XTIERRA INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND DECEMBER 31, 2016

(Expressed in US Dollars)

XTIERRA INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND DECEMBER 31, 2016

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and a working capital deficiency as at December 31, 2017. 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 23, 2018

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

(Expressed in US Dollars)	Notes	2017	2016
		$	$
ASSETS			
Current assets			
Cash		5,558	17,557
Amounts receivable and other	6	403	17,937
Total current assets		5,961	35,494
Non-current assets			
Mineral exploration properties	8	1	1
Equipment	7	14,707	19,822
Total non-current assets		14,708	19,823
Total assets		20,669	55,317
LIABILITIES			
Current			
Accounts payable and accruals	4/9	48,429	31,118
Notes payable	11	1,419,473	1,250,629
Current liabilities, before the undernoted		1,467,902	1,281,747
Other liability	8/10	1,844,000	-
Total current liabilities		3,311,902	1,281,747
Non-current liabilities			
Property acquisition obligations	8/10	-	1,604,000
Total non-current liabilities		-	1,604,000
Total liabilities		3,311,902	2,885,747
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Capital stock	12	34,711,765	34,711,765
Deficit		(38,002,998)	(37,542,195)
(Deficiency)		(3,291,233)	(2,830,430)
Total liabilities and shareholders' equity (deficiency)		20,669	55,317

COMMITMENTS AND CONTINGENCIES (Notes 1, 8, 10, 11 and 19)

The financial statements were approved by the Board of Directors on April 23, 2018 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 Dollars)	Notes	2017	2016
		$	$
Expenses			
General and administrative expenses		22,184	27,970
Corporate expenses		9,248	16,222
Professional fees	4	26,372	11,873
Accretion on property acquisition obligation	10	240,000	212,000
Exploration and evaluation expenses	8	85,865	88,003
Loss before other items		383,669	356,068
Other items			
Interest expense and fees on notes payable	11	75,844	65,498
Foreign exchange loss/(gain)		1,290	(13,973)
Net loss and comprehensive loss for the year		460,803	407,593
Net loss per share – basic and diluted		0.004	0.004
Weighted average common shares outstanding – basic and diluted		116,370,336	116,370,336

See accompanying notes to the consolidated financial statements.

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

(Expressed in US Dollars)	Stock Capital $	Share-based payment reserve $	Deficit $	Total $
Balance as at December 31, 2015	**34,711,765**	**1,472,250**	**(38,606,852)**	**(2,422,837)**
Share-based payments expired	-	(1,472,250)	1,472,250	-
Net loss for the year	-	-	(407,593)	(407,593)
Balance as at December 31, 2016	**34,711,765**	**-**	**(37,542,195)**	**(2,830,430)**
Net loss for the year	-	-	(460,803)	(460,803)
Balance as at December 31, 2017	**34,711,765**	**-**	**(38,002,998)**	**(3,291,233)**

See accompanying notes to the consolidated financial statements.

XTIERRA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

(Expressed in US Dollars)	2017	2016
	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss for the year	(460,803)	(407,593)
Depreciation	5,115	9,439
Accretion on property acquisition obligation	240,000	212,000
Interest expense and fees on notes payable	75,844	65,498
Operating cash flow before movements in working capital	(139,844)	(120,656)
Movements in working capital		
Decrease/(increase) in amounts receivable and other	17,534	(3,718)
Increase in accounts payable and accruals	17,311	7,764
Net cash used in operating activities	(104,999)	(116,610)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes payable	93,000	75,000
Net cash generated by financing activities	93,000	75,000
Change in cash	(11,999)	(41,610)
Cash, beginning of year	17,557	59,167
Cash, end of year	5,558	17,557

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 mineral exploration 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 and significant doubt about the Company's ability to continue as a going concern. See Note 19, Subsequent Events.

At December 31, 2017. 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 generate additional financial resources in order to fund its planned exploration programs. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability.

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 were authorized for issuance by the Board of Directors on April 23, 2018.

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

Mineral exploration properties include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. Exploration expenditure relates to the initial search for precious and base metals. 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) Equipment

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.

