



# **SOURCE** EXPLORATION CORP

## **INTERIM MANAGEMENT DISCUSSION & ANALYSIS – QUARTERLY HIGHLIGHTS**

**THREE MONTHS ENDED SEPTEMBER 30, 2016**

**(EXPRESSED IN CANADIAN DOLLARS)**



INTERIM MANAGEMENT DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

## Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Source Exploration Corp. ("Source" or the "Corporation") for the three months ended September 30, 2016 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Corporation since its last management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended June 30, 2016. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the Corporation's Annual MD&A, audited annual consolidated financial statements for the years ended June 30, 2016 and June 30, 2015, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three months ended September 30, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Corporation's financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of November 29, 2016, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Source's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Information about the Corporation and its operations can be obtained from the offices of the Corporation or from [www.sedar.com](http://www.sedar.com).

## Cautionary Note Regarding Forward-Looking Information

Certain statements contained in this Interim MD&A and in certain documents incorporated by reference in this Interim MD&A, constitute forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking



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statements. The forward-looking statements in this Interim MD&A speak only as of the date of (i) this Interim MD&A; or (ii) as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this Interim MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
<p>Potential of Source's property to contain economic deposits of gold and/or other metals (as described under the headings "Description of Business" and "Operational Highlights Q1 2017").</p>	<p>Financing will be available for future exploration of Source's property; the actual results of Source's exploration activities will be favourable; operating, exploration costs will not exceed Source's expectations; the Corporation will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Source, and applicable political and economic conditions will be favourable to Source; the price of gold and/or other applicable metals and applicable interest and exchange rates will be favourable to Source; no title disputes exist with respect to the Corporation's property.</p>	<p>Gold and/or other metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired property; the possibility that future exploration results will not be consistent with Source's expectations; availability of financing for and actual results of Source's exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Corporation's ability to retain and attract skilled staff; availability of permits.</p>
<p>Corporation's estimated head office costs for fiscal 2017 and need to raise capital in order to meet its working capital needs (as described under the heading "Liquidity and Financial Position").</p>	<p>The operating and exploration activities of the Corporation on a going forward basis, and the costs associated therewith, will be consistent with Source's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to Source; availability of financing.</p>	<p>Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; interest rate and exchange rate fluctuations; changes in economic conditions and planned operations.</p>



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<p>Plans, costs, timing and capital for future exploration of Source's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations (as described under the headings "Description of Business" and "Operational Highlights Q3 2016").</p>	<p>Financing will be available for Source's exploration activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Corporation's current expectations; the Corporation will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Source; the Corporation will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions will be favourable to Source; the price of gold and/or other applicable metals will be favourable to Source; no title disputes exist with respect to Source's property.</p>	<p>Gold and/or other metals price volatility; changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired property; the possibility that future exploration results will not be consistent with Source's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Corporation's ability to retain and attract skilled staff; receipt of permits.</p>
<p>Management's outlook regarding future trends and potential future acquisitions and financings.</p>	<p>Financing will be available for Source's exploration and operating activities; the price of gold and/or other applicable metals will be favourable to Source.</p>	<p>Gold and/or other metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.</p>
<p>Prices and price volatility for gold.</p>	<p>The price of gold will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of gold will be favourable.</p>	<p>Changes in debt and equity markets and the spot price of gold; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>



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Inherent in forward-looking statements are risks, uncertainties and other factors beyond Source's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Source's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **Description of Business**

Source Exploration Corp. was incorporated under the Business Corporation's Act (Alberta) on October 5, 2006 and was continued under the Business Corporations Act (Ontario) on January 17, 2011. The Corporation is a Canadian-based junior exploration and development company with exploration projects in Mexico. The principal business of the Corporation is the acquisition, exploration and development of high value mineral properties.

The Corporation's Las Minas project is located in the State of Veracruz, Mexico, approximately 270 kilometres east of Mexico City. The project is comprised of six mineral concessions covering approximately 1,616 hectares in the heart of the historical Las Minas mining district. The project is accessible by road and located near a hydro-electric power plant.

## **Operational Highlights – Q1 2017**

### **Corporate**

The Corporation completed a Share Consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation common Share for every ten (10) pre-consolidation common shares. The Share Consolidation was approved by the shareholders of the Corporation at an annual and special meeting of the shareholders of the Corporation held on August 15, 2016, and approved by the TSX Venture Exchange. A total of 8,764,369 post-consolidation common shares were issued and outstanding after the Share Consolidation. All applicable references to the number of shares and per share information have been restated to reflect the effect of the Share Consolidation.



