



TSX.V:CBI

**COLIBRI RESOURCE CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2017**

MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Colibri Resource Corporation are the responsibility of the Company's management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management's best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfils its responsibilities. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by MNP LLP, and their report outlines the scope of their examination and gives their opinion on the financial statements.

The consolidated financial statements were approved for issuance on April 5, 2018.

(Signed) "Brian Crawford"
Chief Financial Officer
Colibri Corporation

(Signed) "Ron Goguen"
Chief Executive Officer
Colibri Resource Corporation

Independent Auditors' Report

To the Shareholders of Colibri Resource Corporation:

We have audited the accompanying consolidated financial statements of Colibri Resource Corporation, which comprise the consolidated statement of financial position as at November 30, 2017, and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the year 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audit 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 Colibri Resource Corporation as at November 30, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 to these consolidated financial statements which describes the existence of a material uncertainty that may cause significant doubt about the ability of Colibri Resource Corporation to continue as a going concern.

Other Matter

The consolidated financial statements of Colibri Resource Corporation for the year ended November 30, 2016 were audited by Anton, Bryson & Schindler of Vancouver, Canada, prior to its merger with MNP LLP. Anton, Bryson & Schindler expressed an unmodified opinion on those financial statements on March 29, 2017.

Vancouver, British Columbia

April 5, 2018


Chartered Professional Accountants

COLIBRI RESOURCE CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(Expressed in Canadian Dollars)

	2017	2016
EXPENSES, ADMINISTRATIVE AND GENERAL		
Accounting and audit fees	\$ 82,878	\$ 38,476
Advertising and promotion	55,181	3,960
Amortization	1,214	1,278
Consulting fees	98,671	43,006
Foreign exchange	920	761
Legal	72,117	24,872
Interest expense	6,158	-
Management fees (Note 6)	31,000	-
Office and miscellaneous	21,861	14,109
Rent	18,937	13,986
Telephone	5,484	4,830
Transfer agent and filing fees	20,471	24,481
Travel and related costs	90,696	34,131
Wages and benefits	75,246	63,343
Share-based compensation	2,084	98,679
	(582,918)	(365,912)
NET LOSS FOR THE YEAR		
COMPREHENSIVE LOSS		
Net loss for the year	(582,918)	(365,912)
Other comprehensive income (loss)		
Items that will subsequently be reclassified to profit or loss		
Cumulative translation adjustment	(71,128)	-
COMPREHENSIVE LOSS FOR THE YEAR	\$ (654,046)	\$ (365,912)
BASIC AND DILUTED LOSS PER SHARE	(0.04)	(0.04)
Weighted average number of shares outstanding	20,218,466	9,386,271

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

COLIBRI RESOURCE CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

(Expressed in Canadian Dollars)

	Note		2017		2016
ASSETS					
Current assets					
Cash	3	\$	52,242	\$	282,052
Receivables			5,876		5,135
Prepaid expenses			263,440		13,284
			321,558		300,471
Equipment	4		993		2,207
Exploration and evaluation assets	5		6,937,148		2,493,393
		\$	7,259,699	\$	2,796,071
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		\$	60,900	\$	50,193
Accounts payable to related parties	7		341,770		-
			402,670		50,193
Shareholders' equity					
Share capital	8		12,925,034		8,184,412
Contributed surplus			3,696,909		3,773,512
Accumulated other comprehensive income			(71,128)		-
Deficit			(9,693,786)		(9,212,046)
			6,857,029		2,745,878
		\$	7,259,699	\$	2,796,071

Nature of operations and going concern (note 1)
Subsequent events (note 14)

Approved on behalf of the Board:

_____(Signed) "Ed Stringer"_____
Director

_____(Signed) "Ron Goguen"_____
Director

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

COLIBRI RESOURCE CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

(Expressed in Canadian Dollars)