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 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 exploration properties 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 equipment at December 31, 2017 and 2016.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

(f) 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)

(g) 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.

(h) 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.

(i) 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.

(j) 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.

Determination of functional currency
Functional currency is determined annually for each entity based on a set of primary and secondary factors that include; the currency that influences sales prices for goods and services; the currency of the country that determines the sales prices of goods and services; the currency that mainly influences the costs of providing goods and services; the currency in which funds from financing activities are generated; the currency in which receipts from operating activities are usually retained. When the factors do not provide clear indicators, management judgement must be applied in the determination of functional currency.

Contingencies
See Note 18.

(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) Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted 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 loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options, warrants and other convertible securities that would decrease loss per share, as a result, all outstanding convertible securities for the years ended December 31, 2017 and 2016 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 the year ended December 31, 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7, IAS 12 and IFRS 12. These new standards and changes did not have any material impact on the Company's 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 commencing on or after January 1, 2018. 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.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 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.

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 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. Earlier adoption is permitted if IFRS 15 has also been applied.

(Expressed in US Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier 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 and key management personnel for their services as directors and officers of the Company in the years ended December 31, 2017 or December 31, 2016.

During 2017 and 2016, the Company entered into various funding agreements with its major shareholders, see Note 11.

For the year ended December 31, 2017, the Company made payments or accrued $15,460 (2016 - $7,240) 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, 2017 is $15,000 (2016 - $1,360) due to related parties other than notes due to major shareholders. These balances are due on demand, unsecured and non-interest bearing.

The subsidiaries of the Company at December 31, 2017 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 Ltd.	Bahamas	100%	Holding company for Mexican subsidiaries
Bilbao Resources SA de CV	Mexico	100%	Exploration
Bilbao Mining SA de CV	Mexico	100%	Exploration
Minera Orca SA de CV	Mexico	100%	Exploration
Orca Mining Exploration SA de CV	Mexico	100%	Exploration

5. SEGMENTAL ANALYSIS

	Segment result	
	December 31, 2017	December 31, 2016
	$	$
Net loss for the year		
Canada	351,679	289,584
Mexico	109,124	118,009
Loss for the year	460,803	407,593

Segment assets and segment liabilities	Assets	
	December 31, 2017	December 31, 2016
	$	$
Canada	4,186	12,720
Mexico	16,483	42,597
	20,669	55,317

	Liabilities	
	December 31, 2017	December 31, 2016
	$	$
Canada	(3,294,238)	(2,869,979)
Mexico	(17,663)	(15,768)
	(3,311,901)	(2,885,747)

6. AMOUNTS RECEIVABLE AND OTHER AND PREPAID EXPENSES

	December 31, 2017	December 31, 2016
	$	$
Receivable sales taxes - Canada	174	267
Receivable sales taxes - Mexico	229	17,670
Amounts receivables and other	403	17,937

7. EQUIPMENT

	December 31, 2017	Accum. Depreciation	December 31, 2016	Disposal	December 31, 2015
	$000's	$000's	$000's	$000's	$000's
Equipment at cost	53	-	53	(17)	70
Accumulated depreciation	(39)	(5)	(34)	7	(41)
Total	14	(5)	19	(10)	29

8. EXPLORATION AND EVALUATION EXPENDITURES

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

	December 31, 2017	Additions	December 31, 2016	Additions	December 31, 2015
	$000's	$000's	$000's	$000's	$000's
Bilbao	22,679	85	22,594	88	22,506
Laguna	7,281	-	7,281	-	7,281
Total	29,960	85	29,875	88	29,787

Bilbao

The Company, through its indirectly wholly-owned Mexican subsidiaries, holds a 100% interest in the Bilbao zinc-silver-lead-copper project, including the necessary surface lands for surface installations and development of the Bilbao deposit, subject to a 1.5% net smelter royalty.