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On September 28, 2016 the Corporation announced that it had arranged a non-brokered private placement (the "**Private Placement**") of up to 10,000,000 units of the Company (the "**Units**") at a price of \$0.15 per Unit for gross proceeds of up to \$1,500,000.

Each Unit consists of one common share of the Corporation and one transferable common share purchase warrant. Each Warrant entitles the holder to purchase one transferable common share of the Corporation for a period of twenty-four months from the closing date of the Private Placement (subject to early expiry) at a price of \$0.25 per common share.

The net proceeds from the Private Placement will be used to continue exploration on the Corporation's Las Minas project located in the State of Veracruz, Mexico. The program will include a 2,000 to 3,000 metre drill program for definition and expansion of the El Dorado - Juan Bran mineralized zone, a maiden National Instrument 43-101 resource technical report, property payments, debt reduction, and general working capital purposes.

On November 21, 2016, the Corporation announced that it has entered into a new agreement extending the term of the option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property for an additional one year to December 5, 2017. Consideration for the extension totalled US\$180,000, payable in equal monthly installments over a six month period and commencing no later than December 5, 2016. All payments are subject to VAT (Value Added Tax). All other terms of the original agreement of November 30, 2010 and prior extension agreements would remain unchanged. The terms of the final extension agreement were the same as the non – binding letter of intent (the "Letter of Intent") that was agreed to by the Corporation on September 7, 2016.

The renaissance in precious metal prices has attracted significant interest in the Las Minas property from a number of companies. Source has been active in evaluating other options for advancing the development of the Las Minas property, including merger or joint venture opportunities. Confidentiality agreements and due diligence site visits have been completed for companies expressing serious interest and discussions are continuing with regards to joint venture or merger opportunities.

These efforts, in conjunction with site visits, data evaluation and investor presentations resulted in the mineral potential of the property becoming better known to interested companies. We are continuing these efforts and believe they will result in a positive outcome for all stakeholders. However, we caution that there are no assurances or a guarantee that the process will result in a transaction, and if a transaction is undertaken, as to the terms or timing of such transactions.

### **Exploration update**

Following the successful completion of an \$800,000 financing in February 2015, a 2,000 metre diamond drill program was completed at its Las Minas property. The drill program was part of an overall program aimed at completing a maiden NI 43-101 compliant resource estimate. Additionally, preliminary metallurgical test work was carried out by ALS Metallurgy of Kamloops, British Columbia. The test



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results were very positive, with recoveries of 95% copper, 89% gold and 84% silver. The bulk concentrate from the locked cycle test graded 22% copper, 13 g/tonne gold and 57 g/tonne silver

On February 25, 2015, Source announced the signing of a diamond drilling contract with K.D.L. Mexico S.A de C.V. to carry out a minimum of 2,000 metres of drilling at the Las Minas project. The drill program was designed to extend and infill the Santa Cruz zone where previous drilling returned grades that included a 10 metre interval averaging 10.6 g/t gold, 48.5 g/t silver, and 7.44 % copper or 24.11 g/t gold equivalents<sup>(1)</sup>, contained within a wider zone grading 3.57 g/t Au Eq over 99.0 meters. The program also included step-out drilling at the El Dorado / Juan Bran target to extend the zone to the south, as well as exploration drilling to test the Nopaltepec target.

### **Santa Cruz Zone Drilling Results**

Step-out drilling at the Santa Cruz target commenced on March 17, 2015. Diamond drill hole LM-15-SC-15 intersected a high-grade interval grading 6.07 g/t Au Eq<sup>(1)</sup> over 14.2 metres, contained within 113.0 metres grading 2.03 g/t Au Eq. Hole LM-15-SC-16, which was drilled to extend the high-grade mineralization in hole LM-12-SC-54 to depth, cut 6.54 g/t Au Eq over 14.0 metres, contained within 24.0 metres grading 4.30 g/t Au Eq. Previously drilled hole LM-12-SC-54, located up dip, assayed 3.82 g/t Au Eq over 28.0 metres, including 12.0 metres grading 6.39 g/t Au Eq. (See press release dated October 18, 2012.)

