

GUERRERO VENTURES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015
(Expressed in Canadian Dollars)

(Unaudited)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended September 30, 2015

NOTICE TO READER

The condensed consolidated interim statement of financial position as at September 30, 2015 and the condensed consolidated interim statements of comprehensive loss and the condensed consolidated interim statements of cash flows for the nine-month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Morgan & Company LLP.

The condensed consolidated interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

/s/ David Baker

David Baker, Director
Vancouver, BC Canada
November 27, 2015

/s/ Earl Terris

Earl Terris, Director
Vancouver, BC Canada
November 27, 2015

GUERRERO VENTURES INC.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	September 30, 2015	December 31, 2014
ASSETS		
Current		
Cash	\$ 12,395	\$ 795,000
Amounts receivable	47,266	40,065
Prepaid expenses	5,918	22,784
GST recoverable	6,009	9,011
Total Current Assets	71,588	866,860
Value Added Taxes Recoverable	245,179	197,796
Exploration and Evaluation Assets (Note 6)	5,163,310	4,809,129
Total Assets	\$ 5,480,077	\$ 5,873,785
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 80,881	\$ 47,496
Note payable (Note 7)	26,273	101,644
Total Liabilities	107,154	149,140
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	21,457,421	21,457,421
Reserves	1,048,643	1,048,643
Deficit	(17,133,141)	(16,781,419)
	5,372,923	5,724,645
Total Liabilities And Equity	\$ 5,480,077	\$ 5,873,785

Approved on behalf of the Board of Directors by:

"David Baker"
Director

"Earl Terris"
Director

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

GUERRERO VENTURES INC.

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2015	2014	2015	2014
Expenses				
Accretion of note payable (Note 7)	\$ 977	\$ -	\$ 4,628	\$ -
Consulting and administration fees	28,500	33,000	85,750	70,781
Foreign exchange loss / (gain)	(18,363)	31,963	(21,414)	31,963
Management fees	24,000	24,000	72,000	57,000
Professional fees	19,292	71,674	56,161	244,100
Property investigation	-	6,045	-	11,423
Rent, telephone, office expenses	11,149	28,424	53,852	67,789
Share-based compensation		654,000	-	654,000
Shareholders' communication	6,349	52,832	75,198	82,821
Transfer agent and filing fees	1,362	47,126	25,547	61,197
Loss Before Other Items	73,266	949,064	351,722	1,281,074
Other Items				
Transaction cost	-	280,000	-	280,000
Net Loss and Comprehensive Loss For The Period	\$(73,266)	\$(1,229,064)	\$ (351,722)	\$ (1,561,074)
Loss Per Share, Basic and Diluted			\$ (0.01)	\$ (0.05)
Weighted Average Common Shares Outstanding, Basic and Diluted			68,667,794	32,618,290

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

GUERRERO VENTURES INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2015	2014	2015	2014
Cash Flows Provided By (Used In):				
Operating Activities				
Net loss for the period	\$ (73,266)	\$ (1,229,064)	\$ (351,722)	\$ (1,561,074)
Items not involving cash				
Accretion	977	-	4,628	-
Share-based compensation		654,000	-	654,000
Net changes in non-cash working capital items:				
Accounts receivable	-	(49,027)	(7,201)	(54,575)
Advances	-	40,000	-	-
Prepaid expenses	1,448	(23,852)	16,866	(30,079)
Taxes receivable	(17,092)	-	(44,381)	-
Accounts payable and accrued liabilities	77,437	14,230	33,385	10,180
	<u>(10,496)</u>	<u>(593,713)</u>	<u>(348,425)</u>	<u>(981,548)</u>
Financing Activities				
Shares subscribed	-	(84,600)	-	-
Proceeds from common shares issued		2,134,080	-	2,134,080
Repayment of note payable	(26,666)	133,333	(79,999)	133,333
	<u>(26,666)</u>	<u>2,182,813</u>	<u>(79,999)</u>	<u>2,267,413</u>
Investing Activity				
Purchase of Citation, net of working capital	-	(20,103)	-	(20,103)
Deferred exploration costs	(99,534)	(211,377)	(354,181)	(211,377)
	<u>(99,534)</u>	<u>(231,480)</u>	<u>(354,181)</u>	<u>(231,480)</u>
Decrease In Cash And Cash Equivalents	(136,696)	1,357,620	(782,605)	1,054,385
Cash, Beginning Of Period	149,091	1,314,920	795,000	1,618,155
Cash, End Of Period	\$ 12,395	\$2,672,540	\$ 12,395	\$ 2,672,540
Supplemental Cash Flow Information				
Cash received for interest	\$ -	\$ -	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -
Cash paid for interest	\$ -	\$ -	\$ -	\$ -

