# Rosita Mining Corporation
**(formerly Midlands Minerals Corporation)**

# Consolidated Financial Statements

## As at and for the years ended

## December 31, 2016 and 2015

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Rosita Mining Corporation (formerly Midlands Minerals Corporation) (or the "Company"), have been prepared by management in accordance with International Financial Reporting Standards and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained.

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109, nor has it completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

The Company's independent auditor, Schwartz Levitsky Feldman LLP is appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

***"John Cook"***
President and Chief Executive Officer
April 25, 2017

***"Stephen Gledhill"***
Chief Financial Officer
April 25, 2017

**Schwartz Levitsky Feldman llp**
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

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# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of**
**Rosita Mining Corporation**

We have audited the accompanying consolidated financial statements of Rosita Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

2300 Yonge Street, Suite 1500, Box 2434
Toronto, Ontario M4P 1E4
Tel: 416 785 5353
Fax: 416 785 5663

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 Rosita Mining Corporation as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company incurred a net loss of $1,029,495 and accumulated deficit of $34,075,783 as at December 31, 2016. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Schwartz Levitsky Feldman llp

Toronto, Ontario
April 25, 2017

Chartered Accountants
Licensed Public Accountants

## Rosita Mining Corporation
**(formerly Midlands Minerals Corporation)**

## Consolidated Statements of Financial Position

***(Expressed in Canadian dollars)***

| ***As at*** | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| **Current assets** | | |
| Cash *(note 8)* | **274,869** | 446,826 |
| Short-term investment *(note 9)* | **10,000** | 10,000 |
| Other receivables and prepaid expenses *(note 10)* | **41,115** | 8,033 |
| **Total current assets** | **325,984** | 464,859 |
| **Non-current assets** | | |
| Equipment *(note 16)* | **6,690** | 12,514 |
| **Total non-current assets** | **6,690** | 12,514 |
| **Total assets** | **332,674** | 477,373 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade payables and accrued liabilities *(note 11)* | **236,647** | 510,057 |
| Due to related parties *(note 13)* | **11,354** | 21,509 |
| **Total current liabilities** | **248,001** | 531,566 |
| **Shareholders' equity (deficiency)** | | |
| Share capital *(note 12)* | **19,451,007** | 19,067,609 |
| Warrants *(note 12)* | **437,308** | - |
| Contributed surplus *(note 12)* | **14,272,141** | 13,932,141 |
| Deficit | **(34,075,783)** | (33,053,943) |
| **Total shareholders' equity (deficiency)** | **84,673** | (54,193) |
| **Total liabilities and shareholders' equity (deficiency)** | **332,674** | 477,373 |

Going concern *(note 2)*

Approved by the Board on April 24, 2017:

*"Nick Tintor"*
Director

*"Mark Keatley"*
Director

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

## Rosita Mining Corporation
**(formerly Midlands Minerals Corporation)**

## Consolidated Statements of Loss and Comprehensive Loss

***(Expressed in Canadian dollars)***

| | Years ended | |
|---|---|---|
| | **December 31, 2016** | December 31, 2015 |
| | **$** | $ |
| **Operating expenses** | | |
| Acquisition costs – rights to explore *(note 15)* | **-** | 1,901,326 |
| Depreciation | **8,437** | 4,588 |
| Exploration and evaluation expenditures *(note 15)* | **391,356** | 568,147 |
| Office and administrative expenses | **167,492** | 298,910 |
| Professional fees | **25,431** | 373,154 |
| Salaries and consulting fees | **55,883** | 390,756 |
| Share-based compensation *(note 12)* | **340,000** | - |
| Shareholder information | **40,896** | 76,090 |
| **Total operating expenses** | **1,029,495** | 2,802,971 |
| **Loss before taxes and undernoted items** | **(1,029,495)** | (2,802,971) |
| Gain on sale of property *(note 14)* | **-** | 311,500 |
| Loss on sale of equipment | **-** | (7,308) |
| Interest income | **3,565** | 10,186 |
| Foreign exchange gain (loss) | **4,090** | (5,209) |
| **Loss and comprehensive loss** | **(1,021,840)** | (2,493,802) |
| **Basic and fully-diluted earnings (loss) per common share** ***(note 3.9)*** | **(0.02)** | (0.09) |
| **Weighted average number of common shares outstanding** ***(note 3.9)*** | **44,704,595** | 27,068,560 |

