# ALTIPLANO MINERALS LTD.

Financial Statements

For the year ended December 31, 2016 and the fifteen month period ended December 31, 2015.

# Independent Auditor's Report

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To the Shareholders of Altiplano Minerals Ltd.

We have audited the accompanying financial statements of Altiplano Minerals Ltd., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015 and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the twelve month period ended December 31, 2016, and the fifteen month period ended December 31, 2015, and 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, 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 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 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.

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Altiplano Minerals Ltd. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the twelve month period ended December 31, 2016, and the fifteen month period ended December 31, 2015, in accordance with International Financial Reporting Standards.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $367,784 during the year ended December 31, 2016, and, as of that date, the Company's accumulated deficit was $2,239,418. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Edmonton, Canada

Grant Thornton LLP

April 24, 2017

Chartered Professional Accountants

| As at | December 31 2016 | December 31 2015 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash | **$ 58,557** | $ 54,401 |
| Accounts receivable | **-** | 30,517 |
| Goods and services tax receivable | **16,266** | 3,318 |
| Prepayments and deposits | **7,100** | 9,483 |
| | **81,923** | 97,719 |
| Exploration deposit | **-** | 3,500 |
| Investments | **16,250** | - |
| Exploration and evaluation property (note 4) | **96,869** | - |
| Deposit on exploration and evaluation property (note 9) | **135,190** | - |
| | **$ 330,232** | $ 101,219 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities | **$ 44,945** | $ 43,409 |
| **Equity** | | |
| Share capital (note 6) | **2,218,205** | 1,655,944 |
| Option and warrant reserve | **306,500** | 273,500 |
| Deficit | **(2,239,418)** | (1,871,634) |
| | **285,287** | 57,810 |
| | **$ 330,232** | $ 101,219 |

Approved by the Board of Directors

Director (signed by) *"John Williamson"*

Director (signed by) *"Sean Mager"*

*The accompanying notes form an integral part of these financial statements*

| **For the** | **year ended December 31 2016** | **15 months ended December 31 2015** |
|---|---|---|
| **Expenses** | | |
| Office and administration | **$ 57,681** | $ 65,686 |
| Project evaluation fees | **27,590** | 113,028 |
| Management fees (note 8) | **92,946** | 48,485 |
| Professional fees | **85,177** | 49,625 |
| Regulatory and filing fees | **28,917** | 21,468 |
| Investor relations | **33,725** | 10,217 |
| Share-based compensation (note 6) | **33,000** | - |
| | **(359,036)** | (308,509) |
| **Other** | | |
| Interest income | **2** | 2,825 |
| Unrealized loss on investments | **(8,750)** | - |
| Recovery of project evaluation fees (note 4) | **-** | 25,000 |
| Write-down of exploration and evaluation property (note 4) | **-** | (374,391) |
| | **(8,748)** | (346,566) |
| **Net comprehensive loss** | **$ (367,784)** | $ (655,075) |
| **Basic and diluted loss per common share** | **$ (0.05)** | $ (0.14) |
| **Basic and diluted weighted average number of common shares outstanding** (note 6) | **8,045,696** | 4,714,314 |

*The accompanying notes form an integral part of these financial statements*

| | Share capital | Option and warrant reserve | Deficit | Total equity |
|---|---|---|---|---|
| **Balance at September 30, 2014** | **$ 1,655,944** | **$ 273,500** | **$(1,216,559)** | **$ 712,885** |
| Net loss | - | - | $ (655,075) | $ (655,075) |
| **Balance at December 31, 2015** | **$ 1,655,944** | **$ 273,500** | **$(1,871,634)** | **$ 57,810** |
| Shares issued for cash (note 6) | 600,000 | - | - | 600,000 |
| Share issuance costs | (37,739) | - | - | (37,739) |
| Share-based payments (note 6) | - | 33,000 | - | 33,000 |
| Net loss | - | - | (367,784) | (367,784) |
| **Balance at December 31, 2016** | **$ 2,218,205** | **$ 306,500** | **$(2,239,418)** | **$ 285,287** |