Highlights included:

#### **LM-15-SC-15**

**121.3 metres grading 1.91 g/t Au Eq, including**

- **2.03 g/t Au Eq over 113.0 metres, including**
- **4.02 g/t Au Eq over 31.2 metres, including**
- **6.07 g/t Au Eq over 14.2 metres, including**
- **9.73 g/t Au Eq over 6.0 metres**

#### **LM-15-SC-16**

**24.0 metres grading 4.30 g/t Au Eq, including**

- **6.54 g/t Au Eq over 14.0 metres**

#### **LM-15-SC-17**

**20.0 metres grading 3.57 g/t Au Eq, and separately**

- **2.46 g/t Au Eq across 30.0 metres, within**
- **1.73 g/t Au Eq over 90.1 metres.**



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**El Dorado / Juan Bran Zone Drilling Results**

Initial drilling results for the El Dorado / Juan Bran zone were announced on May 7, 2015. The drilling was successful in linking the shallow dipping zone with earlier drilling completed in 2011 further to the south. The mineralized zone was intersected by drilling over an interval of approximately 650 metres down dip.

Highlights include:

**LM-15-ED-20**

**22.0 metres grading 2.00 g/t Au Eq, including**

- **3.38 g/t Au Eq over 12.0 metres, including**
- **4.67 g/t Au Eq over 8.0 metres**

**LM-15-ED-21**

**14.0 metres grading 4.01 g/t Au Eq, including**

- **5.17 g/t Au Eq over 10.0 metres, including**
- **5.89 g/t Au Eq over 8.0 metres**

**LM-15-ED-22**

**14.3 metres grading 3.59 g/t Au Eq, including**

- **4.14 g/t Au Eq over 12.3 metres**

Further drilling results were announced on May 26th, including hole LM-15-ED-24 grading 3.59 g/t Au Eq over 27.7 metres.

Highlights from the additional infill and step-out drilling included:

**LM-15-ED-23**

**2.63 g/t Au Eq across 10.0 metres, within**

- **1.83 g/t Au Eq over 17.0 metres**

**LM- 15-ED-24**

**4.74 g/t Au Eq across 19.7 metres, within**

- **3.59 g/t Au Eq over 27.7 metres**

**LM-15-JB-09**

**2.24 g/t Au Eq across 6.0 metres**



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**Nopaltepec Zone Drilling Results**

On May 28, 2015, the Corporation announced that drilling at the Nopaltepec target had resulted in the discovery of a new highly mineralized zone. Discovery hole LM-15-NP-01 intersected multiple mineralized intercepts of gold, silver and copper from near the collar to a depth of 203.0 metres. The intercepts include 5.74 g/t Au Eq over 17.0 metres, including 5.0 metres grading 13.70 g/t Au Eq, containing a 1.0 metre interval grading 35.02 g/t Au Eq. Additional and separate mineralized intercepts included 1.33 g/t Au Eq over 10.3 metres, 2.21 g/t Au Eq over 8.0 metres, 0.55 g/t Au Eq over 44.0 metres and 1.20 g/t Au Eq over 4.0 metres. The hole ended in mineralization.

The new zone is located approximately 100-150 metres above the downward projection of the recently drilled El Dorado /Juan Bran zone. The grades and type of mineralization are similar to the high –grade mineralization at the Santa Cruz target, located approximately 250 metres to the east.

**Metallurgical Test Work and Results**

ALS Metallurgy of Kamloops, British Columbia, was commissioned to carry out preliminary test work on samples from the Las Minas project. The test work included comminution tests, including Bond ball mill work index and Bond abrasion, a preliminary flotation program, Davis tube magnetic separation, and Trace Mineral Searches by size using QEMSCAN.

Approximately 59 kilograms of sample was collected from drill core and constructed as a composite sample for test work. The average grade of the composite sample measured 2.2% copper, 1.3 g/tonne gold, and 7.0 g/tonne silver. The iron content measured 31.5%.

**Test Results**

In addition to characterization test work, a series of rougher and cleaner test were carried out to optimize a preliminary flotation flow sheet, followed by a locked cycle flotation test to test metallurgical performance under closed circuit conditions. Highlights from the test work were:

- Locked cycle test work recorded recoveries of 95% copper, 89% gold and 84% silver.
- The bulk concentrate from the locked cycle test graded 22% copper, 13 g/tonne gold and 57 g/tonne silver.
- Bond ball work index was 13.3 kW-hr/ tonne, indicating a moderately soft mineralized sample in terms of ball milling.
- Bond abrasion index was 0.14, indicating only mildly abrasive mineralized sample

**Davis Tube Magnetic Separation Results**

A Davis tube magnetic separation conducted on the rougher tail produced a magnetic concentrate grading 67% iron, with 65% of the iron in the tail recovered. This would be considered a high grade magnetic concentrate, which may require little further treatment to meet saleable grade requirements.



