



**AGAVE SILVER  
CORPORATION**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
THREE MONTHS ENDED JUNE 30, 2016 AND 2015**

(Expressed in Canadian dollars)

**AGAVE SILVER CORP.**  
**Consolidated Interim Statements of Financial Position**  
(Expressed in Canadian dollars)  
(Unaudited)

	June 30, 2016	March 31, 2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 11,028	\$ 774
Amounts receivable and prepaid expenses (Note 4)	16,847	13,889
<b>Total Current Assets</b>	<b>27,875</b>	<b>14,663</b>
<b>Non-current Assets</b>		
Deferred charge	14,063	15,625
Reclamation deposits	18,000	18,000
<b>Total Non-current Assets</b>	<b>32,063</b>	<b>33,625</b>
<b>Total Assets</b>	<b>\$ 59,938</b>	<b>\$ 48,288</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 21,305	\$ 23,371
Accounts payable, related parties (Note 7)	279,431	228,431
<b>Total Liabilities</b>	<b>300,736</b>	<b>251,802</b>
<b>Deficiency</b>		
Share capital (Note 9)	33,973,547	33,973,547
Warrants reserve	54,688	54,688
Share-based payments reserve (Note 9)	21,009	71,009
Deficit	(34,290,042)	(34,302,758)
<b>Total Deficiency</b>	<b>(240,798)</b>	<b>(203,514)</b>
<b>Total Liabilities and Deficiency</b>	<b>\$ 59,938</b>	<b>\$ 48,288</b>

**Going Concern (Note 1)**

Approved and authorized for issue on behalf of the board of directors on August 29, 2016 by:

/s/Ronald M. Lang  
Director

/s/Robert Paul  
Director

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

**AGAVE SILVER CORP.****Condensed Interim Statements of Operations and Comprehensive Income (Loss)**

(Expressed in Canadian dollars)

(Unaudited)

	<b>Three months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Expenses</b>		
Exploration and evaluation costs (Note 5)	\$ 260	\$ (3,777)
Foreign exchange	--	(336)
General and administrative (Notes 8)	7,809	12,551
Professional fees	12,016	16,413
Salaries and benefits (Note 7)	15,000	39,939
Shareholder communications	2,199	3,853
Stock-based compensation (Note 9)	--	25,873
<b>Loss Before Other Income (Expenses)</b>	<b>(37,284)</b>	<b>(94,516)</b>
<b>Other Income (Expenses)</b>		
Gain on settlement of debt (Note 7)	--	129,121
<b>Total Other Income (Expenses)</b>	<b>--</b>	<b>129,121</b>
<b>Net Income (Loss) and Comprehensive Income (Loss) for the Period</b>	<b>\$ (37,284)</b>	<b>\$ 34,605</b>
<b>Gain (Loss) per Common Share, Basic and Diluted (Note 10)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted Average Number of Shares Outstanding – Basic and Diluted</b>	<b>31,981,559</b>	<b>26,704,169</b>

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

## AGAVE SILVER CORP.

### Condensed Interim Statements of Changes in Deficiency

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

	Common Shares Without Par Value		Share Subscriptions	Warrant Reserve	Share-based Payments Reserve	Deficit	Total (Deficiency) Equity
	Shares	Amount					
<b>Balance, March 31, 2015</b>	25,834,059	\$ 33,755,285	\$ 100,000	\$ 341,631	\$ 964,950	\$ (35,447,743)	\$ (285,877)
Private Placement	5,000,000	250,000	(100,000)	--	--	--	150,000
Shares issued for debt	1,147,500	22,950	--	--	--	--	22,950
Share-based payments	--	--	--	--	25,873	--	25,873
Options forfeited/expired, unexercised	--	--	--	--	(323,400)	323,400	--
Net income (loss) for the period	--	--	--	--	--	34,605	34,605
<b>Balance, June 30, 2015</b>	31,981,559	34,028,235	--	341,631	667,423	(35,089,738)	(52,449)
<b>Balance, March 31, 2016</b>	31,981,559	33,973,547	--	54,688	71,009	(34,302,758)	(203,514)
Options forfeited/expired, unexercised	--	--	--	--	(50,000)	50,000	--
Net income (loss) for the period	--	--	--	--	--	(37,284)	(37,284)
<b>Balance, June 30, 2016</b>	31,981,559	\$ 33,973,547	\$ --	\$ 54,688	\$ 21,009	\$ (34,290,042)	\$ (240,798)