*The accompanying notes form an integral part of these financial statements*

| For the | year ended December 31 2016 | 15 months ended December 31 2015 |
|---|---|---|
| **Cash provided by (used in):** | | |
| **Operating activities** | | |
| Net comprehensive loss | **$ (367,784)** | $ (655,075) |
| Items not affecting cash: | | |
| Unrealized loss on investments | **8,750** | - |
| Share-based compensation | **33,000** | - |
| Write-down of mineral property | **-** | 374,391 |
| Recovery of project evaluation fees (note 4) | **-** | (25,000) |
| Changes in non-cash working capital: | | |
| Accounts receivable | **5,517** | (5,518) |
| Goods and services tax receivable | **(12,948)** | 2,487 |
| Prepayments and deposits | **5,883** | 517 |
| Mineral exploration tax credits receivable | **-** | 9,522 |
| Accounts payable and accrued liabilities | **1,536** | 27,939 |
| Cash used in operating activities | **(326,046)** | (270,737) |
| **Investing activities** | | |
| Exploration and evaluation property expenditures (note 4) | **(96,869)** | - |
| Deposit on exploration and evaluation property (note 9) | **(135,190)** | - |
| Cash used in investing activities | **(232,059)** | - |
| **Financing activities** | | |
| Proceeds from private placements (note 6) | **600,000** | - |
| Cash share issuance costs | **(37,739)** | - |
| Cash provided by financing activities | **562,261** | - |
| **Net increase (decrease) in cash** | **4,156** | (270,737) |
| Cash, beginning of period | **54,401** | 325,138 |
| **Cash, end of period** | **$ 58,557** | $ 54,401 |

During the year ended December 31, 2016, the Company received interest totaling $2 (2015 - $2,825) relating to operating activities.

The Company did not pay interest or dividends, nor did it receive any dividends, for the periods ended December 31, 2016 or 2015.

*The accompanying notes form an integral part of these financial statements*

**1. Nature of operations and going concern**

Altiplano Minerals Ltd. ("Altiplano" or the "Company") was incorporated under the Business Corporations Act (Alberta) on March 5, 2010. On November 10, 2010, the Company was continued into the Province of British Columbia under the *Business Corporations Act* (British Columbia). The Company's common shares are listed for trading on the TSX Venture Exchange ("TSXV") under the trading symbol "APN". The Company's head office is at Suite 210, 8429-24 Street NW, Edmonton, Alberta, T6P 1L3. The Company is focused on evaluating and acquiring exploration projects with significant potential for advancement from discovery through to production, in Canada and abroad.

While these financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, there are uncertainties related to certain adverse conditions and events that may cast doubt on the validity of this assumption. As at December 31, 2016, the Company recorded net loss of $367,784 (2015 - $655,075) and had working capital of $36,978 (2015 - $54,310) and an accumulated deficit of $2,239,418 (2015 - $1,871,634). The Company is dependent upon obtaining additional equity or debt financing to fund any operating expenditures or acquisition opportunities in order to continue as a going concern. Subsequent to year end, the Company completed a private placement for gross proceeds of $3,000,000 (note 9).

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses, and the classifications on the statement of financial position.

**2. Basis of presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

On November 25, 2015, the Company changed its fiscal year end from September 30 to December 31. With this year-end change, the Company reported a one-time transitional period for the fifteen months ended December 31, 2015.

These financial statements were authorized for issue by the Board of Directors of the Company on April 20, 2017.

These financial statements are presented in Canadian Dollars, unless otherwise noted and have been prepared on a historical cost basis. The Canadian dollar is the functional and presentation currency of the Company.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Management estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in its financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions in determining carrying values include:

*Estimates and assumptions*

Share-based compensation

The fair value of share-based compensation is determined using the Black-Scholes Option Pricing Model based on estimated fair values at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate.

Impairment of assets

Recognition of exploration and evaluation property expenditures requires judgment from management in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management is required to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established, and takes into considerations variables such as long-term commodity prices, exploration potential and extraction costs. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures are unlikely, the amounts capitalized are written off in profit or loss in the period when the new information becomes available.