	Share Capital		Accumulated Other Comprehensive Income	Subscription Receivable	Contributed Surplus	Deficit	Total
	Number	Amount					
Balance at November 30, 2015	3,349,083	\$ 7,631,102	\$ -	\$ 27,000	\$3,725,046	\$(8,933,873)	\$2,449,275
Loss for the year	-	-	-	-	-	(365,912)	(365,912)
Share subscription receivable	-	-	-	(27,000)	-	-	(27,000)
Shares issued for cash	6,933,832	630,075	-	-	-	-	630,075
Share issue costs	-	(39,239)	-	-	-	-	(39,239)
Broker warrants	-	(37,526)	-	-	37,526	-	-
Options expired	-	-	-	-	(87,739)	87,739	-
Share-based compensation	-	-	-	-	98,679	-	98,679
Balance at November 30, 2016	10,292,915	\$ 8,184,412	\$ -	\$ -	\$3,773,512	\$(9,212,046)	\$2,745,878
Net loss for the year	-	-	-	-	-	(582,918)	(582,918)
Other comprehensive income	-	-	(71,128)	-	-	-	(71,128)
Shares issued for cash	4,265,000	639,750	-	-	-	-	639,750
Shares issued on exercise							
of warrants	1,765,000	156,750	-	-	-	-	156,750
Shares issued for debt	66,666	10,000	-	-	-	-	10,000
Shares issued for exploration							
and evaluation assets	24,242,425	4,000,000	-	-	-	-	4,000,000
Share issue costs	-	(43,387)	-	-	-	-	(43,387)
Broker warrants	-	(22,491)	-	-	22,491	-	-
Share-based compensation	-	-	-	-	2,084	-	2,084
Options expired	-	-	-	-	(101,178)	101,178	-
Balance at November 30, 2017	40,632,006	\$12,925,034	\$ (71,128)	\$ -	\$3,696,909	\$(9,693,786)	\$6,857,029

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

COLIBRI RESOURCE CORPORATION
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

(Expressed in Canadian Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (582,918)	\$ (365,912)
Add: Items not requiring the use of cash		
Amortization	1,214	1,278
Share-based compensation	2,084	98,679
	<u>(579,620)</u>	<u>(265,955)</u>
Change in non-cash working capital items:		
(Increase) decrease in receivables	(741)	(3,214)
(Increase) decrease in prepaid expenses	(250,156)	(12,881)
Increase (decrease) in accounts payable and accrued liabilities	(53,081)	271
	<u>(883,598)</u>	<u>(281,779)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of mineral properties and deferred exploration costs	(99,325)	(16,622)
Acquisition of equipment	-	(3,485)
	<u>(99,325)</u>	<u>(20,107)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash received from the issue of common shares-net	753,113	563,836
	<u>753,113</u>	<u>563,836</u>
Net cash from financing activities	<u>753,113</u>	<u>563,836</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	(229,810)	261,950
CASH, beginning of year	282,052	20,102
CASH, end of year	\$ <u>52,242</u>	\$ <u>282,052</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Colibri Resource Corporation (“the Company”) was incorporated on February 20, 2004 in the Province of British Columbia. The Company’s registered office and principal place of business is 105 Englehart St., Suite 700, Dieppe, NB, Canada.

The Company is pursuing opportunities in the exploration of mineral and natural resource properties in Mexico and is considered to be in the exploration stage.

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

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and liabilities in the normal course of business. Several adverse conditions cast significant doubt on the validity of this assumption. The Company incurred a net loss of \$582,918 (2016-\$365,912) during the current year, and as at November 30, 2017, has working capital (deficit) of \$(81,112) (2016 – \$250,278), a cumulative deficit of \$9,693,786 (2016 – \$9,212,046), no source of operating cash flow, and no assurances that sufficient funding will be available to conduct further exploration and development of its resource property projects.

The only source of future funds presently available to the Company is through the issuance of share capital, or by the sale of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing or sale of an interest in the future will depend in part upon the prevailing market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised through the issuance of shares, control of the Company may change and shareholders may suffer dilution. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company’s business, results of operations, and financial condition. The Company has raised funds from private placements during the year and subsequent to the year end (note 8 and note 14).