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

**AGAVE SILVER CORP.**  
**Condensed Interim Statements of Cash Flows**  
(Expressed in Canadian dollars)  
(Unaudited)

	<b>For the three months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash provided by (used in):</b>		
<b>Operations</b>		
Net income (loss) for the period	\$ (37,284)	\$ 34,605
Items not involving cash		
Depreciation	--	58
Gain on settlement of debt	--	(129,121)
Share-based payments	--	25,873
Changes in non-cash operating assets and liabilities		
Amounts receivable and prepaid expenses	(2,958)	3,880
Deferred charge	1,562	1,562
Foreign value-added taxes recoverable	--	--
Accounts payable and accrued liabilities	(2,066)	(49,113)
Accounts payable, related parties	51,000	(43,932)
<b>Cash used in operating activities</b>	<b>10,254</b>	<b>(156,188)</b>
<b>Financing activities</b>		
Common shares	--	250,000
Share subscriptions	--	(100,000)
Loan from related party	--	4,814
<b>Cash provided by financing activities</b>	<b>--</b>	<b>154,814</b>
<b>Increase (decrease) in cash during the period</b>	<b>10,254</b>	<b>(1,374)</b>
<b>Cash, beginning of the period</b>	<b>774</b>	<b>2,827</b>
<b>Cash, end of the period</b>	<b>\$ 11,028</b>	<b>\$ 1,453</b>
<b>Supplemental information</b>		
Interest paid	\$ --	\$ --
Income taxes paid	\$ --	\$ --
Non-cash portion of warrants exercised	\$ --	\$ --
Non-cash portion of options exercised	\$ --	\$ --

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

# **AGAVE SILVER CORP.**

## **Notes to the Condensed Interim Financial Statements**

**For the three months ended June 30, 2016 and 2015**

(Expressed in Canadian dollars)

(Unaudited)

### **1. Nature of Operations and Going Concern**

Agave Silver Corp. (the “Company”) was incorporated on October 12, 1966 in the Province of British Columbia under the Business Corporations Act of British Columbia, and its principal business activity is the exploration of mineral properties in Canada.

The Company’s head office and principal address is #1601-675 West Hastings Street, Vancouver, B.C., Canada, V6B 1N2. The Company’s registered and records office is 25<sup>th</sup> Floor-700 West Georgia Street, Vancouver, B.C., Canada, V7Y 1B3.

The Company’s continuing operations are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interest or other interests.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses from inception to June 30, 2016 of \$34,290,042 (March 31, 2016 – \$34,302,758). Additionally, the Company has no source of operating cash flow, minimal income from short-term investments, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore its mineral properties and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions and mineral property exploration success. These factors cast substantial doubt on the Company’s ability to continue as a going concern. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in these financial statements.

### **2. Significant Accounting Policies**

#### **(a) Statement of Compliance**

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

#### **(b) Basis of Measurement and Presentation**

These consolidated financial statements have been prepared using the historical cost convention using the accrual basis of accounting except for some financial instruments, which have been measured at fair value. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included.

#### **(c) Recent Accounting Pronouncements**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2016, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded in the standards listed below.

# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 2. Significant Accounting Policies (Continued)

The Company anticipates that the application of these standards, amendments, revisions and interpretations will not have a material impact on the results and financial position of the Company.

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers establishes a five-step model that will apply to revenue earned from a contract, regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

#### IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

#### Amendments to IAS 1 Presentation of Financial Statements

### (d) Recent Accounting Pronouncements

The amendments are designed to encourage companies to apply professional judgment to determine what information to disclose in the financial statements. In addition, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The amendment is effective for annual periods beginning on or after January 1, 2016.

# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 3. Critical Accounting Judgments and Estimates

The preparation of financial statements requires management to make judgments and estimates that affect the amounts reported in the financial statements and notes. By their nature, these judgments and estimates are subject to change and the effect on the financial statements of changes in such judgments and estimates in future periods could be material. These judgments and estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these judgments and estimates. The more significant areas are as follows:

#### (a) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.

#### (b) Going Concern

The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (c) Intangible Exploration and Evaluation Assets

Management is required to assess impairment in respect of intangible exploration and evaluation assets. Note 5 discloses the carrying value of such assets. The triggering events for exploration and evaluation assets are defined in IFRS 6 *Exploration for and Evaluation of Mineral Properties* and are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.



# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 3. Critical Accounting Judgments and Estimates (Continued)

#### (d) Determination of Cash Generating Units

The determination of cash generating units (“CGUs”) requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

#### (e) Accrued Liabilities

The Company has applied judgment in recognizing accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

### 4. Amounts Receivable and Prepaid Expenses

	June 30, 2016	March 31, 2016
GST/HST	\$ 8,305	\$ 7,639
Prepayments and other receivable	8,542	6,250
<b>Total</b>	<b>\$ 16,847</b>	<b>\$ 13,889</b>

### 5. Exploration and Evaluation Assets

The Company’s exploration and evaluation assets as at June 30 and March 31, 2016 were \$Nil.

Detailed exploration and evaluation expenditures incurred in respect to the Company’s mineral property interests owned, leased or held under option are disclosed at the end of this note.

#### (a) Kaslo Silver Property, Kaslo, British Columbia, Canada

The 100% owned Kaslo Silver Property, a silver target, was written off during the year ended March 31, 2012, as there were no plans at that time to continue with exploration. During the year ended March 31, 2014, a review of geological data was completed, however, no further work was done during the year ended March 31, 2016 nor the three months ended June 30, 2016.

#### (b) Hastings Highland Property, Limerick Township, Ontario

Effective May 9, 2015, the Company and Hastings Highland Resources Limited (“Hastings”) entered into an agreement (the “Agreement”) with respect to the exclusive option to earn a 90% interest in Hastings’ Limerick Township nickel-copper property located in Ontario, Canada (the “Property”); however, the Company was unable to secure the requisite financing and terminated the option on September 3, 2015.

# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 5. Exploration and Evaluation Assets (Continued)

Kaslo Silver Property, British Columbia	Three months ended June 30,	
	2016	2015
Geological and geophysical	\$ 260	\$ (2,905)
Land lease and property taxes	--	--
Travel and conferences	--	(872)
<b>Totals</b>	<b>\$ 260</b>	<b>\$ (3,777)</b>

### 6. Accounts Payable and Accrued Liabilities

	June 30, 2016	March 31, 2015
Trade payables	\$ 17,309	\$ 11,725
Accrued liabilities	3,996	11,646
<b>Totals</b>	<b>\$ 21,305</b>	<b>\$ 23,371</b>

### 7. Related Party Transactions and Balances

Remuneration of directors and key management personnel of the Company was as follows for the three months ended June 30, 2016 and 2015:

	Three months ended June 30,	
	2016	2015
Salaries, fees and benefits	\$ 15,000	\$ 39,393
Stock based compensation	--	22,304

Related party balances as at March 31, 2016 and 2015 were as follows:

Balances at:	June 30, 2016	March 31, 2016
Payables:		
Lang Mining Corporation (a)	\$ 48,364	\$ 42,555
Dauntless Developments Ltd. (a)	118,567	88,376
Directors and Officers (b)	112,500	97,500
<b>Totals</b>	<b>\$ 279,431</b>	<b>\$ 228,431</b>

- (a) Lang Mining Corporation ("Lang Mining") and Dauntless Developments Ltd. ("Dauntless Developments") are private companies controlled by the Company's President, Ronald M. Lang and Jennifer Susan Lang. Mr. Ronald Lang is also President of Lang Mining and a director of Dauntless Developments. Lang Mining and Dauntless Developments provided the Company with non-interest bearing loans, with no specified terms of repayment.

# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 7. Related Party Transactions and Balances (Continued)

(b) The directors' and officers' balances include fees and expenses owing to directors and officers

During the year ended March 31, 2016, the Company settled all debts owing to officers and directors, with the exception of partial salaries payable to the President, by cash payments totaling \$68,281 and the issuance of 1,147,500 common shares at \$0.02 per common share for \$22,950. These settlements resulted in a gain on settlement of debt in the amount of \$129,121. Also, the Company accrued rent payable to Lang Mining in the amount of \$30,000.

As at June 30, 2016, the balance payable to directors and officers is composed entirely of salary arrears payable to the President.

### 8. General and Administrative

	Three months ended June 30,	
	2016	2015
Depreciation	\$ --	\$ 58
Office and administration	7,809	12,297
Travel and conferences	--	196
Totals	\$ 7,809	\$ 12,551

### 9. Share Capital

#### Authorized

Unlimited number of common shares without par value.

#### Issued and Fully Paid

31,981,559 common shares at June 30, 2016 and March 31, 2016.

#### Financings

In June 2015, the Company closed the first and final tranche of a non-brokered private placements of units at a price of \$0.05 per unit by issuing an aggregate of 5,000,000 units for gross proceeds of \$250,000. Each unit is comprised of one common share and one common share purchase warrant, with each warrant entitling the holder thereof to purchase one additional common share at a price of \$0.10 for a term of 24 months after closing. The share purchase warrants were valued using the Black-Scholes pricing model with the following assumptions: weighted average risk free interest rate of 0.56%, volatility factor of 120% and an expected life of two years.

