GRENVILLE GOLD CORP.

Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Grenville Gold Corp.

We have audited the accompanying consolidated financial statements of Grenville Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 audits 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 Grenville Gold Corp. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Grenville Gold Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 21, 2016

GRENVILLE GOLD CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Current Assets			
Cash		$ 4,821	$ 577,731
Receivables		1,074	5,418
Prepaid expenses	4	2,012	2,963
		7,907	586,112
Equipment	5	-	258
Exploration and evaluation assets	6	2,230,518	2,213,620
TOTAL ASSETS		$ 2,238,425	$ 2,799,990
LIABILITIES			
Current Liabilities			
Trade payables and accrued liabilities	7	$ 121,207	$ 147,461
Short-term loan	10	137,827	122,523
Due to related parties	9	35	111,193
TOTAL LIABILITIES		259,069	381,177
SHAREHOLDERS' EQUITY			
Share capital	8	9,321,065	9,321,065
Reserves	8	4,327,153	4,327,153
Deficit		(11,668,862)	(11,229,405)
TOTAL EQUITY		1,979,356	2,418,813
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 2,238,425	$ 2,799,990

Nature and continuance of operations	1
Subsequent event	8

On Behalf of the Board

"Sonny Janda"
Sonny Janda, Director

"Shaun Dykes"
Shaun Dykes, Director

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

GRENVILLE GOLD CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

	Note	2015	2014
Expenses			
Amortization	5	$ 258	$ 1,676
Bad Debt		2,658	-
Consulting	9	86,940	-
Filing and transfer fees		112,347	21,203
Office and general		42,438	154,837
Professional fees	9	25,304	37,151
Rent	9	36,780	67,000
		(306,725)	(281,867)
Exploration and evaluation asset impairment		(107,061)	-
Interest Expense		(15,303)	-
Foreign exchange gain (loss)		(12,918)	10,131
Other income		2,550	12,726
		(132,732)	22,857
Net loss and comprehensive loss		$ (439,457)	$ (259,010)
Basic and diluted loss per share		$ (0.03)	$ (0.04)
Weighted average number of common shares outstanding - basic and diluted		17,020,984	6,368,930

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

GRENVILLE GOLD CORP.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars, except share number)

	Issued Common Shares				Reserves						
	Number		Amount		Option		Warrant		Deficit		Total
Balance at December 31, 2013	5,020,984	$	8,943,819	$	2,872,403	$	1,231,996	$	(10,970,395)	$	2,077,823
Private placement	12,000,000		377,246				222,754	$	-		600,000
Net and comprehensive loss	-		-		-		-		(259,010)		(259,010)
Balance at December 31, 2014	17,020,984		9,321,065		2,872,403		1,454,750		(11,229,405)		2,418,813
Net and comprehensive loss	-		-		-		-		(439,457)		(439,457)
Balance at December 31, 2015	17,020,984	$	9,321,065	$	2,872,403	$	1,454,750	$	(11,668,862)	$	1,979,356

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

GRENVILLE GOLD CORP.
CONSOLIDATED STATAEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

	2015	2014
Operating activities		
Net loss for the year	$ (439,457)	$ (259,010)
Adjustments for non-cash items		
Amortization	258	1,676
Bad Debt	2,658	-
Exploration and evaluation asset impairment	107,061	-
Non-cash interest expense	15,303	2,848
Changes in non-cash working capital items		
Receivables	1,686	4,507
Prepaid expenses	952	(247)
Trade payables and accrued liabilities	(26,254)	50,058
Due to related parties	(111,158)	111,193
Net cash flows used in operating activities	(448,951)	(88,975)
Investing activities		
Expenditures in exploration and evaluation assets	(123,959)	(89,813)
Net cash flows used in investing activities	(123,959)	(89,813)
Financing activities		
Proceeds on issuance of loan payable	-	119,675
Proceeds on issuance of common shares	-	600,000
Net cash flows from financing activities	-	719,675
Change in cash during the year	(572,910)	540,887
Cash, beginning of year	577,731	36,844
Cash, end of year	$ 4,821	$ 577,731