Prior to August 2008, under an Option Agreement dated February 22, 2006, between Minco plc. and Shoshone Mexico S.A. de C.V., ("Shoshone Mexico"), Minco plc was earning into a 75% interest in the Bilbao property. In August 2008, Orca Gold Corporation International ("Orca Gold"), then an indirect subsidiary of Minco plc, purchased from Shoshone Silver Mining Company ("Shoshone Silver") all the shares of Shoshone Mexico, the registered owner of four of the Bilbao concessions and the beneficial owner of the outstanding 25% interest in the Bilbao property, for $100,000. By an Indemnity and Guarantee Agreement dated August 11, 2008, Shoshone Silver agreed to indemnify Orca Gold and Shoshone Mexico against any damages or losses suffered from all liabilities and obligations of Shoshone Mexico in consideration of the agreement by Orca Gold to pay to Shoshone Silver the total sum of $4,900,000. Of this total amount, $2,400,000 was paid on the date of transfer of the shares of Shoshone Mexico and a further $500,000 was paid one year after the date of the first payment.

The remaining balance of $2,000,000 payable by Orca Gold to Shoshone Silver pursuant to the Indemnity and Guarantee Agreement was payable in four consecutive equal annual payments of $500,000 each, the first such $500,000 annual payment to be made at the time of commencement of construction of any mine developed on the Bilbao concessions, but in any event commencing in August 2014, provided that the remaining balance of $2,000,000 shall be paid in full no later than August 11, 2018. Construction of a mine on the Bilbao concessions has not commenced to date. Orca Minerals Limited, the parent company of Orca Gold, guaranteed the payments and obligations of Orca Gold to Shoshone Silver under the Indemnity and Guarantee Agreement and is now investigating any claims that may be outstanding under the Indemnity and Guarantee Agreement. In 2009, Xtierra acquired all of the shares of Orca Minerals Limited from Minco plc on August 29, 2008 but did not assume, on a corporate non-consolidated basis, liability for any payments that may become due under the Indemnity and Guarantee Agreement.

At the time of the Indemnity Agreement in 2008 the present value of then outstanding future payments of $2,500,000 was determined to be $1,023,000 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.

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.

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 $52,000 (MXN $1,080,000) 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.

(Expressed in US Dollars)

9. ACCOUNTS PAYABLE AND ACCRUALS

	December 31, 2017 $	December 31, 2016 $
Trade creditors	20,663	19,758
Payable to related parties (Note 4)	15,000	1,360
Accrued liabilities	12,766	10,000
	48,429	31,118

10. PROPERTY ACQUISITION OBLIGATIONS

	December 31, 2017 $	December 31, 2016 $
Property acquisition obligations (stated at net present value - See Note 8) due as follows:		
Current liability - due August 2018	1,844,000	-
Between one and two years	-	1,604,000
	1,844,000	1,604,000

See Note 8.

11. OTHER FINANCIAL LIABILITIES

	December 31, 2017 $	December 31, 2016 $
Notes payable		
Note payable to Pacific Road	731,379	690,999
Note payable to Buchans	688,094	559,630
Total notes payable	1,419,473	1,250,629

Notes payable

At December 31, 2017, under agreements with its major shareholders Pacific Road Group of Funds (“Pacific Road”) and Minco Plc (“Minco”) entered into in 2014, and subsequently amended, the Company had outstanding notes payable of $1,419,473 which carried interest of 5%. The notes matured and had become due and payable on April 30, 2016. The notes payable are secured pari-passu by a pledge by Xtierra of its shares of Orca Minerals Limited.

Included in the note payable to Buchans Resources Limited (“Buchans”) (successor to Minco), is an amount of $168,000 advanced by Buchans to the Company during 2017 and 2016 to fund the Company’s working capital and maintain its mineral properties.

On February 14, 2018, the Company settled the principal amount of its secured promissory notes owing to Pacific Road in the amount of $731,379, plus accrued interest, by the issue to Pacific Road of 18,442,721 common shares of Xtierra at Cdn$0.05 per share.