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

GUERRERO VENTURES INC.

INTERIM STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars, except number of shares)

	SHARE CAPITAL		RESERVE				TOTAL
	SHARES	AMOUNT	WARRANTS	SHARE-BASED COMPENSATION	DEBT DISCOUNT	DEFICIT	
Balance, December 31, 2013	17,467,317	\$ 16,172,798	\$ -	\$ 368,792	\$ -	\$ (14,710,946)	\$ 1,830,644
Shares issued for purchase of Citation shares (Note 5)	19,784,644	3,165,543	-	-	-	-	3,165,543
Private placement (Note 8)	15,000,000	2,250,000	-	-	-	-	2,250,000
Share issue costs (Note 8)	-	(115,920)	-	-	-	-	(115,920)
Share issue costs (Note 8)	-	(15,000)	15,000	-	-	-	-
Share-based compensation (Note 8)	-	-	-	654,000	-	-	654,000
Discount on promissory note (Note 7)	-	-	-	-	10,851	-	10,851
Net loss for the period	-	-	-	-	-	(1,561,074)	(1,561,074)
Balance, September 30, 2014	52,251,961	21,457,421	15,000	1,022,792	10,851	(16,272,020)	6,234,044
Net loss for the period	-	-	-	-	-	(509,399)	(509,399)
Balance, December 31, 2014	52,251,961	21,457,421	15,000	1,022,792	10,851	(16,781,419)	5,724,645
Net loss for the period	-	-	-	-	-	(351,722)	(351,722)
Balance, September 30, 2015	52,251,961	\$ 21,457,421	\$ 15,000	\$ 1,022,792	\$ 10,851	\$ (17,133,141)	\$ 5,372,923

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

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Guerrero Ventures Inc. ("the Company") was incorporated in British Columbia, Canada. Effective August 19, 2014, the Company changed its name from Inlet Resources Ltd. to Guerrero Ventures Inc. The Company's principal place of business is #3904 – 1077 West Cordova Street, Vancouver, BC V6C 2C6 and its registered records office is located on the 10th Floor – 595 Howe Street, Vancouver, BC V6C 2T5.

The Company is engaged in the acquisition, exploration, development and subsequent production relating to mineral properties in Mexico.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its obligations, and continue its operations for the next twelve months. Should the Company be unable to continue as a going concern, asset realization values may be substantially different from carrying values as currently disclosed. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to carrying values, and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At September 30, 2015, the Company had not yet achieved profitable operations, had a working capital deficit of \$35,566, had accumulated an inception to date deficit of \$17,133,141, expects to incur further losses in the development of its business and has to incur certain exploration and evaluation asset expenditures to maintain its sole optioned mineral property. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to raise adequate funding through equity or debt financings to discharge its liabilities as they come due. The Company has capital management process in place to safeguard the Company's ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the Company's most recently issued annual consolidated financial statements for the year ended December 31, 2014, which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies, use of judgments and estimates are presented in Note 2 of these financial statements, and have been consistently applied in the preparation of these interim financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 27, 2015.

Basis of Measurement

These financial statements have been prepared on a historical cost basis, modified by the revaluation of available-for-sale financial assets.

Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned Canadian subsidiaries, Citation Minerals Inc. and Citation International Holdings Inc., and its wholly owned Mexican subsidiary, Minera Citation Mexico S.A. de C.V. The results of the subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiaries ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. All significant intercompany transactions and balances have been eliminated.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

Significant Accounting Judgments and Estimates

The preparation of these financial statements in conformity 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 the reported amounts of expenses during the reporting period. Significant areas where management's judgment was applied included, but are not limited to, asset and investment valuations, contingent liabilities, decommissioning liabilities, tax provisions and deferred income tax balances. Significant areas where estimates were applied included inputs used in accounting for share-based compensation expense and the Company's cost of capital rate used to discount a promissory note. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash consists of cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. The Company did not have cash equivalents as at September 30, 2015.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

c) Property Option Agreements

The Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded; option payments are recorded as resource property costs or recoveries when the payments are made or received.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Impairment of Non-Financial Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's 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 or cash generating unit 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 in the profit or loss for the period.

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 so that the increased carrying amount 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.

e) Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Decommissioning Liabilities (Continued)

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

f) Share-based Payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

The fair value for share purchase options granted to employees and consultants are measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted are measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized is adjusted to reflect the actual number of share purchase options that are expected to vest.

g) Fair Value of Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair values using the residual method to determine the fair value of warrants issued. Warrants issued to brokers are evaluated using the Black-Scholes Model.

h) Income Taxes

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

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

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Income Taxes (Continued)

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

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

i) Income and Loss Per Common Share

Basic income and loss per share is computed by dividing the net income and loss by the weighted average number of common shares outstanding during the year. The diluted income and loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the stock options and warrants that are used to purchase common shares at the average market price during the period. During the nine months ended September 30, 2015, all of the outstanding stock options and warrants were anti-dilutive.

j) Foreign Currency Transactions

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company and its Canadian subsidiaries, Citation Minerals Inc. and Citation International Holdings Inc., is the Canadian dollar; and the functional currency of the Company's subsidiary Minera Citation Mexico S.A de C.V is the U.S. dollar. The presentation currency of the Company is the Canadian dollar.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Foreign Currency Transactions (Continued)

Transactions denominated in foreign currencies are translated into Canadian dollars, using the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities are translated at current rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at average rates of exchange for the period, except for amortization and depletion which are translated at rates in effect when the related assets were acquired. All exchange gains and losses are recognized in the statement of operations.

k) Accounting Standards and Amendments Issued Not Yet Effective

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures (2011) (Amendment)

On September 11, 2014, the IASB issued narrow-scope amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures (2011). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after January 1, 2016.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Accounting Standards and Amendments Issued Not Yet Effective (Continued)

IFRS 11 Joint Arrangements (Amendment)

The amendment to IFRS 11 Joint Arrangements adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. Transactions before the adoption date are grandfathered.

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but 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 characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has yet to assess the full impact of IFRS 9.

4. FINANCIAL INSTRUMENTS

a) Designations

The Company's financial instruments consist of cash, amounts receivable, and accounts payable and accrued liabilities.

Cash is designated as held-for-trading; amounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS (Continued)

b) Fair Value

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 no assets or liabilities subject to fair value measurement on a recurring basis.

	FAIR VALUE INPUT LEVEL		AS AT SEPTEMBER 30, 2015			AS AT DECEMBER 31, 2014	
			CARRYING AMOUNT	ESTIMATED FAIR VALUE		CARRYING AMOUNT	ESTIMATED FAIR VALUE
Financial Assets:							
Cash	1	\$	12,395	\$ 12,395	\$	795,000	\$ 795,000
Amounts receivable	2	\$	47,266	\$ 47,266	\$	40,065	\$ 40,065
Financial Liabilities:							
Accounts payable and accrued liabilities	2	\$	80,881	\$ 80,881	\$	47,496	\$ 47,496
Note payable	2	\$	26,273	\$ 26,273	\$	101,644	\$ 101,644