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

## Rosita Mining Corporation
### (formerly Midlands Minerals Corporation)

## Consolidated Statements of Changes in Equity
*(Expressed in Canadian dollars)*

| | Share Capital | | | | | |
|---|---|---|---|---|---|---|
| | Number of shares | Amount | Warrants | Contributed surplus | Accumulated Deficit | Total |
| | | $ | $ | $ | $ | $ |
| Balance at January 1, 2015 | 19,422,823 | 18,199,531 | - | 13,932,141 | (30,560,141) | 1,571,531 |
| Securities issued to Alder shareholders for transaction | 17,324,959 | 866,268 | - | - | - | 866,268 |
| Shares issued for Option payments | 36,200 | 1,810 | - | - | - | 1,810 |
| Net loss for the period | - | - | - | - | (2,493,802) | (2,493,802) |
| Balance at December 31, 2015 | 36,783,982 | 19,067,609 | - | 13,932,141 | (33,053,943) | (54,193) |
| **Shares issued for cash *(note 12)*** | **17,000,000** | **850,000** | **-** | **-** | **-** | **850,000** |
| **Share issuance costs *(note 12)*** | **-** | **(15,034)** | **(14,260)** | **-** | **-** | **(29,294)** |
| **Fair value of issued warrants *(note 12)*** | **-** | **(413,785)** | **413,785** | | **-** | **-** |
| **Fair value of issued finders' units *(note 12)*** | **363,300** | **39,963** | **-** | **-** | **-** | **39,963** |
| **Fair value of finders' warrants *(note 12)*** | **-** | **(37,783)** | **37,783** | **-** | **-** | **-** |
| **Cost of issued finders' units *(note 12)*** | **-** | **(39,963)** | **-** | | | **(39,963)** |
| **Stock-based compensation** | **-** | **-** | | **340,000** | **-** | **340,000** |
| **Net loss for the period** | **-** | **-** | **-** | **-** | **(1,021,840)** | **(1,021,840)** |
| **Balance at December 31, 2016** | **54,147,282** | **19,451,007** | **437,308** | **14,272,141** | **(34,075,783)** | **84,673** |

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

**Rosita Mining Corporation**
**(formerly Midlands Minerals Corporation)**

## Consolidated Statements of Cash Flow

***(Expressed in Canadian dollars)***

| | Years ended | |
|---|---|---|
| | **December 31, 2016** | December 31, 2015 |
| | **$** | $ |
| **Operating activities** | | |
| Net loss | **(1,021,840)** | (2,493,802) |
| Adjustments to non-cash items: | | |
| Acquisition costs – rights to explore *(note 18)* | **-** | 1,091,326 |
| Depreciation | **8,437** | 4,588 |
| (Gain)/loss on sale of equipment | **-** | 7,308 |
| Gain on sale of property *(note 14)* | **-** | (311,500) |
| Shares issued for option payment *(note 12)* | **-** | 1,810 |
| Share-based compensation | **340,000** | - |
| Net change in non-cash working capital items: | | |
| Other receivables and prepaid expenses | **(33,082)** | 47,209 |
| Trade payables and accrued liabilities | **(273,410)** | 281,586 |
| **Cash used in operating activities** | **(979,895)** | (1,371,475) |
| **Financing activities** | | |
| Issuance of common shares *(note 12)* | **850,000** | - |
| Share issuance costs | **(29,294)** | - |
| Repayments to related parties | **(10,155)** | (1,506) |
| **Cash provided from (used in) financing activities** | **810,551** | (1,506) |
| **Investing activities** | | |
| Investment in debenture for Alder Acquisition *(note 18)* | **-** | (100,000) |
| Proceeds from sale of property *(note 14)* | **-** | 311,500 |
| Proceeds from sale of equipment | **-** | 9,548 |
| Purchase of equipment *(note 16)* | **(2,613)** | (491) |
| Sale of short-term investment | **-** | 50,000 |
| **Cash provided from (used in) investing activities** | **(2,613)** | 270,557 |
| **Net decrease in cash** | **(171,957)** | (1,102,424) |
| Cash at beginning of year | **446,826** | 1,549,250 |
| **Cash at end of year** | **274,869** | 446,826 |