*Judgments*

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

b) Cash

Cash is comprised of: cash on hand and cash on deposit with the Company's financial institution on which it earns variable amounts of interest.

c) Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company; the amount of revenue can be measured reliably; and the costs incurred or to be incurred in respect of the transaction can be measured. The Company's interest revenue relates to its cash on deposit with the Company's financial institutions and is recognized as earned.

d) Financial instruments

Financial instruments are classified into one of five categories and, depending on the category, will either be measured at amortized cost using the effective interest method or fair value. Held to maturity investments, loans and receivables, and other financial liabilities are measured at amortized cost. Financial assets and liabilities classified as fair value through profit or loss and available for sale financial assets are carried on the statement of financial position at their fair values, where such fair value is determinable. Changes in the fair value of fair value through profit or loss financial instruments are recognized in profit or loss in the period in which they occur, and changes in the fair value of available for sale financial assets are recognized as a component of other comprehensive income until the related financial assets are derecognized or impaired at which time accumulated changes in fair value in accumulated other comprehensive income are recognized in profit or loss. The Company classifies its cash as loans and receivables, accounts payable and accrued liabilities are classified as other financial liabilities, and investments are classified as fair value through profit and loss.

The Company accounts for financial assets on the trade date, being the date on which the Company commits to buy or sell the financial asset. Transaction costs related to financial assets or financial liabilities classified as other than fair value through profit and loss will be added to the initial carrying value of the financial asset or liability. Transaction costs related to financial assets or financial liabilities classified as fair value through profit and loss are recognized immediately in profit or loss. Where transaction costs relate to available for sale financial assets they will be charged to other comprehensive income immediately after capitalization as available for sale assets are measured at fair value.

The Company assesses at each reporting date whether there is evidence that a financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that a counter party is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when indicators suggest that there are measurable decreases in the estimated future cash flows.

e) Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to the instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

f) Exploration and evaluation properties

Exploration and evaluation property acquisition costs and exploration costs directly related to specific properties are deferred, commencing on the date that the Company acquires legal rights to explore a property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. Exploration costs may include costs such as materials used, surveying costs, drilling costs, payments made to contractors, analysing historical exploration data, geophysical studies, and depreciation on equipment used during the exploration stage. All other costs, including administrative overhead are expensed as incurred. If the properties are put into commercial production, the acquisition and exploration expenditures will be depleted using the units of production basis based upon the proven reserves available. If the properties are sold or abandoned, these expenditures will be written off.

Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations.

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the recoverable amount. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount. Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties.

g) Comprehensive income (loss) and equity

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. When applicable, components of OCI are recorded net of related income taxes. Cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a category of equity in the statements of changes in equity.

h) Income (loss) per share

Income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

During the year ended December 31, 2016 and the fifteen months ended December 31, 2015, all the outstanding share options and warrants were anti-dilutive as the Company reported a net loss.

i) Share-based compensation

Share-based compensation related to the issuance of stock options to employees, consultants, directors, and officers pursuant to the Company's stock option plan is accounted for using the fair value method whereby compensation expense related to these programs is recorded in profit or loss with a corresponding increase to option and warrant reserve in equity. Share-based compensation related to compensation warrants and options issued pursuant to private placements to non-employees is recorded at the fair value of the goods or services received and is recorded as share issue costs with a corresponding increase to share option and warrant reserve.

When the value of goods or services received in exchange for the share based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes Option Pricing Model. Consideration paid on the exercise of stock options and warrants is credited to share capital. Upon the exercise of the stock options or compensation warrants, consideration received together with the amount previously recognized in option and warrant reserve is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate for stock options and agents warrants that may not vest.

j) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company does not anticipate any material changes to the financial statements upon adoption of these new revised accounting pronouncements.

IFRS 9 - *Financial Instruments* replaces the current standard IAS 39 - *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. The amended standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – *Revenue from Contracts* with Customers, presents new requirements for recognition of revenue, replacing IAS 18 '*Revenue*', IAS 11 '*Construction Contracts*', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, suppliers repurchase options, and other common complexities. The amended standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – *Leases*, eliminates the classification of leases as either operating or finance leases and requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less, or the underlying asset has a low value. The amended standard is effective for annual periods beginning on or after January 1, 2019.

## 4. Exploration and evaluation properties

Comet Joint Venture

See '*Subsequent Events*', note 9.

Orogrande Property

Total costs incurred on the Orogrande Property are summarized as follows:

| | Acquisition | Exploration | Total |
|---|---|---|---|
| Balance, December 31, 2015 | $ - | $ - | $ - |
| Acquisition costs | 25,000 | - | 25,000 |
| Additional staking | 68,142 | - | 68,142 |
| Fieldwork | - | 3,727 | 3,727 |
| Balance, December 31, 2016 | **$ 93,142** | **$ 3,727** | **$ 96,869** |

On November 30, 2016, the Company entered into an option to purchase (the "Option") with Velocity USA, Ltd. ("Velocity") to acquire twelve (12) mining claims located in Idaho, known as the Orogrande Property, subject to a 1.5% net smelter returns royalty.

