



# LIBERO

MINING

**LIBERO MINING CORPORATION**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2016**



March 31, 2017

## **Independent Auditor's Report**

### **To the Shareholders of Libero Mining Corporation**

We have audited the accompanying financial statements of Libero Mining Corporation, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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*PricewaterhouseCoopers LLP  
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7  
T: +1 604 806 7000, F: +1 604 806 7806*



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Libero Mining Corporation as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Other matter**

The financial statements as at December 31, 2015 and for the year then ended were audited by other auditors who expressed an opinion without reservation in their report dated April 28, 2016.

**(signed) “PricewaterhouseCoopers LLP”**

**Chartered Professional Accountants**

**LIBERO MINING CORPORATION**  
**Consolidated statements of financial position**  
*(expressed in Canadian dollars)*

As at	Notes	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 670,385	\$ 246,243
Amounts receivable		2,678	1,186
Prepaid expenses		57	7,550
		<b>673,120</b>	<b>254,979</b>
<b>Non-current assets</b>			
Mineral properties	5	51,888	-
<b>Total assets</b>		<b>\$ 725,008</b>	<b>\$ 254,979</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 43,393	\$ 17,750
<b>Total liabilities</b>		<b>43,393</b>	<b>17,750</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		5,388,295	5,013,001
Contributed surplus		479,549	90,196
Deficit		(5,186,229)	(4,865,968)
<b>Total shareholders' equity</b>		<b>681,615</b>	<b>237,229</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 725,008</b>	<b>\$ 254,979</b>
Subsequent events	12		

On behalf of the Board of Directors:

(signed) "Jeffrey Mason"  
Director

(signed) "Ian Slater"  
Director

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

**LIBERO MINING CORPORATION**  
**Consolidated statements of loss and comprehensive loss**  
*(expressed in Canadian dollars)*

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For the year ended	Notes	December 31, 2016	December 31, 2015
<b>Expenses</b>			
Share-based payments	7(c)	\$ 125,729	\$ 711
Projects evaluation		68,369	15,012
Professional fees		51,949	35,026
General and administration		50,494	21,717
Filing fees		23,720	14,944
		<u>320,261</u>	<u>87,410</u>
<b>Net loss and comprehensive loss for the period</b>		<b>\$ 320,261</b>	<b>\$ 87,410</b>
Basic and diluted loss per share		\$ 0.01	\$ 0.004
Weighted average number of common shares outstanding		32,595,189	21,833,714

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

**LIBERO MINING CORPORATION**
**Consolidated statements of changes in equity**
*(expressed in Canadian dollars)*

	Notes	Number of shares	Share capital	Contributed surplus	Deficit	Total
<b>Balance, December 31, 2014</b>		<b>21,833,714</b>	<b>\$ 5,013,001</b>	<b>\$ 90,615</b>	<b>\$ (4,779,689)</b>	<b>\$ 323,927</b>
Share-based payments	7(c)	-	-	712	-	712
Reclassified share option reserve		-	-	(1,131)	1,131	-
Total comprehensive loss		-	-	-	(87,410)	(87,410)
<b>Balance, December 31, 2015</b>		<b>21,833,714</b>	<b>\$ 5,013,001</b>	<b>\$ 90,196</b>	<b>\$ (4,865,968)</b>	<b>\$ 237,229</b>
Private placement	7(a),7(b)	13,250,000	371,043	265,375	-	636,418
Share options exercised		25,000	4,251	(1,751)	-	2,500
Share-based payments	7(c)	-	-	125,729	-	125,729
Total comprehensive loss		-	-	-	(320,261)	(320,261)
<b>Balance, December 31, 2016</b>		<b>35,108,714</b>	<b>\$ 5,388,295</b>	<b>\$ 479,549</b>	<b>\$ (5,186,229)</b>	<b>\$ 681,615</b>