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Grenville Gold Corp. (the "Company") was incorporated under the laws of the province of Ontario by articles of incorporation effective November 17, 1994. On June 19, 2009, the Company completed a continuance of business from Ontario to British Columbia. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "GVG", the Berlin and Frankfurt stock exchanges in Germany under the symbol "F91Q", and a pink sheet listing ("OTCPP") in the United States under the symbol "GVLGF". The Company is engaged in the acquisition and exploration of mineral properties in Peru.

The head office, principal address and records office of the Company are 8338 – 120th Street, Surrey, British Columbia, Canada, V3W 3N4.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2015, the Company had not advanced its property to commercial production and is not able to finance day-to-day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares. Should the Company be unable to continue as going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 21, 2016.

2. BASIS OF PRESENTATION

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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PRESENTATION (continued)

Basis of Measurement

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage Owned	
	Country of Incorporation	December 31, 2015	December 31, 2014
Grenville Silveria Ltd.	Canada	100%	100%
Grenville Espanola Holdings Ltd.	Canada	100%	100%
Minera Grenville S.A.C.	Peru	100%	100%
Minera Espanola S.A.C.	Peru	100%	100%
Upper Canyon Minerals Peru S.A.C.	Peru	100%	100%
Inversiones Mineras Alexander S.A.C.	Peru	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation

Significant Estimates and Assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. BASIS OF PRESENTATION (continued)

Significant Estimates and Assumptions (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if it affects both current and future periods.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of exploration and evaluation assets, and provisions for restoration and environmental obligations.

Significant Judgments

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of expenditures as exploration and evaluation expenditures or operating expenses.

3. SIGNIFICANT ACCOUNTING POLICIES

Functional Currency

The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiaries is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation

Foreign currency translations are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate of the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values are determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Exploration and Evaluation Assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures including the costs of acquiring licenses and costs associated with exploration and evaluation activities are capitalized by property. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and Evaluation Assets (continued)

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company 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; and
- sufficient data exist 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.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and test that asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Impairment of Non-Financial Assets

The carrying amount of the Company’s assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets (continued)

The recoverable amount of an asset is the greater of its asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an individual asset that does not generate cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates and used to determine the recoverable amount; however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for the asset in previous years.

Assets that have an indefinite life are not subject to amortization and are tested annually for impairment.

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company currently has no measureable restoration and environmental obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-Based Payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the stock options granted and recognized over the vesting periods. Share-based payments to non-employees are measured at fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured. The fair value of options is determined using the Black-Scholes option pricing model, taking into account the terms and conditions upon which stock options are granted. At each reporting date, the amount recognized as expense is adjusted to reflect the actual number of stock options that are expected to vest.

Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that may add to the total number of common shares. As at December 31, 2015, the Company's diluted loss per share was the same as the basic loss per share as the effect of the stock options and warrants would be anti-dilutive.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). For the years presented, the Company's financial assets have been classified as loans and receivables.

Financial assets classified as loans and receivables are subsequently measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

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

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Non-derivative financial liabilities classified as other financial liabilities are subsequently measured at amortized cost.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from and paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (continued)

Deferred Tax

Deferred tax is recorded by providing for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

Accounting Standards and Interpretations Issued but Not Yet Adopted

Accounting standards or amendments to existing standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

4. PREPAID EXPENSES

Prepaid expense balances represent advances paid to suppliers for services to be rendered in the next 12 months.