The amounts shown as exploration and evaluation assets represent acquisition costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral property interests is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

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

The Board of Directors approved these consolidated financial statements for issue on April 5, 2018.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION *(Continued)*

(b) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, with the exception of certain financial instruments classified as available-for-sale which are measured at fair value as described in Note 3. The consolidated financial statements are presented in Canadian dollars unless otherwise stated.

(c) Subsidiaries and Principles of Consolidation

These consolidated financial statements include the accounts of Colibri Resources Corporation and its wholly owned subsidiaries Minera Halcones S.A. de C.V., Canadian Gold Resources Ltd., and Minera Bestep S.A. de C.V. Minera Halcones S.A. de C.V. and Minera Bestep S.A. de C.V. were incorporated in Mexico for the purposes of developing mineral properties. All intercompany transactions and balances have been eliminated upon consolidation. All amounts are reported and measured in Canadian dollars.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial report from the date control commences to the date control ceases.

(d) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The assumption of going concern basis of accounting

The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Company's ability to generate adequate financing. Significant judgements are used in the Company's assessment of its ability to continue as a going concern.

- The carrying value and recoverable amount of exploration and evaluation assets

The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

(Expressed in Canadian Dollars)

- The inputs used in accounting for share-based compensation expense in the statements of operations and comprehensive loss

The 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 share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes pricing model.

- Acquisition accounting

The Company has accounted for the acquisition of Canadian Gold Resources Ltd. as an asset acquisition. Significant judgment was required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Canadian Gold Resources Ltd. did not meet the definition of a business under IFRS 3: Business combinations. In addition, the basis for the calculation of the fair value of the asset acquired included significant estimates of the fair value of the consideration transferred. The Company assessed the fair value of the consideration transferred using the trading price of common shares issued.

- The valuation allowance applied against deferred income tax assets

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (“temporary differences”), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- The determination of functional currency

The Company is located in Canada and incorporates the results of its foreign subsidiaries. Determination of the functional currency of the subsidiaries requires judgement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at three months or less, with no penalties on early retirement.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Exploration and evaluation assets

Exploration and evaluation assets are recorded at cost less accumulated impairment losses, if any. All direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the technical feasibility and commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. Technical feasibility and commercial viability is defined as (1) the determination of mineral reserves and (2) a decision to proceed with development has been recommended by management and approved by the Company's board of directors. To the extent that the expenditures are made to establish mineral reserves within the rights to explore, the Company will consider those costs as capital in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the exploration and evaluation asset.

Management reviews the facts and circumstances to determine whether there is an indication that the carrying amount of the exploration and evaluation assets exceeds their carrying value on a regular basis. Indication includes but is not limited to, the expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned and if the entity has decided to discontinue exploration activity in the specific area. If the facts and circumstances suggest the carrying value exceeds the recovery value, the Company will write down the carrying value of the property.

Where the Company has determined that the underlying mineral interest has reserves and, if impairment indicators exist, the Company will also assess for impairment under IAS 36 impairment of assets, whereby the cash generating unit (CGU) is assessed for impairment by comparing the carrying value to its recoverable amount, which is the higher of the value in use and the fair value less cost to sell. The fair value is determined by the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction, which is often estimated using discounted cash flows for the CGU.

(c) Impairment of Long-lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized as an expense in the consolidated statement of comprehensive income (loss). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The consolidated financial statements are presented in Canadian dollars, which is Colibri's functional currency.

The assets and liabilities of the Company's foreign operations that have a functional currency different from that of Canadian Gold are translated in Canadian dollars using the exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transaction are used. Exchange differences arising, if any, are recognized in other comprehensive income as cumulative translation adjustments.

The functional currency of the Company's 100% owned subsidiaries, Minera Bestep S.A. de C.V. and Minera Halcones S. A. de C.V., is the Mexican Peso.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. The foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income.