Due to the relatively short term nature of cash, amounts receivable, accounts payable and accrued liabilities, and note payable, the fair value of these instruments approximates their carrying value.

c) Risk Management

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate and liquidity risks. Where material, these risks are reviewed and monitored by the Board of Directors.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS (Continued)

Credit Risk

The Company's credit risk is primarily attributable to cash. Cash is held in a reputable Canadian bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Our interest rate risk mainly arises from the interest rate impact on our cash. A change in interest rate would have a minimal effect on the profitability of the Company.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2015, the Company held cash of \$12,395 and had current liabilities of \$107,154. All of the Company's current liabilities have contractual maturities of less than 30 days and were subject to normal trade terms. The Company is seeking additional funds to ensure that it will have sufficient liquidity to meet liabilities.

d) Comprehensive income

A statement of comprehensive income (loss) forms part of the Company's financial statements and displays current period net income and other comprehensive income (loss). Other comprehensive income consists of unrealized gains on available-for-sale financial assets. The cumulative changes in other comprehensive income are included in accumulated other comprehensive income within shareholders' equity in the consolidated balance sheet. Upon disposition of the available-for-sale financial assets, the accumulated other comprehensive income (loss) has been reclassified as realized gain (loss) and included in net income (loss).

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

5. ACQUISITION

On July 8, 2014, the Company completed a Plan of Arrangement (the "Arrangement"), whereby the Company acquired all of the issued and outstanding shares in the capital of Citation Resources Inc. ("Citation"). The Arrangement was approved by the shareholders of Citation on June 30, 2014 and approved by the Supreme Court of British Columbia on July 3, 2014.

Pursuant to the terms of the Arrangement, shareholders of Citation received one-half of one common share of the Company for each one Citation share held. In addition, two former directors of Citation were elected as directors of the Company.

As a result of the acquisition, the Company issued total of 19,784,644 common shares for the 39,569,287 common shares of Citation that were outstanding immediately prior the effective time of the Arrangement. Citation shares were delisted from the TSX Venture Exchange on the close of business on July 8, 2014.

All previously outstanding stock options of Citation were exchanged for options to acquire common shares of the Company at an exchange ratio of one-half of one common share of the Company for each one Citation share to which such holder was previously entitled, for the same consideration. Citation had 2,848,000 options ("Citation Options") outstanding immediately prior the effective time of the Arrangement (Note 8).

In connection with the Arrangement, the Company incurred transaction costs of \$280,000 of which \$120,000 was paid in cash and an issuance of a \$160,000 promissory note on July 8, 2014 pursuant to Citation's Change of Control Agreements with Citation's directors and officers (Note 7).

On July 8, 2014, Citation was amalgamated with a wholly owned subsidiary of the Company under the name "Citation Minerals Inc."

The transaction has been accounted for as a business acquisition, as the Company and Citation both meet the definition of a business under IFRS 3.

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Purchase consideration:	
Issuance of 19,784,644 common share of the Company	\$ 3,165,543
Preliminary purchase price allocation:	
Cash	33,418
Non-cash net working capital (deficit)	(53,521)
Mineral property interest	3,185,646
Net identifiable assets acquired	\$ 3,165,543

The value of the share consideration for the Company's common stock was based on the closing price of \$0.16 on July 8, 2014.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

Biricu Property

The Company, through its recently acquired subsidiary, Citation Minerals Inc., has an option agreement with Esperanza Resources Corp. (a subsidiary of Alamos Gold Inc.) to acquire a 100% interest in the Biricu Project mineral exploration concession located in Guerrero State, Mexico. The Biricu Project comprises more than 41,000 hectares of highly prospective ground that management believes lies along direct on-strike extent of five skarn deposits in the Guerrero Gold Belt (El Limon-Los Guajes - Torex Gold Resources Inc.; Bermejil, Los Filos, and Nukay – Goldcorp Inc., Ana Paula – Newstrike Capital Inc.).