(Expressed in Canadian dollars)

5. EQUIPMENT

Cost:		
At December 31, 2013, 2014 and 2015	$	53,882
Amortization:		
At December 31, 2013	$	51,948
Charge for the year		1,676
At December 31, 2014		53,624
Charge for the year		258
At December 31, 2015	$	53,882
Net book value:		
At December 31, 2014	$	258
At December 31, 2015	$	-

6. EXPLORATION AND EVALUATION ASSETS

	Balance December 31, 2013	Additions (Impairment)	Balance December 31, 2014	Additions (Impairment)	Balance December 31 2015
Silveria					
Acquisition	$ 1,671,385	$ -	$ 1,671,385	$ -	$ 1,671,385
Exploration costs	2,010,947	10,373	2,021,320	24,244	2,045,564
Impairment	(2,761,564)	-	(2,761,564)	-	(2,761,564)
	920,768	10,373	931,141	24,244	955,385
Espanola					
Acquisition	457,502	-	457,502	-	457,502
Exploration costs	586,075	71,252	657,327	78,109	735,436
	1,043,577	71,252	1,114,829	78,109	1,192,938
Josefina					
Acquisition	86,663	-	86,663	-	86,663
Exploration costs	18,994	663	19,657	741	20,398
Impairment	-	-	-	(107,061)	(107,061)
	105,657	663	106,320	(106,320)	-
Silver Mountain					
Acquisition	39,631	-	39,631	-	39,631
Exploration costs	14,174	7,525	21,699	20,865	42,564
	53,805	7,525	61,330	20,865	82,195
Total	$ 2,123,807	$ 89,813	$ 2,213,620	$ 16,898	$ 2,230,518

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

Silveria Property

The Company owns 100% of the Silveria property which consists of 192 claims in the San Mateo Mining District in the province of Huarochiri, Peru.

Espanola Property

The Company owns 100% of the Espanola property which consists of 17 claims in the San Mateo Mining District in the province of Canete, Peru.

Josephina and Silver Mountain Properties

The Company owns 100% interests in the Josephina and Silver Mountain concessions which consist of 6 claims located in the Huarochiri province of Lima, Peru.

During the year ended December 31, 2015, management determined that the carrying value of the Josephina property exceed its fair value and recorded an impairment charge of $107,061.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

		December 31, 2015		December 31, 2014
Trade payables	$	114,207	$	128,961
Accrued liabilities		7,000		18,500
	$	121,207	$	147,461

8. SHARE CAPITAL

Authorized share capital: An unlimited number of common shares without par value
An unlimited number of preferred shares without par value

On October 10, 2014, the Company consolidated its share capital one new for five old shares. All shares and per share numbers have been restated retroactively to reflect the share consolidation.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

On November 20, 2014, the Company closed a non-brokered private placement of 12,000,000 units at a price of $0.05 per unit for gross proceeds of $600,000. Each unit consists of one common share and one share-purchase warrant exercisable at $0.06 to purchase one additional common share for a one-year period. A fair value of $222,754 was allocated to these warrants.

The fair value of the warrants issued was estimated using the Black-Scholes option pricing model with the following assumptions:

	November 20, 2014
Expected life	1 year
Risk-free interest rate	1.35%
Volatility	177%
Dividend yield	0%

Stock Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of options. The term of the stock options granted is fixed by the Board of Directors and is not to exceed five years. The exercise prices of the stock options granted may not be less than the minimum then specified by the rules of the TSX-V. Vesting periods are determined by the Board.

Stock option transactions as at December 31, 2015 and December 31, 2014 are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding at December 31, 2013	185,000	$ 2.57
Expired	(5,000)	5.00
Options outstanding at December 31, 2014 and 2015	180,000	$ 2.50

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

Stock Options (continued)

At December 31, 2015 and December 31, 2014, the outstanding and exercisable options were as follows:

Number of Options	Exercise Price	Expiry Date
180,000	$ 2.50	April 20, 2016*

*Subsequent to December 31, 2015, these options expired unexercised.

The weighted average life remaining of options outstanding as at December 31, 2015 is 0.30 years (December 31, 2014 – 1.30 years).