(e) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive. The treasury stock method is used to arrive at the diluted outstanding that may add to the total number loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options of common shares. Diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

(g) Share Capital

The Company records its share capital proceeds from share issuances net of related issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Agent's warrants, stock options and other equity instruments issued as purchase consideration in nonmonetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

(h) Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention

and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

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

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit or loss, and sales tax receivable as loans and loans receivable.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the instrument was acquired. The Company's accounting policy for each category is as follows:

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

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

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

Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had neither available-for-sale, nor held-to-maturity instruments during the period ended November 30, 2017.

The Company is required to disclose the inputs used in fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

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 or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has determined that no adjustments are currently required for transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading.

(j) Accounting standards issued but not yet applied:

For the purposes of preparing and presenting the Company's consolidated financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not yet been adopted because they are not effective for the Company until subsequent to November 30, 2017.

IFRS 9 Financial Instruments ("IFRS 9"): In July 2014, the IASB issued the complete IFRS 9, Financial Instruments (2014), which will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides a new model for the classification and measurement of financial instruments. The IASB has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018. The Company will evaluate the impact of the change to the consolidated financial statements based on the characteristics of the financial instruments outstanding at the time of adoption. The Company does not anticipate a significant impact on the financial results from adopting the standard.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Accounting standards issued but not yet applied:

beginning on or after January 1, 2018, with early adoption permitted. The Company does not anticipate a significant impact on the financial results it has no revenue.

IFRS 16 Leases (“IFRS 16”) eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing the asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. Prospective application is required beginning on or after January 1, 2019 with early adoption permitted only if an entity early adopts IFRS 15 as well. The Company does not anticipate a significant impact on its financial results from adopting this standard.

IFRS 2 *Share-based Payments* (“IFRS 2”) has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in June 2016. The amendments provide guidance on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company does not anticipate a significant impact on its financial results from adopting this standard.

4. EQUIPMENT

	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>Total</u>
Cost:			
Balance November 30, 2016	\$ 6,608	\$ 26,215	\$ 32,823
Balance November 30, 2017	\$ 6,608	\$ 26,215	\$ 32,823
Accumulated amortization:			
Balance November 30, 2016	\$ 6,608	\$ 24,008	\$ 30,616
Amortization	-	1,214	1,214
Balance November 30, 2017	\$ 6,608	\$ 25,222	\$ 31,830
Carrying amounts:			
November 30, 2016	\$ nil	\$ 2,207	\$ 2,207
November 30, 2017	\$ nil	\$ 993	\$ 993

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5. EXPORATION AND EVALUATION ASSETS

Title to Mineral Properties

Title to mineral 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 mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Colibri Property

On June 16, 2004, the Company agreed to an option agreement with Minera Cadenza S de RL de CV (“Cadenza”), a private Mexican company wholly owned by Cadence Resource Corporation, a Canadian private company controlled by a director and a former director of the Company, to purchase a 90% interest in the Colibri property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid \$50,000 and issued 200,000 common shares with a value of \$30,000. The Company agreed to pay \$300,000, issue a total of 1,200,000 common shares and incur a total of \$1,800,000 (incurred) in exploration expenditures by June 16, 2010, to earn its 90% interest. The Company has paid the \$350,000 and issued all of the 1,400,000 common shares with a total value of \$244,500. The Company exercised its option and acquired 100% interest in the Colibri Property, and Cadence Resource Corporation retains a 3% Net Smelter Returns (“NSR”) royalty.

On May 27, 2011, the Company closed an “earn-in” and shareholders agreement with Agnico-Eagle Mines Ltd., whereby Agnico may acquire up to a 75% interest in the Colibri gold project and form a joint venture with the Company by making qualified exploration expenditures and payments to Colibri. To earn its 75% interest, Agnico is required to spend a minimum of US\$3.0 million in exploration expenditures by May 27, 2014, of which US\$1.5 million (US\$2,797,013 incurred to November 30, 2016) is to be spent in the first 18 months, as well as complete a positive feasibility study within five years. In addition, Agnico will be required to make option payments totaling US\$1,452,000 (US\$218,000 paid to November 30, 2016) over a seven year period.