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**Note**

All reported intervals are core lengths and additional information is required to determine true widths. Assays are uncut, length-weighted average values.

*(1) Gold equivalent (Au Eq) calculations use metal prices of US\$ 1200/oz. for gold, US\$ 19.00/oz. for silver and US\$ 3.00/lb. for copper. No adjustments have been made for potential relative differences in metal recoveries.*

*Au Eq g/t equals  $Au\ g/t + (Ag\ g/t \times 0.016) + (Cu\% \times 1.71)$ .*

**Financial Highlights – Q1 2017**

**Financial Performance**

The Corporation's net loss totalled \$199,759 for the three months ended September 30, 2016, with basic and diluted loss per share of \$0.02. This compares with a net loss of \$283,127 with basic and diluted loss per share of \$0.03 for the three months ended September 30, 2015. The Corporation had no revenue in both periods presented.

Net loss for three months ended September 30, 2016 principally related to general and administrative of \$142,510 (three months ended September 30, 2015 - \$337,792), exploration and evaluation expenditures of \$40,535 (three months ended September 30, 2015 - \$20,854), professional fees of \$21,168 (three months ended September 30, 2015 - \$12,621), depreciation of \$2,688 (three months ended September 30, 2015 - \$3,353) and recovery of Value Added Tax ("VAT") of \$7,976 (three months ended September 30, 2015 – recovery of \$92,790).

The decrease in general and administrative expenditure of \$195,282 is primarily due to aggressive cost reduction program to reduce discretionary expenditures and conserve cash. The variance in recovery of VAT of \$84,814 from the comparative period is due to VAT recovery being recorded when received from the Mexican authorities and these recoveries vary from period to period based on the release of funds.

**Liquidity and Financial Position**

As at September 30, 2016, the Corporation had a working capital deficit of \$870,996, compared to working capital of \$654,070 at June 30, 2016. The Corporation had \$32,459 in cash available to fund its ongoing operations compared to \$44,377 in cash at June 30, 2016. Current liabilities at September 30, 2016 were \$916,979 compared to \$716,105 at June 30, 2016. The Corporation's cash is not sufficient to continue the day to day operations even with the deferral of payment of accrued salaries and fees to key management and directors of \$385,811. The Corporation is in the process of completing a financing to complete its planned work programs on its mineral properties, meet its ongoing level of corporate overhead and discharge its liabilities as they become due. (See "Subsequent Events") The Corporation intends to reduce discretionary spending to conserve its cash. The Corporation is also currently actively seeking a strategic investor or financing opportunities to improve liquidity.



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Cash used in operating activities was \$197,071 for the three months ended September 30, 2016. Operating activities were affected by a \$2,688 adjustment for depreciation and the net change in non-cash working capital balances of \$205,008 because of an increase in accounts receivable of \$591, decrease in prepaids and deposits of \$4,725 and increase in accounts payable and accrued liabilities of \$200,874.

The Corporation has no operating revenues, and depends on debt and/or equity financing to fund its operations.

As of September 30, 2016, and to the date of this Interim MD&A, the cash resources of Source are held with one Canadian chartered bank. The Corporation has no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest-bearing.

During fiscal 2017, the Corporation's corporate head office costs are estimated to average less than \$150,000 per quarter. Head office costs include professional fees, reporting issuer costs, business development costs and general and administrative costs. Head office costs exclude property research and area selection costs. The cost of acquisition and work commitments on the new acquisitions cannot be accurately estimated.

The Corporation has undertaken an aggressive cost reduction program to reduce corporate overhead and field office costs and conserve cash.

Based on the Corporation's working capital deficit of \$870,996 at September 30, 2016 (June 30, 2016 – \$654,070), the Corporation will have to raise equity capital in fiscal 2017 in amounts sufficient to fund both planned exploration work and working capital requirements. The major variables are expected to be the size, timing and results of the Corporation's exploration program and its ability to continue to access capital to fund its ongoing operations. The Corporation's cash at September 30, 2016 are not anticipated to be sufficient to fund its exploration activities, accounts payable and accrued liabilities of \$916,979 and the estimated operating expenses of \$450,000 for remainder of fiscal 2017.