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

## 1. Company description and nature of operations

Rosita Mining Corporation ("Rosita" or the "Company"), formerly Midlands Minerals Corporation ("Midlands") is an exploration-stage, publicly-traded Company (TSXV: RST) incorporated in Ontario, Canada with its registered office address at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1. The Company is a junior prospecting and natural-resource company, focused on growing exploration and mineral assets to build shareholder value. The Company employs responsible exploration methods in politically stable, low-risk and mining-friendly countries. As the Company's assets are located outside North America, they are subject to the risk of foreign investment, including additional local taxation and royalties, renegotiation of contracts, possible expropriation, currency exchange fluctuations and political uncertainty.

At a meeting of its shareholders held on July 20, 2015, shareholders of Rosita approved acquiring all of the outstanding shares of Alder Resources Ltd. ("Alder") (the "Acquisition"), changing the name of Midlands to Rosita Mining Corporation and completing a 1-for-10 share consolidation (the "Consolidation"). The Acquisition was completed on July 24, 2015. See note 18 for details of the Acquisition.

## 2. Going concern

These consolidated financial statements (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of exploring and developing its mineral properties and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of exploration and development of its mineral properties. Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. Further, in order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed at their renewal date. These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, the Consolidated Financial Statements do not give effect to adjustments, if any 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 in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

At December 31, 2016, the Company had working capital of $77,983 (2015 – working capital deficit of $66,707), a cash position of $274,869 (2015 – $446,826) and an accumulated deficit of $34,075,783 (2015 – $33,053,943) and for the year ended December 31, 2016, cash used in operating activities of $979,895 (2015 - $1,371,475), all of which place considerable concern on the Company's ability to discharge its ongoing obligations. In order to meet its work commitments and planned exploration expenditures for its projects as well as further working capital requirements, it may be required to complete further financings (debt or equity).

The readers are also directed to review ***note 6 (ii) - Financial Instruments – liquidity risk***.

## 3. Basis of preparation and significant accounting policies

***Basis of preparation***

### 3.1 Statement of compliance

The Consolidated Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee with an effective date of December 31, 2016.

The Consolidated Financial Statements were approved by the Board on April 24, 2017.

### 3.2 Basis of presentation

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in note 6. The Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency and presentation currency of the Company and its subsidiaries is the Canadian dollar.

### 3.3 Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiaries; Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals Tanzania Limited, Manonga Minerals Limited, Harbour Capital Corporation (up to July 25, 2016, the date of dissolution), Alder Resources Ltd. (since the Acquisition) and ALR Nicaragua S.A. (since the Acquisition). Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The existence and effect of potential or actual voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases. The consolidated statements of loss and comprehensive loss include losses of the Company's subsidiaries, including those purchased through the Acquisition (see note 18), from the date of acquisition (July 24, 2015) through to year end.

All inter-Company transactions, balances, income and expenses are eliminated on consolidation.

***Significant accounting policies***

### 3.4 Exploration and evaluation expenditures

All exploration and evaluation expenditures, the elements of which include: Acquisition of rights to explore; studies of all nature (topographical, geological, geochemical and geophysical), exploratory drilling, coring, sampling, trenching, and in general, all activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

Exploration expenditures capitalized by Alder prior to the Acquisition, have been charged to retained earnings and subsequently eliminated together with Alder's share capital and equity reserves.