Warrants

Warrants transactions as at December 31, 2015 and December 31, 2014 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at December 31, 2013	2,910,000	$ 0.55
Warrants issued	12,000,000	0.06
Warrants expired	(1,110,000)	0.97
Warrants outstanding at December 31, 2014	13,800,000	0.09
Warrants expired	(13,800,000)	0.09
Warrants outstanding at December 31, 2015	-	$ -

Stock Option Reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

8. SHARE CAPITAL (continued)

Warrant Reserve

The warrant reserve records the fair value of warrants issued until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, the Company incurred accounting fees of $1,440 (2014 - $5,760) to a company owned by the former Chief Financial Officer.

During the year ended December 31, 2015, the Company incurred consulting fees of $10,500 (2014 - $nil), management fees of $2,037 (2014 - $nil) and rent expenses of $41,000 (2014 - $57,000) to a company with parties having significant influence over the Company.

As at December 31, 2015, $35 (2014 - $2,825) was owing to a company where the CEO is a director.

10. SHORT-TERM LOAN

On June 25, 2014, the Company arranged for unsecured short-term bridge financing with an unrelated, non-financial lender in the principal amount of $119,675 bearing interest at a rate of 4% per annum until December 24, 2014 and prime + 10% subsequently. The loan was repayable in full on December 24, 2014; however, remains outstanding at December 31, 2015.

11. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is its cash held in bank accounts. Cash is deposited in bank accounts held with major banks in Canada and Peru. As most of the Company's cash is held by two banks, there is a concentration of credit risk. However, this risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient holdings of cash and cash equivalents to meet its short-term exploration and evaluation requirements and anticipated operating cash flows.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's Peruvian subsidiaries are exposed to currency risk as they incur expenditures that are denominated in US dollars and the Peruvian Soles, and their functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. A 10% fluctuation in the US dollar and Peruvian Sole would not have a material impact on the results of the Company.

(Expressed in Canadian dollars)

11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

Capital Management

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 exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest in are in the exploration stage; as such, the Company is dependent on external financing to fund activities. To carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

Classification of Financial Instruments

Financial assets and liabilities included in the statement of financial position are as follows:

	December 31, 2015	December 31, 2014
Loans and Receivables:		
Cash	$ 4,821	$ 577,731
Other Financial Liabilities:		
Trade payables and accrued liabilities	$ 121,207	$ 147,461
Short-term loan	$ 137,827	$ 122,523
Due from related parties	$ 35	$ 111,193

(Expressed in Canadian dollars)

11. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Fair Value.

The fair value of the Company's assets and liabilities approximate the carrying amount.

12. SEGMENTED INFORMATION

The Company has just one operating segment, the exploration and evaluation of mineral properties. All of the Company's equipment and exploration and evaluation assets are located in Peru.

13. INCOME TAXES

A reconciliation of income taxes for the years ended December 31, 2015 and 2014 at statutory rates is as follows:

	December 31, 2015	December 31, 2014
Net loss	$ (439,457)	$ (259,010)
Statutory tax rate	26%	26%
Expected income tax recovery at statutory tax rate	(114,259)	(67,345)
Non-deductible items and other	26,731	19,121
Effect of change in tax rate	-	(47,289)
Change in valuation allowance	87,528	95,513
	$ -	$ -

(Expressed in Canadian dollars)

13. INCOME TAXES (continued)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	December 31, 2015	December 31, 2014
Non-capital losses available	$ 1,871,283	$ 1,782,482
Equipment	29,508	29,508
Exploration and evaluation assets	180,117	180,117
Valuation allowance	(2,080,908)	(1,992,107)
	$ -	$ -

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Peruvian loss pools
2026	991,940	-
2027	1,456,801	-
2028	751,260	-
2029	207,204	-
2030	3,463	-
2031	113,417	-
2032	150,741	-
2033	66,807	-
2034	144,762	
2035	273,001	
No expiry	-	2,618,694
	$ 4,159,396	$ 2,618,694