To exercise the Option, the Company shall:

- Issue 1,250,000 common shares and pay CDN$25,000 to Velocity, provided that Velocity shall immediately use such cash to stake in its name further claims near or adjacent to the Orogrande Property and all such newly staked claims shall thereafter form a part of the property for the purpose of this Option;
- On or before the first anniversary of the Option, incur exploration expenditures on the property of not less than CDN$500,000, and issue a further 1,250,000 common shares;
- On or before the second anniversary of the Option, incur exploration expenditures on the property of not less than CDN$750,000, and issue a further 1,250,000 common shares; and
- On or before the third anniversary of the Option, incur exploration expenditures on the property of not less than $750,000.

GD Property

| | | |
|---|---|---|
| **Balance - September 30, 2014** | **$** | **374,391** |
| Write-down of mineral property | | (374,391) |
| **Balance – December 31, 2015 and 2016** | **$** | **-** |

During the fifteen months ended December 31, 2015, the Company decided to allow its claims in the GD Property to lapse and recorded an impairment charge of $374,391 against the property.

Demetra Minerals Inc.

On August 24, 2015 and amended on September 10, 2015, Altiplano entered into a binding arm's length letter agreement (the "Agreement") to acquire all of the issued and outstanding shares of Demetra Minerals Inc. ("DMI"). DMI is incorporated under the laws of British Columbia, and beneficially owns all of the shares of Demetra Minerals S.A. ("DSA"), an Argentina corporation, which holds a mining lease for a gypsum (calcium sulphate) deposit known as the Ana Sofia property, located in Santiago del Estero Province, approximately 54 km from Santiago City and approximately 1,100 km northwest from Buenos Aires (the "Property").

The Agreement provided for the Company (or alternatively, DMI) to raise up to $1.25 million prior to the Acquisition, pursuant to private placement financings of debt or equity, or some combination of both (the "Financings"). The Company may then have advanced of up to $0.75 million to DMI with interest at 12% per annum (the "Facility"), upon typical commercial security arrangements. It was anticipated that the Facility would have provided the required project funding to permit the ongoing development of the Property.

The proposed Acquisition was subject to the delivery of a satisfactory NI 43-101 report on the Property, audited financial statements of DMI, formal documentation, approval of the shareholders of DMI, approval of the directors of the Company, and the acceptance of the TSX Venture Exchange, among other conditions. The Facility was subject to the completion of the Financings and the acceptance of the TSX Venture Exchange, among other conditions.

On October 6, 2015, Altiplano and DMI mutually agreed to terminate the Agreement. No financing was completed and the Company had not advanced any funds to DMI under the proposed Facility.

On December 21, 2015, Altiplano, DMI, and Centurion Minerals Ltd. ("Centurion") reached an agreement whereby Altiplano delivered to Centurion a draft of its previously completed NI 43-101 report on the Property in exchange for 250,000 common shares of Centurion at a deemed price of $0.10 per common share, or a total deemed value of $25,000 which was reflected as a recovery of project evaluation fees in 2015.

Altiplano received the common shares of Centurion in January of 2016, and recorded the investments and classified them as fair value through profit and loss. Those items were non-cash transactions and were excluded from the statements of cash flows for the year ended December 31, 2016 and 15 months ended December 31, 2015, respectively.

## 5. Deferred taxes

Deferred tax assets have not been recognized in respect of the following items:

| | December 31 2016 | December 31 2015 |
|---|---|---|
| Tax losses | $ 514,722 | $ 424,128 |
| Deductible temporary differences | 119,045 | 109,167 |
| | **$ 633,767** | **$ 533,295** |

In assessing whether the deferred tax assets are realizable, management considers whether it is probable that some portion or all of the deferred tax assets will be utilized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As at December 31, 2016 and 2015, the Company has not recognized any deferred tax assets.

As at December 31, 2016, the Company has Canadian federal and provincial non-capital losses carried forward of $1,910,800 (December 31, 2015 - $1,575,267). These Canadian losses expire between 2030 and 2036.