After completion of the feasibility study, and Agnico earning its 75% interest, Agnico and Colibri will form a joint venture to develop the Colibri Project. As required under this agreement, a Mexican company, Minera Azor Dorado S.A. de C.V. (the “Operating Company”) was incorporated as a wholly-owned subsidiary of a newly incorporated British Columbia company, 0901223 B.C. Ltd. (the joint venture company) to hold the right, title and interest in the Colibri Project and transfer of the concessions comprising the Colibri Project to the Operating Company.

The Company owned 100% of the joint venture company up to November 17, 2012, at which time Agnico exercised its first option under the Earn-in Agreement to acquire a 51% interest, consequently leaving the Company with a 49% interest in the joint venture company. Effective May 14, 2013 Agnico decided not to exercise the second option under the Earn-in and Shareholders Agreement. Following termination of the second option, Agnico and Colibri will now jointly operate the Colibri Project, with Agnico as General Manager, at their current ownership levels subject to adjustments relating to budget funding obligations. As Agnico has also terminated the sole-funding period, any further contributions to the Project must now be contributed by Agnico and Colibri in proportion to their ownership interests. The Company has elected not to participate in funding of the current year’s budget, and as a result has had its ownership interest recalculated to 34%, as stipulated in Section 12.6 of the Agreement.

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5. EXPORATION AND EVALUATION ASSETS *(Continued)*

Evelyn Property

In March 2010 the Company's subsidiary, Minera Halcones, acquired a 100% interest in the Evelyn III claim via a Mexican government "sorteo" or claim lottery. The Evelyn property is located in the State of Sonora, Mexico.

Pilar Property

In August 2017 the Company through its wholly owned subsidiary, Minera Bestep, acquired a 100% interest in the Pilar property. The Pilar property is located in the State of Sonora, Mexico.

Sun Property

In August 2017, the Company through its wholly owned subsidiary, Minera Bestep S.A. de C.V., acquired a 100% interest in the Sun concession.

For the year ended November 30, 2017	Colibri Property	Pilar Property	Sun Property	Evelyn Property	Total
Acquisition costs:					
Balance, December 1, 2016	\$ 422,064	\$ -	\$ -	\$ -	\$ 422,064
Acquisition		4,458,709	7,700	-	4,466,409
Foreign exchange	-	(55,191)	-	-	(55,191)
Balance, November 30, 2017	\$ 422,064	\$4,403,518	\$ 7,700	\$ -	\$ 4,833,282
Deferred Exploration costs:					
Balance, December 1, 2016	\$1,958,729	-	-	\$ 112,600	\$ 2,071,329
Additions					
Field expenses and personnel	-	7,154	-	36	7,190
Geological consulting	-	-	-	2,258	2,258
Miscellaneous	-	3,060	-	133	3,193
Property and claim taxes	-	1,150	167	18,579	19,896
Telephone	-	-	-	-	-
Travel and transport	-	-	-	-	-
	-	11,364	167	21,006	32,537
Total deferred exploration costs	1,958,729	11,364	167	133,606	2,103,866
Balance, November 30, 2017	\$ 2,380,793	\$ 4,414,882	\$ 7,867	\$ 133,606	\$ 6,937,148

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5. EXPORATION AND EVALUATION ASSETS *(Continued)*

For the year ended November 30, 2016	Colibri Property	Pilar Property	Sun Property	Evelyn Property	Total
Acquisition costs:					
Balance, December 1, 2015	\$ 422,064	\$ -	\$ -	\$ -	\$ 422,064
Acquisition	-	-	-	-	-
Balance, November 30, 2016	\$ 422,064	\$ -	\$ -	\$ -	\$ 422,064
Deferred Exploration costs:					
Balance, December 1, 2015	\$1,958,729	-	-	\$ 95,978	\$ 2,054,707
Additions					
Field expenses and personnel	-	-	-	-	-
Geological consulting	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Property and claim taxes	-	-	-	11,096	11,096
Telephone	-	-	-	5,526	5,526
Travel and transport	-	-	-	-	-
	-	-	-	16,622	16,622
Total deferred exploration costs	1,958,729	-	-	112,600	2,071,329
Balance, November 30, 2016	\$ 2,380,793	\$ -	\$ -	\$ 112,600	\$2,493,393