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

**LIBERO MINING CORPORATION**  
**Consolidated statements of cash flows**  
*(expressed in Canadian dollars)*

<b>For the year ended</b>	<b>Notes</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		\$ (320,261)	\$ (87,410)
<i>Adjustments for items not involving cash:</i>			
Share-based payments	7(c)	125,729	712
<i>Net changes in non-cash working capital items:</i>			
Amounts receivable		(1,492)	(591)
Prepaid expenses		7,493	(839)
Accounts payable and accrued liabilities		25,643	7,810
<b>Net cash outflows from operating activities</b>		<b>(162,888)</b>	<b>(80,318)</b>
<b>FINANCING ACTIVITIES</b>			
Issuance of Units, (shares and warrants), net of issue cost	7(a)	636,418	-
Proceeds from issuance of common shares on exercise of share options		2,500	-
<b>Net cash inflows from financing activities</b>		<b>638,918</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of mineral properties	5	(51,888)	-
<b>Net cash outflows from investing activities</b>		<b>(51,888)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>424,142</b>	<b>(80,318)</b>
Cash and cash equivalents, beginning of the period		246,243	326,561
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 670,385</b>	<b>\$ 246,243</b>

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

## **LIBERO MINING CORPORATION**

### **Notes to the consolidated financial statements**

*(expressed in Canadian dollars, unless otherwise stated)*

#### **1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS**

Libero Mining Corporation (“Libero” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on June 5, 2008. The Company changed its name from Slater Mining Corporation to Libero Mining Corporation on February 4, 2016.

The address and domicile of the Company’s registered office and its principal place of business is Suite 2348 - 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8. The Company is engaged in the acquisition and exploration of mineral properties.

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

#### **2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standard (“IFRS”). The consolidated financial statements have been prepared using the accounting policies set out in note 3.

The consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

The consolidated financial statements of the Company for the year ended December 31, 2016 were authorized for issue by the Board of Directors on March 31, 2017.

##### **Basis of consolidation**

These consolidated financial statements include the financial statements of the Company and its subsidiary. A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has the rights to, variable returns from the Company’s involvement with the entity and has the ability to affect those returns through the Company’s power over the entity.

The results of the subsidiary is included in the consolidated financial statements from the date that control commences until the date the control ceases. All intercompany transactions and balances have been eliminated.

These consolidated financial statements comprise the accounts of the Company and its subsidiary:

- Libero Mining Limited, a company incorporated in Delaware, in the United States of America (“USA”) which holds the Tomichi porphyry copper-molybdenum option agreement.



### **3. PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below:

#### **a) Foreign currency translation**

##### *Functional and presentation currency*

Items included in the consolidated financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company and its subsidiary is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss.

#### **b) Mineral property**

The Company defers the cost of acquiring and maintaining its interest in mineral properties until the properties are placed into production, abandoned, sold or considered to be impaired in value. Certain acquisition costs may be written off per policy, even though the project as a whole is not impaired. Other exploration and development expenditures are expensed as incurred until the mineral reserves can be established, after which such costs will be accounted for in the same manner as acquisition costs. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the assets, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the existence of reserves. Management reviews the carrying value of mineral properties at least annually, and will recognize impairment in value based upon the current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the assets. Amounts shown for assets represent costs incurred net of any write-downs and recoveries, and are not intended to represent present or future values.

#### **c) Financial instruments**

##### **Financial assets**

##### *Initial recognition and measurement*

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or fair value through profit or loss ("FVTPL"). All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

## LIBERO MINING CORPORATION

### Notes to the consolidated financial statements

(expressed in Canadian dollars, unless otherwise stated)

#### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

##### c) Financial instruments (continued)

###### Financial assets (continued)

###### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described below:

- Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.
- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments or fixed maturities that the Company has the positive intention and ability to hold them to maturity.
- Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

###### Financial liabilities

###### *Initial recognition and measurement*

All financial liabilities are initially designated upon inception as FVTPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at fair value, plus, in the case of loans and borrowings, directly attributable transaction costs.

###### *Subsequent measurement*

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

## LIBERO MINING CORPORATION

### Notes to the consolidated financial statements

*(expressed in Canadian dollars, unless otherwise stated)*

#### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

##### c) Financial instruments (continued)

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in comprehensive loss in the period in which they arise. The net gain or loss recognized in comprehensive loss excludes any interest paid on the financial liabilities.

##### d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements within the scope of IFRS 13 are categorized into Level 1, 2 or 3 based on the degree to which the inputs are observable and the significance of the inputs to the fair value measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

##### e) Taxation

Tax expense recognized in comprehensive loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization or settlement, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and any unused tax losses can be utilised except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in comprehensive loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****f) Share-based payments**

The Company grants share purchase options as an element of compensation. For share purchase options granted by the Company, the cost of the service received is measured based on an estimate of the fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in contributed surplus. On the exercise of share purchase options, consideration received, together with the compensation expense previously recorded to contributed surplus, is credited to share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of each share purchase option tranche at the date of grant.