### **Related Party Transactions**

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

	<b>Nature of transactions</b>
DRAX Services Limited	Corporate secretarial and filing services
0702232 B.C. Ltd. (o/a D. Baker Capital Inc.)	Investor relations, consulting and office rental

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.



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The following are the related party transactions, recorded at the exchange amount as agreed to related parties:

- i) Included in general and administrative expenses for the three months ended September 30, 2016 are amounts totaling \$2,133 (three months ended September 30, 2015 - \$1,987) for corporate secretarial and filing services provided by DRAX, a company related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation. As at September 30, 2016, DRAX was owed \$1,701 (June 30, 2016 - \$1,697) and this amount was included in accounts payable and accrued liabilities.
- ii) Included in general and administrative expenditures for the three months ended September 30, 2016 are amounts totaling \$21,250 (three months ended September 30, 2015 - \$22,500) for investor relations and consulting services and \$nil (three months ended September 30, 2015 - \$4,286) for office rental provided by 0702232 B.C. Ltd. (o/a D. Baker Capital Inc.), a company related to the Corporation through David Baker, Chairman and director of the Corporation. As at September 30, 2016, D. Baker Capital Inc. was owed \$184,357 (June 30, 2016 - \$100,804) and this amount was included in accounts payable and accrued liabilities. The Corporation received a short-term loan of \$195,000 from D. Baker Capital Inc. The loan is interest free and repayable on demand.

Key management personnel remuneration includes the following amounts:

<b><u>Salaries and wages</u></b> <sup>(1)</sup>	<b>Three Months September 30, 2016 (\$)</b>	<b>Three Months September 30, 2015 (\$)</b>
<b>Names</b>		
Brian Robertson	41,030	175,670
<b>Total</b>	<b>41,030</b>	<b>175,670</b>

<b><u>Share-based payments</u></b>	<b>Three Months September 30, 2016 (\$)</b>	<b>Three Months September 30, 2015 (\$)</b>
<b>Names</b>		
Vivian Gu	nil	2,268
<b>Total</b>	<b>nil</b>	<b>2,268</b>

<b><u>Directors fees</u></b> <sup>(1)</sup>	<b>Three Months September 30, 2016 (\$)</b>	<b>Three Months September 30, 2015 (\$)</b>
<b>Names</b>		
Earl Terris	1,416	10,500
Gorden Glenn	1,417	10,500
<b>Total</b>	<b>2,833</b>	<b>21,000</b>



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<sup>(1)</sup> On November 12, 2015, the Chief Executive Officer's ("CEO") temporary 50% salary reduction of his base salary was reinstated effective January 1, 2014 and all outstanding amounts were accrued up to September 25, 2016. In addition, unpaid CEO salaries from July 15, 2015 to September 25, 2016 were also accrued. Directors' fees of \$12,000 per annum were reinstated effective January 1, 2014 and all outstanding amounts were accrued up to September 25, 2016. As at September 30, 2016, the director and key management were owed \$385,811 (June 30, 2016 - \$341,313) and this amount was included in accounts payable and accrued liabilities.

### Commitments

The Corporation has commitments relating to property payment obligations related to the Las Minas property held by the Corporation's subsidiary. The annual payments for the next fiscal year are as follows:

Fiscal year	Amount (\$)
2017	406,885
<b>Total</b>	<b>406,885</b>

### Subsequent Events

(i) On November 21, 2016, the Corporation announced that it has entered into a new agreement extending the term of the option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property for an additional one year to December 5, 2017. Consideration for the extension totalled US\$180,000, payable in equal monthly installments over a six month period and commencing no later than December 5, 2016. All payments are subject to VAT (Value Added Tax). All other terms of the original agreement of November 30, 2010 and prior extension agreements would remain unchanged. The terms of the final extension agreement were the same as the non-binding letter of intent (the "Letter of Intent") that was agreed to by the Corporation on September 7, 2016.

Each Unit consists of one common share of the Corporation and one transferable common share purchase warrant. Each Warrant entitles the holder to purchase one transferable common share of the Corporation for a period of twenty-four months from the closing date of the Private Placement (subject to early expiry) at a price of \$0.25 per common share.

### Additional Information

Additional information concerning the Corporation is available on Sedar at [www.sedar.com](http://www.sedar.com).



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## **Risks and Uncertainties**

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Corporation and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Corporation's MD&A for the fiscal year ended June 30, 2016, available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclosure of Internal Controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements, and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Corporation, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the unaudited condensed interim financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.