#### Shares for Debt

In June 2015, the Company issued, pursuant to TSX Venture Exchange ("TSXV") approval, 1,147,500 common shares at \$0.02 per common share for \$22,950 in partial settlement of \$52,500 of deferred salary payable to Ron Lang since his appointment as President in October 2013 and settlement in full of \$16,250 of director's fees arrears incurred prior to his appointment as President. The Company recorded a gain on the settlement of this debt of \$45,800.

# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 9. Share Capital (Continued)

#### Stock Options

On September 27, 2013, the shareholders approved an amendment to the Company's stock option plan ("the Plan") to change the number of shares in respect of which options may be granted thereunder from 10% of the issued and outstanding shares of the Company to a maximum of 2,723,500 shares of the Company. The Plan provides for its directors, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. The Plan provides for immediate vesting, or vesting at the discretion of the Board at the time of the option grant and are exercisable for a period of up to 10 years. Stock options granted to investor relations' consultants vest over a twelve-month period, with one quarter of such options vesting in each three-month period.

The number of shares which may be issuable under the Plan and all of the Company's other previously established or proposed share compensation arrangements, in any 12-month period:

- (a) to any one person shall not exceed 5% of the total number of issued and outstanding shares on the grant date on a non-diluted basis, unless the Company has obtained disinterested shareholder approval to exceed such limit;
- (b) to insiders as a group shall not exceed 10% of the total number of issued and outstanding shares on the grant date on a non-diluted basis, unless the Company has obtained disinterested shareholder approval to exceed such limit;
- (c) to any one consultant shall not exceed 2% of the total number of issued and outstanding shares on the grant date on a non-diluted basis; and
- (d) to all eligible persons who undertake investor relations activities shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on the grant date on a non-diluted basis.

During the year ended March 31, 2016, pursuant to the Company's stock option plan and TSXV approval, the Company granted 1,450,000 stock options to directors, officers and consultants of the Company at an exercise price of \$0.07 per share, expiring on June 3, 2020. The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk free interest rate of 0.47%, volatility factor of 168% and an expected life of five years. No stock options were granted during the three months ended June 30, 2016.

The following table summarizes information on stock options outstanding at June 30, 2016:

<b>Exercise Price</b>	<b>Number Outstanding and Exercisable</b>	<b>Average Remaining Contractual Life</b>
\$0.07	1,450,000	3.93 years
	<b>1,450,000</b>	<b>3.93 years</b>

# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 9. Share Capital (Continued)

#### Stock Options (Continued)

A summary of the changes in stock options for the years ended June 30, 2016 and the year ended March 31, 2016 is presented in the following table:

	Number of Shares	Weighted Average Exercise Price (\$)
Balance, fully vested and exercisable at March 31, 2015	377,500	3.31
Granted	1,450,000	0.07
Cancelled/forfeited	(337,500)	3.52
Balance, fully vested and exercisable at March 31, 2016	1,490,000	0.11
Cancelled/forfeited	(40,000)	1.60
<b>Balance, fully vested and exercisable at March 31, 2016</b>	<b>1,450,000</b>	<b>0.07</b>

#### Warrants

As at June 30, 2016, the following share purchase warrants issued in connection with private placements were outstanding:

Number of Warrants	Exercise Price	Expiry Dates
5,000,000	\$0.10	June 17, 2017
<b>5,000,000</b>		

A summary of the changes in warrants for the three months ended June 30, 2016 and year ended March 31, 2016 is presented below:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, March 31, 2015	10,300,000	0.25
Issued	5,000,000	0.10
Expired	(10,300,000)	0.25
<b>Balance, March 31, 2016 and June 30, 2016</b>	<b>5,000,000</b>	<b>0.10</b>

# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 9. Share Capital (Continued)

#### Earnings (Loss) Per Share

The Company calculates basic and diluted earnings (loss) per common share using the weighted average number of common shares outstanding during each period and the diluted earnings (loss) per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the year.

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of potentially dilutive shares. The potentially dilutive stock options and share purchase warrants were not included in the Company's earnings (loss) per common share calculation because the result was anti-dilutive.

	Three months ended June 30,	
	2016	2015
Issued shares beginning of period	31,981,559	25,834,059
Weighted average issuances	--	870,110
<b>Basic weighted average common shares, end of period</b>	<b>31,981,559</b>	<b>26,704,169</b>

### 10. Segmented Information

#### Operating Segments

The Company has one operating segment, which is the exploration and evaluation of mineral properties.