On December 22, 2011, Citation executed an option agreement with Esperanza Resources Corp. ("Esperanza", acquired by Alamos Gold Inc.) to acquire Esperanza's 100% interest in the Biricu mineral exploration concessions located in Guerrero State, Mexico. Citation made a cash payment of \$20,000 upon execution of the option agreement and pursuant to the option agreement over four years is required to: i) issue 1,050,000 common shares in Citation to Esperanza, including 250,000 on or before each of December 22, 2012 (issued at a fair value of \$22,500) and 2013 (issued at a fair value of \$5,000) and 275,000 on or before each of December 22, 2014 and 2015 (both issued at a total fair value of \$44,000); and ii) complete total exploration expenditures of \$4,000,000 over a four year period as follows: \$250,000 on or before December 22, 2012 (completed), an additional \$500,000 on or before December 22, 2013 (completed), an additional \$1,000,000 on or before December 22, 2014 (completed) and the remaining \$2,250,000 on or before December 22, 2015. As at September 30, 2015, the Company incurred \$3,185,681 in applicable exploration expenditures.

Esperanza is to be granted a 2% net smelter royalty on all metals recovered from the property and be paid within six months of the Company receiving a bankable feasibility study on the property a resource payment equal to Cdn\$10.00 per ounce of gold resource estimated in the bankable feasibility study, which sum will be payable in cash or, at the Company's election, satisfied by the issuance of common shares.

On February 6, 2012, Citation issued 250,000 common shares (fair value of \$42,500) that was payable with respect to a finder's fee in connection with the transaction.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Biricu Property (Continued)

Costs incurred on Biricu Property to date include:

Balance, July 8, 2014 (Note 5)	<u>\$ 3,185,646</u>
--------------------------------	---------------------

Deferred exploration costs

Analytical work	50,571
Consulting services	18,836
Contractor services	123,914
Drilling	942,433
Field equipment	3,312
Field supplies	9,374
Geological Info	4,270
Geophysics	225,984
Legal	7,731
Logistics	161,964
Storage and rent	125
Taxes & licenses	52,662
Travel and accommodation	22,307
	<u>1,623,483</u>

Balance, December 31, 2014	<u>4,809,129</u>
----------------------------	------------------

Deferred exploration costs

Access and permitting	8,115
Analytical work	26,870
Consulting services	27,429
Contractor services	37,882
Geological Info	14,342
Geophysics	25,859
Legal	7,036
Logistics	66,383
Taxes & licenses	137,403
Travel and accommodation	2,861
	<u>354,181</u>

Balance, September 30, 2015	<u>\$ 5,163,310</u>
------------------------------------	----------------------------

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Broken Hill-Leo Property

The Company held an option agreement with Monster Uranium Corp. ("Monster") to acquire a 50% interest in the Broken Hill-Leo property which comprised 56 mineral claims (133 claim units), located approximately 150 kilometers north-east of Kamloops, British Columbia. The Company had the right to earn a 50% interest in Broken Hill-Leo property by incurring 50% of the \$125,000 required work program expenditures and funding 50% of the advance royalty payments of \$5,000 each subsequent year to the optionor until a total \$100,000 had been paid.

During the year ended December 31, 2014, the Company did not incur any expenditures on the property and determined to write off the property due to unfavorable changes in the project economics and recognized a \$242,026 loss in the statement of comprehensive loss.

7. NOTE PAYABLE

On July 8, 2014 the Company issued a \$160,000 promissory note payable to a director of Citation that is non-interest bearing, requires equal monthly installments of \$8,889 for a period of 18 months and is due on January 1, 2016. The promissory note was discounted at a 9% interest rate and \$10,851 was recorded as a reserve and is being deferred and amortized over the term of the loan. For the nine months ended September 30, 2015, \$4,628 (for the year ended December 31, 2014 - \$5,829) was expensed as non-cash accretion pertaining to this promissory note. As at September 30, 2015, \$124,444 of the promissory note was paid, \$8,889 was payable, and \$26,667 is outstanding, of which \$395 is attributable to accretion.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued Share Capital

On July 8, 2014, the Company issued 19,784,644 common shares in connection with the acquisition for the 39,569,387 common shares of Citation at a fair value of \$0.16 per common share, equal to the closing market price of the Company's shares, for total value of \$3,165,543 (Note 5).