6. ACQUISITION

Effective August 2, 2017 all of the issued and outstanding shares of Canadian Gold Resources Ltd. were acquired by the Company in exchange for the issue of 24,242,425 common shares of the Company valued at \$4,000,000. The transaction is a related party transaction as the Company and Canadian Gold Resources Ltd. are managed by officers and directors in common. Canadian Gold Resources Ltd. was not considered to meet the definition of a business under IFRS 3, Business Combinations, and accordingly the transaction was accounted for as an asset acquisition in accordance with IFRS 2, Share-based Payments. It was determined that the fair value of the common shares issued was the appropriate measurement for the assets acquired as the fair value of the exploration property was not reliably determinable.

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6. ACQUISITION *(Continued)*

Assets acquired

Cash	\$	9,523
Receivables and prepaids		37,452
Exploration and evaluation assets		4,466,409
		<u>4,513,384</u>

Liabilities assumed

Accounts payable and accrued liabilities		427,444
		<u>427,444</u>

Net value of assets acquired	\$	<u>4,085,940</u>
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Consideration paid

Common shares issued by the Company (Note 8)	\$	4,000,000
Transaction costs		85,940
		<u>4,085,940</u>

7. RELATED PARTY TRANSACTIONS AND BALANCES

Accounts payable and accrued liabilities to related parties for 2017 of \$341,770 (2016 – \$Nil) is comprised of management fees and loans plus accrued interest due to companies controlled by officers of the Company. Amounts payable to related parties bear interest at 6% per annum, are due on demand, and are unsecured.

The Company entered into the following transactions with related parties for the year ended November 30, 2017:

- a) Paid or accrued for 2017 \$13,500 (2016 – \$Nil) in management fees to companies controlled by directors and officers of the Company.
- b) Paid or accrued for 2017 is \$10,500 (2016 – \$10,200) in accounting fees to an officer of the Company.
- c) Paid or accrued for 2017 \$26,250 (2016 – \$Nil) in consulting fees to directors of the Company.
- d) Granted stock options for 2017 with a fair value of \$ Nil (2016-\$98,679) to directors and officers of the Company.
- e) Issued 24,242,425 common shares in exchange for 100% of the issued and outstanding common shares of Canadian Gold Resources Ltd. (Note 6).

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

Common shares:

	Number of Shares		Amount
Balance at November 30, 2015	3,349,083	\$	7,631,102
Shares issued for cash	6,943,832		553,310
Balance November 30, 2016	10,292,915	\$	8,184,412
Shares issued for cash	4,265,000		573,872
Shares issued on exercise of warrants	1,765,000		156,750
Shares issued for debt	66,666		10,000
Share issued to acquire exploration and evaluation assets	24,242,425		4,000,000
Balance November 30, 2017	40,632,006	\$	12,925,034

On September 24, 2015, the Company implemented a share consolidation of all its outstanding common shares on the basis of one post-consolidation share for every fifteen pre-consolidated shares.

During the year ended November 30, 2017, the Company issued 4,265,000 units at a subscription price of \$0.15 per unit for gross proceeds of \$639,750. Each unit consists of 1 common share and 1 share purchase warrant exercisable for two years at \$0.25 per common share. The Company incurred share issuance costs of \$43,387 and issued 402,873 broker warrants with fair value of \$22,491 in connection with the financing.

During the year ended November 30, 2017, the Company issued 1,765,000 common shares on the exercise of warrants for gross proceeds of \$156,750.

During the year ended November 30, 2017, the Company issued 66,666 common shares with fair value of \$0.15 per common share to settle accounts payable of \$10,000.

During the year ended November 30, 2017, the Company issued 24,242,425 common shares to acquire all of the issued and outstanding shares of Canadian Gold Resources Ltd. (Note 6).