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the combined statutory income tax rate of approximately 27.00% (2015 – 25.81%) to the net loss before income taxes for the years as follows:

| | December 31 2016 | December 31 2015 |
|---|---|---|
| Expected tax recovery from operations | $ (99,302) | $ (169,075) |
| Increase (decrease) resulting from: | | |
| Non-deductible amounts | 9,174 | 293 |
| Change in unrecognized deferred tax assets | 90,282 | 202,661 |
| Change in tax rates and rate differences | - | (33,879) |
| Prior period adjustments | (154) | - |
| Income tax (expense) recovery | **$ -** | **$ -** |

## 6. Share capital

a) Common shares

The Company's articles authorize an unlimited number of common shares without par value and an unlimited number of preferred shares.

Share consolidation

During the year ended December 31, 2016, Altiplano completed a consolidation of its outstanding common shares ("Common Shares") on the basis of 3.5 pre-consolidation Common Shares for 1 post-consolidation Common Share (the "Consolidation"). Any resulting fractional Common Share that was held by a holder of Common Shares was cancelled, and the aggregate number of Common Shares held by such holder was rounded down to the nearest whole number of Common Shares. All Common Share amounts in these financial statements have been adjusted to reflect the Consolidation.

A summary of changes in common share capital in the period is as follows:

| | Number of shares | Amount |
|---|---|---|
| **Balance at September 30, 2014 and December 31, 2015** | **4,714,314** | **$ 1,655,944** |
| Shares issued for cash | 6,000,000 | 600,000 |
| Share issuance costs | - | (37,739) |
| **Balance at December 31, 2016** | **10,714,314** | **$ 2,218,205** |

On June 10, 2016, the Company completed a non-brokered private placement (the "Offering") of 6.0 million units (the "Units") at $0.10 per Unit to raise $600,000 in gross proceeds. Each Unit consisted of one common share and one-half of a non-transferable share purchase warrant (the "Warrants") of the Company. Each whole Warrant is exercisable to acquire one additional common share at $0.15 per share until June 10, 2017. The Company assigned the full amount of the proceeds to the Common Shares and none to the Warrants.

b) Stock options

Pursuant to the Company's stock option plan (the "Plan") for directors, officers, employees, and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares; the exercise price to be determined on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, consultant or employee of the Company for reasons other than death, one year after the death of an optionee or on the tenth anniversary of the date the option was granted.

A summary of stock option activity in the period is as follows:

| | Number of options | Weighted average exercise price |
|---|---|---|
| **Outstanding options, September 30, 2014** | 342,857 | $ 0.56 |
| Expired | (242,857) | 0.53 |
| **Outstanding options, December 31, 2015** | **100,000** | **0.70** |
| Expired | (100,000) | 0.70 |
| Issued | 550,000 | 0.12 |
| **Outstanding options, December 31, 2016** | **550,000** | **$ 0.12** |

On September 9, 2016, the Company's Board of Directors granted stock options to acquire up to an aggregate 550,000 common shares of the Company under the Plan, vesting immediately upon grant. The stock options are exercisable at a price of $0.12 per common share and have an expiry date of September 9, 2021 or earlier in accordance with the terms of the Plan. The estimated fair value of these options of $33,000, or $0.06 per option, has been recorded as share-based compensation expense in the 2016 fiscal year and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price $0.10; expected life, 5 years; expected volatility, 80%; risk-free rate 0.71%; expected dividends, 0%. The options were issued with an exercise price higher than the quoted market price of the Company's common shares on the date of issuance.

A summary of the options outstanding and exercisable is as follows:

| December 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|
| **Exercise Price** | **Number of options** | **Remaining contractual life (years)** | **Exercise Price** | **Number of options** | **Remaining contractual life (years)** |
| **$ 0.12** | **550,000** | **4.7** | **$ 0.70** | **100,000** | **0.7** |

c) Warrants

A summary of share purchase warrant activity in the periods is as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| **Outstanding warrants, September 30, 2014 and December 31, 2015** | **-** | **$ -** |
| Issued in private placement | 3,000,000 | 0.15 |
| **Outstanding warrants, December 31, 2016** | **3,000,000** | **$ 0.15** |

A summary of the warrants outstanding and exercisable is as follows:

| | December 31, 2016 | | | December 31, 2015 | |
|---|---|---|---|---|---|
| Exercise Price | Number of warrants | Remaining contractual life (years) | Exercise Price | Number of warrants | Remaining contractual life (years) |
| $ 0.15 | 3,000,000 | 0.5 | $ - | - | - |

## 7. Financial instruments and risk management

The Company is exposed to the following financial risks:

i) Market risk
ii) Credit risk
iii) Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board and the Company's finance function is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility and to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. Further details regarding these policies are set out below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: currency risk, interest rate risk, other price risk.

*Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's share capital as well as the Company's reporting currency is denominated in Canadian Dollars. The Company's currency risk is limited to its future payments denominated in foreign currency for its Orogrande Property and Comet Joint Venture.

*Interest rate risk*

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds no interest-bearing financial liabilities, therefore interest rate risk is limited to potential decreases on the interest rate offered on cash held with its financial institution. The Company considers this risk to be minimal.

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held with reputable institutions in Canada. The Company is not exposed to any material credit risk. The Company's maximum exposure to credit risk is $58,557 (2015 - $54,401).

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of its existing debt and other payables. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To achieve this objective, the Company regularly monitors working capital positions and updates spending plans as considered necessary. Monthly working capital and expenditure reports are prepared by the Company's finance function and presented to management for review and communication to the Board. As at December 31, 2016, all of the Company's financial liabilities are due within one year.

As at December 31, 2016, the Company's working capital was $36,978 (2015 - $54,310) and it does not have any monetary long-term liabilities. The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future. Subsequent to year end, the Company completed a private placement for gross proceeds of $3,000,000 (note 9).

Determination of fair value

The statements of financial position carrying amounts for cash, accounts receivable, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Capital management

The Company monitors its equity as capital.

The Company's objectives in managing its capital are to maintain a sufficient capital base to support its operations and to meet its short-term obligations and at the same time preserve inventor's confidence and retain the ability to seek out and acquire new projects of merit. The Company is not exposed to any externally imposed capital requirements.

## 8. Related party transactions

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties. The Company incurred and paid fees to directors and officers for management and professional services as follows:

| **For the** | **year ended December 31 2016** | **15 months ended December 31 2015** |
|---|---|---|
| Management fees paid to corporations employing key management | **$ -** | $ 16,034 |
| Management fees paid to key management and directors | **79,167** | 27,500 |
| Office and admin fees paid to a corporation controlled by key management | **43,090** | 12,270 |
| | **$ 122,257** | $ 55,804 |

As at December 31, 2016, accounts payable and accrued liabilities included $nil (2015 - $20,000) to key management for management fees.

During the fifteen months ended December 31, 2015, the Company paid a deposit of $5,000 to a corporation controlled by key management. The deposit is for one month's office, accounting, and administration expenses and is included in prepayments and deposits as of December 31, 2016.

## 9. Subsequent events

Private Placement

Subsequent to December 31, 2016, the Company completed a non-brokered private placement of 20.0 million units at $0.15 per unit to raise $3,000,000 in gross proceeds. Each unit consisted of one common share and one non-transferable share purchase warrant of the Company. Each warrant is exercisable to acquire one additional common share at $0.25 per share until February 27, 2019. The Company also paid finders' fees of $190,636 and issued 1,270,909 warrants to certain arm's length finders.

Comet Joint Venture

Subsequent to December 31, 2016, the Company entered into a definitive earn-in and joint venture agreement (the "Agreement") with Comet Exploration Ltd. ("Comet") in respect of acquiring a participating interest in a joint venture (the "CJV") on two copper and gold projects called the Farellon and Maria Luisa projects, which are located near the town of La Serena, Republic of Chile (collectively, the "Projects"). Comet is a private Australian exploration and development company with a focus in Chile principally in base metal and gold projects, held through its Chilean subsidiary.

Pursuant to the Agreement, the Company may earn up to an initial 20%, 35% or 50% interest in the CJV, by funding up to an aggregate of US$0.75 million, US$1.25 million, or US$2.0 million, on or before the date of acceptance of the Agreement for filing by the TSX Venture Exchange, March 30, 2017, and May 31, 2017, respectively.

As of December 31, 2016, the Company has advanced the first payment of US$100,000 ($135,190), which has been recorded as exploration and evaluation deposits on the statement of financial position.

Subsequent to December 31, 2016, the Company has advanced an aggregate of US$1,250,000, and therefore fulfilled its requirements to earn an initial 35% interest in the CJV.