### 3.5 Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of equipment, less their estimated residual value, using the declining-balance method or unit-of-production method for field equipment or straight-line for computer and office equipment over the following expected useful lives:

| | |
|---|---|
| Computer equipment and software | 2 years |
| Office equipment | 5 years |

Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of loss and comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

### 3.6 Decommissioning, restoration and similar liabilities (asset retirement obligations)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and P&E, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the declining-balance method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company does not currently have any asset retirement obligations.

## 3.7 Share-based payments

***Share-based payment transactions***

The Company has a share-based compensation plan (the "Plan") whereby participants (including directors, senior executives, employees and consultants) may receive a portion of their remuneration or fees in the form of share-based payment transactions. The participants render their services in consideration for equity instruments ("equity-settled transactions").

If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

***Equity-settled transactions***

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

## 3.8 Taxation

Income tax expense represents the sum of tax currently payable based on taxable profits or losses for the year and deferred tax.

***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

***Deferred income tax***

Deferred income tax is recognized on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income 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 at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income/loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### 3.9 Earnings (loss) per share

The basic earnings (loss) per share is computed by dividing the net profit (loss) by the weighted average number of common shares outstanding during the period. The diluted earnings (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 options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2016 and 2015, all the outstanding stock options and warrants were antidilutive and were not included.

### 3.10 Financial assets

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").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of loss. The Company's cash and short-term investments are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company has no assets classified in this category.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss), net of applicable taxes, except for losses in value that are considered other than temporary. The Company has no assets classified in this category.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

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

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Company policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

### 3.11 Financial liabilities

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

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss. At December 31, 2016, the Company has not classified any financial liabilities as FVTPL.

### 3.12 Impairment of financial assets

At each date of the statement of financial position, the Company assesses whether a financial asset is impaired.

***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in the consolidated statements of loss and comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

In relation to other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

***Available-for-sale***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from available-for-sale reserves to profit or loss. Reversals in previously impaired amounts in respect of equity instruments classified as available-for-sale continue to be recognized in the consolidated statement of loss and comprehensive loss.

### 3.13 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years.

### 3.14 Foreign currency transactions

***Functional and presentation currency***

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

### 3.15 Significant accounting judgments and estimates

The preparation of the Consolidated Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to impairment evaluation of exploration properties, valuation of deferred income tax amounts and the calculation of share-based payments. The most significant judgements relate to establishing what is considered “control” over foreign subsidiaries, recognition of deferred tax assets and liabilities, and determination that the Company has demonstrated that a property has the commercial viability of extracting a mineral resource.

### 3.16 Cash

Cash included in the statement of financial position comprises cash at banks and on hand.

### 3.17 Investment

***Short-term investment***

Short-term investment consists of an investment certificate with a maturity date greater than three months but less than one year.

### 3.18 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense and is applied as an offset to the specific obligation on the statement of financial position.

### 3.19 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related-party transaction when there is a transfer of resources or obligations between the related parties.

## 4. New accounting standards and interpretations

**IFRS 9 *Financial Instruments***

Issued by IASB July 2014; effective for the Company's annual period beginning January 1, 2018.

IFRS 9 will replace IAS 39 Financial *Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets.** Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- **Classification and measurement of financial liabilities.** When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets.** An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- **Hedge accounting:** Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company is currently assessing the implications IFRS 9 will have on the Consolidated Financial Statements.

**IFRS 15 *Revenue from Contracts with Customers***

Issued by IASB May 2014; effective for the Company's annual period beginning January 1, 2018.

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

Revenue is recognized based on a five-step model:
1. Identify the contract with customer;
2. Identify the performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and,
5. Recognize revenue when (or as) the performance obligations are satisfied.

New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company is currently assessing the implications IFRS 15 will have on the Consolidated Financial Statements.

**IFRS 16 Leases**

Issued by IASB January 2016; effective for the Company's annual period beginning January 1, 2019.