On the same date, Buchans entered into a two-year Support and Standstill Agreement (“Support Agreement”) to defer repayment of principal and accrued interest, and also to provide additional financial support of up to US$100,000, on the following terms:

- The Notes, including the additional advances, remain secured by a pledge to Buchans of the shares of Orca Minerals Limited, which indirectly holds Xtierra’s mineral properties in Mexico (the “Secured Property”);
- The accrual of interest is suspended during the term of the Support Agreement.
- Buchans has the option at any time, upon 60 days written notice, to require the transfer of the Secured Property to Buchans in full satisfaction of the debt, unless during that 60-day period the debt is repaid in full, in cash;
- Xtierra has the right to repay the debt in cash at any time;
- Upon expiry of the term of the Support Agreement, Xtierra may discharge the debt in full by transferring the Secured Property to Buchans;

In consideration for the Support and Standstill Agreement, the Company issued 13 million, non-transferable warrants to Buchans, each warrant entitling Buchans to purchase one common share of Xtierra for Cdn$0.05 per share for a period of two years.

(Expressed in US Dollars)

12. CAPITAL STOCK

Common shares

Authorized

Unlimited number of common shares

Issued	Shares	Amount $
Balance, December 31, 2017, 2016 and 2015	116,370,336	34,711,765

See Notes 11 and 19.

13. 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, 2017, the Company had no outstanding stock options. Stock options transactions were as follows:

	Number of Options
Balance, December 31, 2015	3,775,000
Expired	(3,775,000)
Balance, December 31, 2016 and 2017	-

See Note 19.

14. SHARE-BASED PAYMENT RESERVE

Share-based payment reserve transactions for the years ended December 31, 2017 and 2016 were as follows:

	$
Balance, December 31, 2015	1,472,250
Stock options expired	(1,472,250)
Balance, December 31, 2016 and 2017	-

(Expressed in US Dollars)

15. INCOME TAXES

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% (2016 – 26.5%) were as follows:

	December 31, 2017 $	December 31, 2016 $
(Loss) before income taxes	(460,803)	(407,593)
Expected recoverable income taxes at statutory rates	(122,000)	(108,000)
(Increase) decrease resulting from:		
Expenses not deductible for tax purposes	211,000	6,000
Change in foreign exchange rates	(704,000)	720,000
Changes and differences in tax rates	16,000	-
Change in benefit of tax assets not recognized	599,000	(618,000)
Deferred income tax provision (recovery)	-	-

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

	2017 $	2016 $
Non-capital loss carry-forwards - Canada	3,659,000	3,319,000
Non-capital loss carry-forwards - Mexico	15,134,000	14,382,000
Unrecorded deductible temporary differences	18,793,000	17,701,000

The Company has approximately Cdn$4,463,000 ($3,659,000) of non-capital losses in Canada and approximately MXN297,813,000 Mexican Pesos ($15,134,000), of non-capital losses in Mexico which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire at various dates through 2037 and the Mexican losses expire at various dates through 2027.

16. 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 2017 and 2016.

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. See Note 17.

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.

16. FINANCIAL INSTRUMENTS (continued)

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, 2017, the Company had cash of $5,558 (2016 - $17,557) to settle current liabilities of $3,311,902 (2016 - $1,281,747). 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 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.

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, 2017, the Company held Canadian monetary assets and liabilities totalling approximately (Cdn$-33,600) ($-26,600 net), and Mexican monetary assets and liabilities totalling approximately (MXN$324,000) ($16,000 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$-33,600) ($-26,600) 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 $260 based on monetary asset and liability balances existing at December 31, 2017.

The Company holds approximately (Mxn$324,000) ($16,000) 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 $160 based on monetary asset and liability balances existing at December 31, 2017.

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, 2017.

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, 2017 and 2016, the Company did not have any financial instruments carried at fair value.

17. 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 stage; 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, 2017. 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$50,000 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, 2017 and 2016, 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 2017 and 2016.

18. 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 $52,000 (MXN $1,080,000) 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 8.

19. SUBSEQUENT EVENTS

In January 2018, the Company granted a total of 9,500,000 incentive stock options to directors, officers and consultants pursuant to the Company’s Stock Option Plan. All these stock options are exercisable at a price of Cdn$0.05 per share for a period of five years from January 29, 2018.

In February 2018, the Company completed the partial settlement and restructuring of the Company’s secured promissory notes held by its secured creditors and principal shareholders. See Note 11.