On July 22, 2014, the Company closed a non-brokered private placement consisting of the issuance of 15,000,000 units at a price of \$0.15 per unit for gross proceeds of \$2,250,000. Each unit is comprised of one common share of the Company and one transferable share purchase warrant, entitling the holder to purchase one additional common share of the Company at a price of \$0.25 per warrant share until July 17, 2015. The Company paid cash finders' fees totaling \$115,920 and issued a total of 844,800 non-transferable finders' warrants having the same terms as the subscribers' warrants.

c) Incentive Stock Options

The Company has a fixed stock option plan whereby a maximum of 10% of the issued shares may be reserved for issuance.

A summary of the Company's outstanding stock options as of September 30, 2015 and the changes during the period are presented below:

	Number of Options	Exercise Price	Expiry Date
Outstanding at December 31, 2012 and 2013	-	-	
Granted for exchanging of Citation stock options	280,000	\$0.24	July 13, 2016
Granted for exchanging of Citation stock options	569,000	\$0.40	Nov. 25, 2016
Granted for exchanging of Citation stock options	50,000	\$0.44	March 13, 2017
Granted for exchanging of Citation stock options	225,000	\$0.21	Dec. 7, 2017
Granted for exchanging of Citation stock options	300,000	\$0.20	May 2, 2018
Granted	<u>3,500,000</u>	\$0.16	Aug. 20, 2019
Outstanding at December 31, 2014 and September 30, 2015	4,924,000		

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

8. SHARE CAPITAL (Continued)

c) Incentive Stock Options (Continued)

- i. On July 8, 2014, as a result of the acquisition (Note 5), the Company granted 1,424,000 stock options to previously Citation stock option holders for exchanging all previously outstanding 2,848,000 stock options of Citation. The fair value of the stock options granted of \$134,000 was recorded as share-based compensation in the statements of comprehensive loss and included in reserves. The following assumptions were used for the Black-Scholes valuation of the Citation Options:

Stock price volatility	89 - 95%
Risk-free interest rate	1.12 – 1.43%
Expected life of options	2 – 3.75 years
Expected dividend yield	0.00%
Forfeiture rate	0%

- ii. On August 21, 2014, the Company granted incentive stock options in the aggregate amount of 3,500,000 to directors, officers, employees, and consultants at a purchase price of \$0.16 per share for a period of five years, expiring on August 20, 2019. The fair value of the stock options granted of \$520,000 was recorded as share-based compensation in the statement of comprehensive loss and included in reserves. The following assumptions were used for the Black-Scholes valuation of those stock options:

Stock price volatility	83%
Risk-free interest rate	1.51%
Expected life of options	5 years
Expected dividend yield	0.00%
Forfeiture rate	0%

d) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as of September 30, 2015 and the changes during the period are presented below:

	Number	Exercise Price	Expiry Date
Outstanding at December 31, 2013	-	-	
Issued through private placement	15,000,000	\$0.25	July 17, 2015
Issued as finders' fees	844,800	\$0.25	July 17, 2015
Outstanding at December 31, 2014	15,844,800		
Expired	(15,844,800)	\$0.25	
Outstanding at September 30, 2015	-		

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

8. SHARE CAPITAL (Continued)

d) Share Purchase Warrants (Continued)

On July 22, 2014, as a result of the private placement (Note 8(b)) the Company issued 15,000,000 transferable share purchase warrants at a price of \$0.25 per warrant share until July 17, 2015. The Company also issued 844,800 non-transferable finders' warrants having the same terms as the subscribers' warrants. The fair value of the 844,800 finders' warrants of \$15,000 was recorded as share issuance cost. The following assumptions were used for the Black-Scholes valuation of those finders' warrants:

Stock price volatility	66%
Risk-free interest rate	1.00%
Expected life of options	1 year
Expected dividend yield	0.00%
Forfeiture rate	0%

9. RELATED PARTIES

All related party transactions and amounts owing are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company retains the services of certain directors and officers. Management fees, consulting fees, and professional fees paid to related parties are as follows:

Key Management Compensation

	NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014
Management fees paid and payable to the President	\$ 67,500	\$ 52,500
Management fees paid and payable to a director	4,500	4,500
Consulting fees paid and payable to a director	11,250	11,250
Consulting fees paid to an officer	37,400	21,050
Professional fees paid and payable to an officer	36,000	21,000
Total	\$ 156,650	\$ 110,030

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

9. RELATED PARTIES (Continued)

Other Amounts Paid to Management

	NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014
Rent paid to the President	\$ 12,857	\$ 12,857
Equipment rental paid to the President	4,359	4,359
Total	<u>\$ 17,216</u>	<u>\$ 17,216</u>

During the nine months ended September 30, 2015, the Company incurred \$36,000 (2014 - \$24,000) in consulting fees to a company controlled by the spouse of the President.

As described in Note 7, \$26,667 in a promissory note payable was outstanding (2014 - \$133,333) and \$8,889 was due and payable (2014 - \$Nil) to a director as at September 30, 2015.

As at September 30, 2015, \$47,266 was receivable from a Company controlled by common directors (2014 - Nil).

As at September 30, 2015, \$32,358 of above fees to related parties were accruals and included in accounts payable. Also included in the accounts payable was a \$4,200 advance from a company controlled by the President

10. SEGMENTED INFORMATION

a) Operating Segment

The Company's operations are primarily directed towards the acquisition, exploration, development and subsequent production relating to mineral properties both in Canada and in Mexico.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 (Expressed in Canadian Dollars)

10. SEGMENTED INFORMATION (Continued)

b) Geographic Segments

The Company's geographic information for nine months ended September 30, 2015 is as follows:

	NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014
Net loss from operations:		
Canada	\$ 372,977	\$ 1,554,550
Mexico	(21,255)	6,524
	<u>\$ 351,722</u>	<u>\$ 1,561,074</u>
Identifiable assets		
Canada	\$ 67,197	\$ 1,990,790
Mexico	5,412,880	4,416,028
	<u>\$ 5,480,077</u>	<u>\$ 6,406,818</u>

11. CAPITAL MANAGEMENT

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in Canada. The Company includes cash and the components of shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

To ensure continued operations, the Company depends on external financing to fund its activities. The Company manages its capital requirements through the preparation of annual expenditure budgets, which are updated regularly to take into account factors such as successful financings to fund activities, changes in property holdings and related obligations, and exploration activities. The Company is not subject to externally imposed capital requirements.

GUERRERO VENTURES INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(Expressed in Canadian Dollars)

12. SUBSEQUENT EVENT

On November 4, 2015, the Company announced that it has arranged a loan from Minaurum Gold Inc. ("Minaurum") of CDN\$770,000 to explore the Biricu Project located in the Guerrero Gold Belt, Mexico. The exploration work will be conducted by Minaurum, as contractor to Guerrero, except for drilling services and certain other work that will be conducted by third party contractors.

The loan bears interest at 8%. The loan agreement provides that the demand loan will, at Minaurum's election, either be repaid in cash or, subject to the satisfaction of certain conditions, be converted into a direct 55% interest in the Biricu Project and an option to acquire a further 20% interest in exchange for funding \$153,000 in exploration expenditures within 24 months of the conversion date. Minaurum is not entitled to demand repayment of the loan and accrued interest in cash until the earlier of a default under the loan agreement and March 31, 2016. Minaurum has also agreed to pay Guerrero an overhead fee of up to \$77,000.