**g) Loss per share**

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. The Company uses the treasury share method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

**h) Management judgments and key sources of estimation uncertainty**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

**Impairment**

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being each mineral property, which is the lowest level for which cash inflows are largely independent of those of other assets, and has determined that there are no indications of impairment.

**LIBERO MINING CORPORATION**  
**Notes to the consolidated financial statements**

*(expressed in Canadian dollars, unless otherwise stated)*

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**4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

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The accounting policies adopted in the preparation of the consolidated financial statements for the year ended December 31, 2016 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2015.

**Standards and interpretations issued but not yet effective**

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

*IFRS 9 Financial Instrument*

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments ("IFRS 9") which will replace IAS 39, Financial Instruments ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management. The Company is assessing IFRS 9's impact on its consolidated financial statements and has not yet determined the impact.

*IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology. The Company is assessing IFRS 16's impact on its consolidated financial statements and has not yet determined the impact.

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**5. MINERAL PROPERTY**

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In December 2016, the Company, through Libero Mining Limited, entered into an option agreement to purchase the Tomichi porphyry copper-molybdenum deposit ("Tomichi") in Colorado and incurred \$51,888 of acquisition costs as at December 31, 2016. The Company has a five-year option until December 16, 2021 to acquire 100% of Tomichi for an exercise price of US \$4 million (the 'Exercise Price'). The Company must make the following option payments in order to maintain rights under the "Option Agreement":

- US\$7,500 on December 16, 2016 (*paid*);
- US\$40,000 on January 16, 2017 (*paid*);
- US\$60,000 on December 16, 2017;
- US\$80,000 on December 16, 2018;
- US\$125,000 on December 16, 2019; and
- US\$150,000 on December 16, 2020.

Option payments made to maintain the option are not credited against the Exercise Price, however at any time the option may be exercised early by paying the Exercise Price with no further option payments required.

## LIBERO MINING CORPORATION

### Notes to the consolidated financial statements

(expressed in Canadian dollars, unless otherwise stated)

#### 6. ACCOUNTS PAYABLE AND LIABILITIES

As at	December 31, 2016	December 31, 2015
Trade payables	\$ 16,226	\$ -
Other accrued liabilities	27,167	17,750
<b>Total</b>	<b>\$ 43,393</b>	<b>\$ 17,750</b>

#### 7. SHARE CAPITAL

##### a) Authorized share capital

Unlimited number of common shares without par value.

##### *Share consolidation*

On February 4, 2016, the Company consolidated all of its outstanding common shares on the basis of two pre-consolidation common shares for one post-consolidation common share.

All share, and basic and diluted loss per common share information presented in these consolidated financial statements have been adjusted retroactively to reflect the consolidation of all outstanding common shares on the basis of two pre-consolidation common shares for one post-consolidation common share.

##### *Private placements*

The Company completed a non-brokered private equity placement in two tranches for total gross proceeds of \$662,500 consisting of 13,250,000 Units at a price of \$0.05 per Unit. Each Unit consists of one common share of the Company and one share purchase warrant. The first tranche was completed on February 29, 2016 for gross proceeds of \$492,500 on issuance of 9,850,000 Units. The second tranche was completed on April 8, 2016, for gross proceeds of \$170,000 on issuance of 3,400,000 Units.

As at December 31, 2016, the Company had 35,108,714 common shares issued and outstanding.

##### b) Warrants

All warrants information presented in these consolidated financial statements has been adjusted retroactively to reflect a share consolidation on the basis of two pre-consolidation common shares for one post-consolidation common share.

As part of the private equity placement completed in 2016, for each common share the Company issued, one share purchase warrant was issued. Accordingly, 9,850,000 warrants were issued on completion of the first tranche on February 29, 2016, and 3,400,000 warrants were issued on completion of the second tranche on April 8, 2016, for a total of 13,250,000 warrants. Each warrant entitles the holder thereof to acquire one common share for a period of five years ending March 1, 2021 for the first tranche and April 8, 2021 for the second tranche at a price of \$0.05 per common share for a period of 12 months and at a price of \$0.10 per common share thereafter.