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers.*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:
- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.
- The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Company is currently assessing the implications IFRS 16 will have on the Consolidated Financial Statements.

**Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)**

Issued by IASB January 2016; effective for the Company's annual period beginning January 1, 2017.

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Company is currently assessing the implications Amendments to IAS 7 will have on the Consolidated Financial Statements.

## 5. Capital management

The Company considers its capital to be its equity, which is comprised of share capital, contributed surplus, reserve for warrants and deficit. As at December 31, 2016, shareholders' equity totaled $84,673 (2015 – shareholders' deficit of $54,193). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company.

There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital restrictions**.**

## 6. Financial instruments

### Fair value

The Company has designated its cash and short-term investment as fair-value-through-profit-and-loss ("FVTPL"), which is measured at fair value. Trade payables and accrued liabilities, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value. Fair values of the Company's financial instruments have been characterized below using a fair value hierarchy that reflects the significance of the inputs used in make the measurements.

| | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Cash | 274,869 | - | - |
| Short-term investment | 10,000 | - | - |
| Trade payables and accrued liabilities | - | - | (236,647) |
| Due to related parties | - | - | (11,354) |

As at December 31, 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates

A summary of the Company's risk exposures as it relates to financial instruments are detailed below:

### i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

**Cash and short-term investment** – Cash is held with major Canadian and Nicaraguan banks and investment institutions and therefore have minimal risk of loss. Short-term investment is held with a major Canadian bank and therefore has minimal risk of loss. In Management's opinion, the risk of loss is minimal with foreign banking institutions and is limited to the amount carried on consolidated statements of financial position. Cash held with foreign banks at December 31, 2016, totals $16,928 (2015 - $8,712).

**ii) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2016, the Company had working capital of $77,983 (2015 – working capital deficit of $66,707). In order to meet its future working capital and property exploration expenditures, the Company intends on securing further financing, as required, to ensure that those obligations are properly discharged. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit some or all of its interests and reduce or terminate its operations therein.

**iii) Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

**a. Interest rate risk**

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short to mid-term guaranteed investment certificates, as appropriate.

**b. Currency risk**

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars and/or Nicaraguan Córdobas. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

**c. Price risk**

The Company is not subject to price risk.

## 7. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year:

The Company's funds are kept in Canadian dollars, US dollars, Nicaraguan Córdoba at major Canadian, Ghanaian and Nicaraguan financial institutions

***(Expressed in Canadian dollars)***

As at December 31, 2016, the Company's exposure to foreign currency balances is as follows:

| **As at** | | **Dec. 31, 2016** | Dec. 31, 2015 |
|---|---|---|---|
| **Account** | **Foreign Currency** | **Exposure ($CDN)** | |
| Cash | US dollar | **13,500** | 4,699 |
| Cash | Nicaraguan Córdoba | **16,928** | 8,713 |
| Other receivables | Nicaraguan Córdoba | **4,283** | - |
| Accounts payable | Ghanaian Cedi | **-** | (606) |
| Accounts payable | Nicaraguan Córdoba | **(9,445)** | (10,852) |
| | | **25,266** | 1,954 |

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net loss for the year by approximately $2,527 (December 31, 2015 - $195).

## 8. Cash

The balance at December 31, 2016, consists of $274,869 (2015 - $446,826) on deposit with major Canadian and Nicaraguan banks.

## 9. Short-term investment

As at December 31, 2016, short-term investment consists of a guaranteed investment certificate of $10,000 (2015 - $10,000), which bears interest at rate of 0.5% per annum with a maturity date of January 28, 2017. On maturity, the certificate was redeemed and the principal plus interest was transferred to the Company's general cash account.

