

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.

Remuneration attributed to key management personnel can be summarized as follows:

	Years ended December 31,	
	2016	2015
Directors' fees	\$ 750	\$ 750
Management and consulting fees	30,000	30,900
Geological consulting fees	141,658	65,151
	\$ 172,408	\$ 96,801

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9. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions incurred during the years ended December 31, 2016 and 2015.

RELATED PARTY	TYPE OF TRANSACTION	2016	2015
Company controlled by a Director	Storage supply (included in rent and exploration and evaluation assets)	\$ 1,260	\$ 1,260

At December 31, 2016, an amount of \$426,318 (December 31, 2015 - \$244,780) is included in accounts payable and accrued liabilities for unpaid amounts relating to fees and expenses owed to officers and directors, and to companies controlled by them.

As at December 31, 2016 and 2015, shareholder loans of \$50,000 were due to the CFO (and director) and to the CEO (and director) of the Company (Note 7).

10. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2016	2015
Loss for the year before income taxes	\$ (76,075)	\$ (165,204)
Expected income tax recovery	(20,000)	(43,000)
Change in statutory, foreign tax, foreign exchange rates and other	(4,000)	(3,000)
Permanent difference	(9,000)	1,000
Share issue cost	-	(1,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	4,000	97,000
Change in unrecognized deductible temporary differences	29,000	(51,000)
Total income tax (recovery) expense	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2016	2015
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	\$ 1,043,000	\$ 1,059,000
Property and equipment	4,000	4,000
Share Issue Costs	3,000	2,000
Non-capital losses available for future period	892,000	846,000
	1,942,000	1,911,000
Unrecognized deferred tax assets	(1,942,000)	(1,911,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2016	Expiry Date Range	2015	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$3,849,000	No expiry date	\$ 3,911,000	No expiry date
Investment tax credit	31,000	2030 to 2033	31,000	2030 to 2033
Property and equipment	17,000	No expiry date	17,000	No expiry date
Share Issue costs	3,000	2037 to 2040	9,000	2035 to 2038
Non-capital losses available for future periods	3,384,000	2027 to 2036	3,210,000	2026 to 2035

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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Notes to the Consolidated Financial Statements

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11. CAPITAL MANAGEMENT

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 evaluation of resource 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 Company considers capital to be components of shareholders' equity.

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS

The fair value of the Company's receivables, reclamation deposits, accounts payable and accrued liabilities and shareholder loans approximate carrying value which is the amount recorded on the consolidated statement of financial position due to their short terms to maturity or ability of prompt liquidation. The Company's other financial instrument, cash, under the fair value hierarchy is measured at fair value based on level one quoted prices in active markets for identical assets and liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

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, 2016, the Company has cash of \$20,556 to settle current liabilities of \$764,768. Due to regulatory restrictions, the \$50,000 shareholders' loans can only be paid out of future financings, shares for debt settlement or profitable operations. The Company does not have sufficient cash to settle its short term liabilities, and must raise funds through equity or debt.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and receivables. Cash is held with highly rated financial institutions and management believes the risk of loss to be remote. The Company has no significant concentration of credit risk arising from operations. Receivables consist of input tax credits receivable from the Government of Canada. The Company does not believe it is subject to significant credit risk in relation to its receivables.

Market risk

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

a) Interest rate risk

The Company has cash balances and non-interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2016, the Company had no funds invested in investment-grade short-term deposit certificates.

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Notes to the Consolidated Financial Statements

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12. FINANCIAL INSTRUMENTS (cont'd...)

b) Foreign currency risk

The Company is exposed to foreign currency risk or fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US Dollars.

Sensitivity Analysis

The Company has cash, receivables and accounts payable and accrued liabilities that are denominated in US Dollars and Mexican Pesos. A 10% fluctuation in the US Dollar and Mexican Peso against the Canadian Dollar would affect net loss for the year by approximately \$21,000.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. SEGMENT INFORMATION

The Company has one reportable operating segment in Canada, being the acquisition, exploration and evaluation of exploration and evaluation assets. Information is as follows:

	At December 31, 2016	At December 31, 2015
Exploration and evaluation assets	\$ 2,256,873	\$ 2,128,701
	\$ 2,256,873	\$ 2,128,701
Equipment	\$ 1,545	\$ 1,996
	\$ 1,545	\$ 1,996
Reclamation deposit	\$ -	\$ 5,003
	\$ -	\$ 5,003

14. SUBSEQUENT EVENTS

On April 10, 2017, the Company granted an option to Decade Resources Ltd. to earn a 75% interest in 161 hectares at the historic Georgia River Gold Mine on the following terms: payment of \$50,000 upon signing (paid), payment of \$75,000 on or before the first anniversary of the agreement, payment of \$150,000 on or before the second anniversary of the agreement, and \$200,000 on or before the third anniversary of the agreement; with work requirements of \$250,000 by the first anniversary date, \$500,000 by the second anniversary date, \$750,000 by the third anniversary date, and \$1,000,000 by the fourth anniversary date. Upon Decade earning the 75% interest, the Company will receive a net Smelter Return royalty (NSR) of 2%, half of which can be purchased for \$1 million. A joint venture agreement provides for Decade to spend approximately \$13 million to earn an additional 20% if the Company does not contribute. At a 5% diluted interest, the Company will receive a 1.5% NSR for its 5% interest and Decade will hold a 100% property interest.

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14. SUBSEQUENT EVENTS (continued)

On March 7, 2017, the Company completed the first tranche of a private placement by issuing a total of 290,000 units at price of \$0.05 per unit for gross proceeds of \$14,500. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at \$0.05 per share until March 27, 2019. \$6,500 was subscribed by a director of the Company.

On March 7, 2017, the Company borrowed \$12,000 from a small group of lenders, of which \$9,500 was loaned by two directors. The loans mature March 7, 2018 and carry an interest rate of 10%. As a bonus for the loans, the Company issued 38,000 common shares in the Company and 50,000 warrants to purchase 50,000 common shares in the Company. Each warrant is exercisable at a price of \$0.05 per share until March 27, 2018.

On February 8, 2017, the Company granted 1,200,000 stock options exercisable at \$0.05 for a period of 10 years to directors, management and consultants.