(c) Warrants

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2016	4,767,166	\$ 0.18
Exercised during the year	(1,440,000)	\$ 0.08
Exercised during the year	(325,000)	\$ 0.15
Issued during the year	4,265,000	\$ 0.25
Balance November 30, 2017	7,267,166	\$ 0.24

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

The following warrants are outstanding at November 30, 2017:

Number of warrants	Exercise price per warrant	Expiry date
160,000	\$0.085	April 29, 2018
175,000	\$0.15	June 30, 2018
2,667,166	\$0.25	October 26, 2018
4,265,000	\$0.25	September 6, 2019
7,267,166		

In addition, there are 402,873 broker warrants outstanding exercisable at \$0.25 per share, of which 205,373 expire on October 26, 2018 and 197,500 expire on September 6, 2019.

(d) Stock Options

The Company has in place a rolling stock option plan whereby the Company may grant stock options to eligible persons to acquire a total of up to 10% of the then existing number of shares outstanding. Awarded stock options generally vest at the discretion of the directors and are exercisable over a period not exceeding ten years at exercise prices determined by the directors. The exercise price of each option is subject to a minimum price of \$0.10 and cannot be less than the discounted market price of the Company's stock as calculated pursuant to the policies of the TSX Venture Exchange.

The number of stock options outstanding at November 30, 2017 is summarized as follows:

	Number Of Options	Weighted Average Exercise
Balance, November 30, 2016	610,000	\$2.70
Options expired	(60,000)	\$2.10
Options granted	150,000	\$0.15
Balance, November 30, 2017	700,000	\$0.15

At November 30, 2017, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
550,000	\$0.15	June 14, 2021
150,000	\$0.15	January 23, 2019
700,000		

At November 30, 2017, the 700,000 options outstanding have a weighted average life remaining of 3.03 years.

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

The model inputs for options granted during the years ended November 30, 2017 and 2016 include

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
June 15, 2016	June 14, 2021	\$ 0.18	\$ 0.15	1.20%	10 years	260%	0%
October 23, 2017	January 23, 2019	\$ 0.12	\$ 0.15	1.20%	1.5 years	185%	0%

Total expenses arising from the share-based payment transactions recognized during the year as part of share-based compensation expense was \$2,084 (2016: \$98,679).

As at November 30, 2017 there was \$9,919 (2016: \$nil) of total unrecognized compensation cost related to unvested share-based compensation.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	November 30, 2017	November 30, 2016
Cash paid for:		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ -
Settlement of debt with shares	\$ 10,000	\$ -
Acquisition of net assets	\$ 4,000,000	\$ -

10. SEGMENTED INFORMATION

The Company primarily operates in one reportable business segment, being the acquisition and exploration of mineral properties located in Mexico. The net loss and assets identifiable with these geographic areas are as follows:

November 30, 2017	Canada	Mexico	Total
Net loss for the year	\$(535,902)	\$(47,016)	\$(582,918)
Current assets	270,775	50,783	321,558
Mineral properties	-	6,937,148	6,937,148
Equipment	993	-	993
Total assets	\$271,768	\$6,987,931	\$7,259,699
November 30, 2016	Canada	Mexico	Total
Net loss for the year	\$ (355,264)	\$ (10,648)	\$(365,912)
Current assets	300,471	-	300,471
Mineral properties	-	2,493,293	2,493,393
Equipment	2,207	-	2,207
Total assets	\$ 302,678	\$2,493,393	\$2,796,071

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11. FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities is exposed to various risks. The following analysis provides a measurement of risks as at the balance sheet date, November 30, 2017.

1. Fair Value

The carrying values of cash, accounts receivable, accounts payable to related parties, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments.

2. Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances primarily in large Canadian chartered banks, and no interest bearing debt. The Company's current policy is to invest cash in Canadian bank savings accounts with interest that varies at prime and guaranteed investment certificates with terms of one year or less.

3. Credit Risk

The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable financial institutions, primarily in Canada, and is kept in highly liquid accounts that are closely monitored by management. Credit risk with respect to its accounts receivable is minimal due to the insignificant balances that are primarily due from government agencies.