## 10. Other receivables and prepaid expenses

The Company's other receivables arise from two main sources: Harmonized sales tax ("HST") recoverable from the Canada Revenue Agency and prepaid amounts to suppliers. These are broken down as follows:

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | **$** | $ |
| HST recoverable | **32,782** | 4,583 |
| Prepaids | **8,333** | 3,450 |
| **Total** | **41,115** | 8,033 |

***(Expressed in Canadian dollars)***

## 11. Trade payables and accrued liabilities

Trade payables and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an analysis of the trade payables and accrued liabilities balances:

| As at | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | **$** | $ |
| Exploration expenditures | **21,907** | 20,503 |
| Office and administrative | **2,777** | 36,320 |
| Professional fees | **201,950** | 434,379 |
| Shareholder information | **10,013** | 18,855 |
| **Total** | **236,647** | 510,057 |

## 12. Share capital

### Authorized

Authorized share capital consists of an unlimited number of common shares of which 54,147,282 (2015 – 36,783,982) are issued and outstanding.

### Issued

***2016***

On July 20, 2016, the Company completed a non-brokered private placement (the "Private Placement") of 17,000,000 units ("Units") at a price of $0.05 per Unit, for gross proceeds of $850,000 (the "July Financing"). Each Unit is comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire a further common share of the Company at a price of $0.055 for a period of two years following the date of issuance. The fair value of the issued warrants was calculated at $413,785 using the Black-Scholes option pricing model with the following variables: Risk-free return rate of 1.15%; dividend yield of 0%, expected volatility of 252.1%, expected life of 2 years and an underlying stock price of $0.11.

Cash finders' fees in the amount of $29,294 and finders' units ("Finders' Units") consisting of 363,300 common shares with a fair value of $39,963 together with 363,300 finders' warrants ("Finders' Warrants") with an exercise price of $0.055, expiry date of July 20, 2018, and a fair value of $37,783, were paid and issued on certain subscriptions. Cash finders' fees were allocated among common shares and warrants based on the relative fair value of the warrants issued. The fair value of the Finders' Units was accounted for as a deduction from equity.

***(Expressed in Canadian dollars)***

***2015***

In November 2015, the Company issued 36,200 shares with a value of $1,810, to Calibre Mining Corporation ("Calibre"), as a condition of its final earn-in to the Rosita project (note 15).

In July 2015, contemporaneous with the acquisition of Alder (note 18), the Company completed a 1-for-10 share consolidation resulting in a decrease in outstanding common shares of 330,733,529 to 36,748,170

***Contributed surplus***

The Company has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the stock option plan is a maximum of 10% of the issued and outstanding common shares of the Company. As at December 31, 2016, the Company had 1,423,003 options available for issuance (December 31, 2015 – 1,569,431).

A continuity of the outstanding options to purchase common shares is as follows:

| | **December 31, 2016** | | December 31, 2015 | |
|---|---|---|---|---|
| | **Weighted Average Exercise Price** | **No. of Options** | Weighted Average Exercise Price | No. of Options |
| | **$** | | $ | |
| Outstanding at beginning of period | **0.71** | **2,108,967** | 0.60 | 1,062,500 |
| Transactions during the period: | | | | |
| Granted | **0.11** | **3,400,000** | 0.97 | 1,367,817 |
| Expired | **(1.06)** | **(117,650)** | (2.10) | (168,850) |
| Forfeited | **(0.73)** | **(1,399,592)** | (0.50) | (135,000) |
| **Outstanding at end of period** | **0.18** | **3,991,725** | 0.71 | 2,108,967 |
| **Exercisable at end of period** | **0.18** | **3,991,725** | 0.71 | 2,108,967 |

The following table provides additional information about outstanding stock options at December 31, 2016:

***(Expressed in Canadian dollars)***

| Range of Exercise Prices | No. of Options Outstanding | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price ($) |
|---|---|---|---|
| $0.11 - $0.11 | 3,400,000 | 4.59 | 0.11 |
| $0.28 - $0.50 | 469,550 | 2.41 | 0.45 |
| $0.51 - $1.00 | 27,150 | 0.00 | 0.22 |
| $1.51 - $2.50 | 95,025 | 0.08 | 1.22 |
| **$0.11 - $2.50** | **3,991,725** | **4.20** | **0.18** |