**LIBERO MINING CORPORATION**  
**Notes to the consolidated financial statements**  
*(expressed in Canadian dollars, unless otherwise stated)*

**7. SHARE CAPITAL (CONTINUED)**

**b) Warrants (continued)**

The Company has calculated and recorded to contributed surplus, the fair value of 9,850,000 warrants issued on February 29, 2016 equal to \$197,230, and 3,400,000 warrants issued on April 8, 2016 equal to \$68,145, for a total of \$265,375 based on the relative fair value model.

Information regarding warrants outstanding at December 31, 2016 is as follows:

Expiry date	Warrants outstanding	Weighted average exercise price	Weighted average remaining life (years)
March 1, 2021	9,850,000	\$ 0.06	4.17
April 8, 2021	3,400,000	\$ 0.06	4.27

As at December 31, 2016, the Company had 13,250,000 warrants outstanding. Refer to note 12.

**c) Options**

All options information presented in these consolidated financial statements have been adjusted retroactively to reflect a share consolidation on the basis of two pre-consolidation common shares for one post-consolidation common share.

A summary of the options granted under the option plan as at December 31, 2016, and the changes for the year ended are as follows:

	Options outstanding	Weighted average exercise price
<b>December 31, 2014 and 2015 balance</b>	<b>1,637,500</b>	<b>\$ 0.10</b>
Granted	1,972,500	0.11
Exercised	(25,000)	0.10
Forfeiture	(75,000)	0.10
<b>December 31, 2016 balance</b>	<b>3,510,000</b>	<b>\$ 0.10</b>

During the year ended December 31, 2016, 25,000 share options were exercised for cash proceeds of \$2,500.

No options were granted, exercised or cancelled during the year ended December 31, 2015.

The following summarizes information about share purchase options outstanding and exercisable at December 31, 2016:

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining life (years)
November 6, 2018	1,637,500	1,637,500	\$ 0.10	1.85
March 16, 2021	1,387,500	981,250	\$ 0.10	4.21
May 19, 2021	200,000	200,000	\$ 0.10	4.38
June 14, 2021	100,000	50,000	\$ 0.17	4.45
October 28, 2021	135,000	33,750	\$ 0.14	4.83
December 16, 2021	50,000	12,500	\$ 0.16	4.96
	<b>3,510,000</b>	<b>2,915,000</b>	<b>\$ 0.10</b>	<b>3.16</b>

## LIBERO MINING CORPORATION

### Notes to the consolidated financial statements

(expressed in Canadian dollars, unless otherwise stated)

#### 7. SHARE CAPITAL (CONTINUED)

##### c) Options (continued)

The fair value of each outstanding share purchase options grant was estimated using Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	0.65%
Expected volatility	165.42%
Expected life (years)	3.8
Expected dividends (yield)	0%
<b>Weighted average fair value per option</b>	<b>\$0.08</b>

For total share-based payments for the year ended December 31, 2016 was \$125,729 (2015: \$711) recorded in the consolidated statements of comprehensive loss.

#### 8. INCOME TAX

The Company is subject to tax in Canada and the USA at the rate of 26% and 35%, respectively, for the year ended December 31, 2016. The Company had no assessable profit in Canada and the USA for the year ended December 31, 2016.

Income tax recovery differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to net loss before income tax as follows:

For the years ended	December 31, 2016	December 31, 2015
<b>Loss before tax</b>	<b>\$ (320,261)</b>	<b>\$ (87,410)</b>
Statutory tax rate	26%	26%
<b>Recovery tax at the statutory rate</b>	<b>\$ (83,268)</b>	<b>\$ (22,727)</b>
Unrecognized loss carryforwards	36,303	22,542
Non-deductible expenses	32,690	185
Other	14,275	-
<b>Income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

The Company's deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are as follows:

For the year ended	December 31, 2016	December 31, 2015
<b>Deductible temporary differences</b>		
Loss carryforwards	\$ 3,440,262	\$ 3,313,490
Share issue costs	23,258	10,405
Resource properties	349,360	349,360
Investment tax credits	45,936	45,936
Capital loss carryforwards	331,069	331,069
<b>Total deductible temporary differences</b>	<b>\$ 4,189,885</b>	<b>\$ 4,050,260</b>

The Company has non-capital loss carryforwards of approximately \$3,440,262 (2015: \$3,313,490) which may be available to offset future income for income tax purposes. The Company recognizes the benefits of tax losses only to the extent of the reversal of taxable temporary differences in relevant jurisdictions within the carry forward period. The available non-capital losses can be carried forward for 20 years in Canada.