#### Geographic Segments

The Company's principal operations are carried out in Canada:

### 11. Financial Instruments and Risk Management

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as fair value through profit or loss and measured at fair value. Accounts payable and accrued liabilities and accounts payable, related parties are designated as other financial liabilities and measured at amortized cost using the effective interest rate method. The fair values of the Company's accounts payable and accrued liabilities and accounts payable, related parties approximate their carrying values at June 30, 2016, due to their short-term nature.

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of financial position as at June 30, 2016 and March 31, 2016 and categorized into levels of the fair value hierarchy:

		June 30, 2016		March 31, 2016	
	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	1	\$ 11,028	\$ 11,028	\$ 774	\$ 774
Accounts payable and accrued liabilities	2	21,305	21,305	23,371	23,371
Accounts payable, related parties	2	279,431	279,431	228,431	228,431

# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 11. Financial Instruments and Risk Management (Continued)

There were no transfers from levels or change in the fair value measurements of financial instruments for the periods ended June 30, 2016 and March 31, 2016.

#### Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the financial position date under its financial instruments is summarized as follows:

	June 30, 2016	March 31, 2016
Cash	\$ 11,028	\$ 774

All of the Company's cash is held with major financial institutions in Canada and management believes the exposure to credit risk with such institutions is not significant. The financial assets that potentially subject the Company to credit risk are any receivables. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. The Company's maximum exposure to credit risk as at June 30, 2016 is the carrying value of its financial assets.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests.

During the year ended March 31, 2016, the Company closed the first and final tranche of a non-brokered private placements of units ("Units") at a price of \$0.05 per Unit by issuing an aggregate of 5,000,000 Units for gross proceeds of \$250,000. In addition, the Company settled all debts owing to officers and directors, with the exception of partial salaries payable to the President, by cash payments totaling \$68,281 and the issuance of 1,147,500 common shares at \$0.02 per common share for \$22,950. These settlements resulted in a gain on settlement of debt in the amount of \$129,121. The Company also received non-interest bearing loans in the amount of \$41,814 from Lang Mining and Dauntless Developments to help fund operations. Further information regarding liquidity risk is set out in Note 1.

The Company's financial assets are comprised of its cash, and the Company's financial liabilities are comprised of its accounts payable, accrued liabilities and accounts payable, related parties, the contractual maturities of which at June 30, 2016 and March 31, 2016 are summarized as follows:

	June 30, 2016	March 31, 2016
Cash	\$ 11,028	\$ 774
Accounts payable and accrued liabilities with contractual maturities – Within 90 days or less	(21,305)	(23,371)
Due to related parties with contractual maturities - Within 90 days or less	(279,431)	(228,431)

# AGAVE SILVER CORP.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

### 11. Financial Instruments and Risk Management (Continued)

#### Interest Rate Risk

The Company has no significant exposure at June 30, 2016 to interest rate risk through its financial instruments.

#### Currency Risk

The Company has no significant exposure at June 30, 2016 to currency risk through its financial instruments.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company had no cash equivalents at June 30, 2016. In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in order to maintain liquidity while achieving a satisfactory return. Fluctuations in interest rates impact the amount of return the Company may realize but interest rate risk is not significant to the Company.

### 12. Management of Capital

The Company defines capital that it manages as equity. When managing capital, the Company's objective is to ensure the Company continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

	March 31, 2016	March 31, 2016
Equity (deficiency) is comprised of:		
Share capital	\$ 33,973,547	\$ 33,973,547
Warrants reserve	54,688	54,688
Share-based payments reserve	21,009	71,009
Deficit	(34,290,042)	(34,302,758)

The Company's capital management approach is revised on an ongoing basis and reflects adjustments in light of economic conditions affecting metal markets and the mining industry in particular. Given the nature of its activities, the Company is dependent on financing to fund its operations. To maintain or adjust the capital structure, the Company may issue new shares, options and warrants, and issue debt. There were no changes in the Company's approach to capital management during the three months ended June 30, 2016. The Company is not subject to externally imposed capital requirements.

### 13. Subsequent Events

On August 2, 2016, pursuant to the Company's stock option plan and TSXV approval, the Company granted 1,250,000 stock options to directors, officers and consultants of the Company at an exercise price of \$0.11 per share, expiring on August 1, 2021.

During August, 2016 the Company issued 26,000 common shares upon the exercise of 30,000 stock options priced at \$0.07 per share for proceeds of \$1,820.