The Company's maximum exposure to credit risk is as follows:

November 30, 2017	Canada	Mexico	Total
Cash and cash equivalents	\$ 39,195	\$ 13,047	\$ 52,242
Receivables	5,876	-	5,876
	\$ 45,071	\$ 13,047	\$ 58,118
November 30, 2016	Canada	Mexico	Total
Cash and cash equivalents	\$282,052	\$ -	\$282,052
GST receivable	5,135	-	5,135
	\$287,187	\$ -	\$287,187

4. Derivatives – Mineral Properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties ("NSR"), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

5. Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar. The Company, through its subsidiary, has operations in Mexico and therefore is exposed to foreign currency gains and losses due to

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11. FINANCIAL INSTRUMENTS *(Continued)*

fluctuations in the exchange rate between the Mexican peso and the Canadian dollar. To reduce the risk, the Company maintains pesos denominated bank accounts in Mexico, and when possible, negotiates its Mexican operations in US dollar.

6. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined below. The Company has insufficient funds as at November 30, 2017 to settle its current accounts payable of \$402,670, and insufficient funds to cover its long-term commitments on mineral claims as outlined in Note 5.

In the opinion of management, the working capital of \$69,693 at November 30, 2017 is not sufficient to support the Company's normal operating requirements through its current reporting period. The Company is continuing to review expenditures in order to ensure adequate liquidity and flexibility to support its exploration and development strategies. The Company believes that external financing, likely in the form of equity offerings or optioning one or more of its claims, will be required in order to maintain its current operations.

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12. INCOME TAXES

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

	2017	2016
Loss before income taxes	\$ (582,918)	\$ (365,912)
Statutory tax rate	29.00 %	26.00 %
Expected income tax recovery at statutory rates	\$ (169,046)	\$ (95,137)
Correction of prior years' tax estimates	-	(88,203)
Permanent differences and effect of foreign tax rate	59,020	25,657
Effect of change in tax rate	(404,866)	-
Change in unrecognized deferred income tax assets	514,892	157,683
Income tax recovery	\$ -	\$ -

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2017	2016
Deferred income tax assets:		
Share issuance costs	\$ 16,893	\$ 8,162
Equipment	7,576	8,612
Exploration and development expenditures	-	209,202
Non-capital losses available for future years	3,488,460	2,616,717
	3,512,929	2,842,692
Deferred tax liabilities		
Exploration and development expenditures	(155,345)	-
	(155,345)	-
Less: unrecognized deferred income tax assets	(3,357,584)	(2,842,692)
	\$ -	\$ -

The Company has non-capital losses for Canadian income tax purposes of approximately \$4,395,841 (2016 \$3,591,519) and non-capital losses for Mexican income tax purposes of approximately \$7,633,332 (2016 \$6,472,775) which can be carried forward to reduce taxable income in future years. Unless utilized, these losses will expire through to 2037. Deferred tax benefits, which may arise as a result of these losses and expenditures, have not been recognized in these financial statements as it is not considered probable that taxable profit will be available against which the deferred tax benefits can be utilized.

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13. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. As at November 30, 2017, total managed capital was \$6,857,029 (2016 – \$2,745,878)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. These budgets are approved by the Company's Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in interest-bearing accounts with Canadian chartered banks.

The Company's capital resources available to it have been depleted, so has reduced operating expenditures to a minimum.

There were no changes in the Company's approach to capital management during the year ended November 30, 2017. The Company is not subject to externally imposed capital requirements.

14. SUBSEQUENT EVENTS

Subsequent to the year end, the Company issued 12,120,980 units at \$0.10 per unit with each unit consisting of one common share and one common share purchase warrant exercisable at \$0.15 per share for a period of five years from the date of issue. The Company received gross proceeds of \$1,212,098 and incurred cash costs of \$31,240 and issued 288,400 broker warrants as compensation for the financing.

Subsequent to the year end, the Company granted 4,400,000 options exercisable at \$0.10 per share, to officers, directors and consultants. At the date of grant, 1,800,000 options vested immediately and 2,600,000 options will vest over a three year period.