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**9. RELATED PARTY TRANSACTIONS**

The following table provides the total amount of transactions by the Company with related parties during the year ended December 31, 2016 and 2015:

For the year ended	December 31, 2016	December 31, 2015
<b>Purchases during the year</b>		
Rent, salary and related costs recharged from a company controlled by certain directors in common	\$ 12,000	\$ 12,000
Legal fees to Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which one of the directors is a partner	\$ 58,231	\$ 7,176
<b>As at</b>		
<b>Amounts owed to</b>		
Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which one of the directors is a partner	\$ 14,474	\$ 5,462
A company controlled by certain directors in common for due diligence services	\$ 12,953	\$ -

There was no cash compensation paid to directors or officers of the Company during the year ended December 31, 2016 and 2015. The share-based payment expense related to members of executive management for the year ended December 31, 2016 was \$25,563 (2015: \$280). There were no other forms of compensation paid to management during the year ended December 31, 2016 and 2015.

In connection with the closing of the private equity placement on February 29, 2016 (*note 7*), Slater Capital Corporation, a company indirectly controlled by Ian Slater, Chairman and Chief Executive Officer acquired beneficial ownership of 1,300,000 Units; Tim Petterson, Director, acquired 210,000 Units; Robert Bell, Director, acquired 1,230,000 Units; and Jeffrey Mason, Director acquired 1,500,000 Units. The issuance of the Units to Slater Capital Corporation and Messers Petterson, Bell and Mason, as well as the grant of stock options to directors and senior officers are related party transactions.

Related party transactions are measured at the amounts agreed upon by the parties.

## **10. CAPITAL MANAGEMENT**

The Company's capital consists of common shares, contributed surplus, and deficit attributable to shareholders of the Company. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt. In addition, the Company is cognizant of the impact of diluting equity shareholders and so considers this when planning the timing and amount of equity financings or other changes to the group's capital structure.

## **11. FINANCIAL INSTRUMENTS**

The Company has designated its cash and cash equivalents and amounts receivable as loans and receivables and accounts payable and accrued liabilities as loans and borrowings. There has been no change to the designations of financial instruments during the year ended December 31, 2016.

### **a) Fair value**

The fair value of these financial instruments approximates their carrying value, due to the short-term nature of these instruments.

The IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The Company currently has no financial instruments measured at fair value.

The Company's financial assets and liabilities approximate fair value due to their short terms to maturity.

### **b) Financial risk management**

#### **Credit risk**

The Company is exposed to credit risk with respect to its cash and cash equivalents and other assets. Cash and cash equivalents are on deposit with major Canadian financial institutions.

The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk by purchasing highly liquid, short-term investment-grade securities held at major financial institutions.

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**11. FINANCIAL INSTRUMENTS (CONTINUED)**

**b) Financial risk management (continued)**

**Credit risk (continued)**

The Company's concentration of credit risk and maximum exposure thereto is as follows:

<b>As at</b>	<b>December 31, 2016</b>		<b>December 31, 2015</b>	
Cash and cash equivalents	\$	670,385	\$	246,243

The credit risk associated with cash is minimized by ensuring the majority of these financial assets are held with a major Canadian financial institution with investment-grade ratings by a primary rating agency.

**Interest rate risk**

The Company is not exposed to significant interest rate risk.

**Foreign currency risk**

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company also has transactional currency exposures such as the Tomichi option agreement payments. Such exposures arise from purchases in currencies other than the respective functional currencies, typically the US dollar. The Company manages this risk by matching receipts and payments in the same currency and monitoring the movements in foreign currency.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Management has carried out a cash flow assessment and expects to have sufficient cash and cash equivalents to continue operating for the ensuing twelve months.

<b>As at December 31, 2016</b>	<b>Within 1 year</b>		<b>More than one year</b>		<b>Total</b>
Accounts payable and accrued liabilities	\$	43,393	\$	-	\$ 43,393

**12. SUBSEQUENT EVENTS**

Subsequent to the year ended December 31, 2016, 7,300,000 warrants were exercised with an exercise price of \$0.05 per warrant for total proceeds of \$365,000.