***Share-based compensation***

The fair value of the stock options vested for the year ended December 31, 2016, was $340,000 (2015 – $nil), which amount has been expensed in the consolidated statements of loss and comprehensive loss.

i) On August 2, 2016, the Company issued an aggregate of 3,400,000 stock options, with a grant-date fair value of $340,000 (the “Options”) to eligible participants of its stock option plan. The Options vested immediately and are exercisable at $0.11 each for a period of up to 5 years from the date of issuance. The Black-Scholes option pricing model with the following variables was used to calculate the fair value of the issued options: Risk-free return rate of 0.63%; dividend yield of 0%, expected volatility of 343.7%, expected life of 5 years and an underlying stock price of $0.105.

ii) On July 24, 2015 (the Acquisition date), the Company issued 13,678,170 Rosita options to Alder option holders as a result of the Acquisition. The options issued were immediately consolidated on a 1 for 10 basis pursuant to the Consolidation. The grant-date fair value of the options was $nil and was calculated using the Black-Scholes option pricing model with assumptions as disclosed in note 18.

**Warrants**

The outstanding issued warrants balance as at December 31, 2016 is comprised of the following items:

| Date of expiry | Type | Number of warrants | Exercise price | Fair value |
|---|---|---|---|---|
| | | | $ | $ |
| May 30, 2017 | Warrants | 524,900 | 0.390 | - |
| July 18, 2018 | Warrants | 17,000,000 | 0.055 | 413,785 |
| July 20, 2018 | Finders’ Warrants | 363,000 | 0.055 | 37,783 |

***(Expressed in Canadian dollars)***

| | | |
|---|---|---|
| Costs of the Private Placement allocated to warrants | | (14,260) |
| **Total** | **17,888,200** | **437,308** |

## 13. Related-party transactions and balances

During the year ended December 31, 2016, $150,000 (2015 - $180,000) of management fees were paid or payable to RG Mining Investments Inc. ("RGMI") excluding non-cash stock-based compensation of $120,000 (2015 - $nil). RGMI provides management and administrative services to the Company pursuant to an agreement that had an original term of 1 year. The agreement has been renewed for successive 12-month periods ending September 30. The agreement may be terminated by the Company by providing notice within 60 days of the current-year renewal date or upon the criminal conviction, death, disability, incapacity, bankruptcy, insolvency, gross negligence, gross dereliction of duty or gross misconduct, of RGMI. The Company's Chairman of the Board and CFO beneficially own RGMI. Effective March 1, 2016, RGMI agreed to defer payment of $5,000 of its monthly management fees until the Company completed the Private Placement. Upon completion of the Private Placement, RGMI was paid these deferred fees and agreed to reduce its monthly fee to $10,000, effective July 1, 2016.

During 2015, the Company made a change of control payment of $50,000, regarding the Acquisition, to a director of Alder who continued as a director of the Company.

During the year ended December 31, 2016, $48,000 (2015 - $209,992) was earned or paid to key management personnel or to companies controlled by them, with regard to professional fees, salaries and benefits and directors' fees. The Company identifies key management personnel as current and former officers of the Company including the President and CEO as well as current and former directors of the Company. The Company's CFO is also considered key management but payments are made to RGMI (noted above) pursuant to the management services agreement.

During the year ended December 31, 2016, officers and directors earned non-cash, share-based compensation of $320,000 (2015 - $nil).

### *Due to related-parties*

As at December 31, 2016, the statement of financial position includes a balance of $11,354 (2015 – $21,509) due to RGMI.

## 14. Sale of Kaniago project (2015)

On February 11, 2015, the Company announced that it has sold its Kaniago gold project in Ghana to a subsidiary of neighbor Asanko Gold Inc., Keegan Resources (Ghana) Limited ("KRGL"). The sale of the non-core asset was an important part of the Company's strategy to reduce costs, liabilities and risk, and to restore liquidity. In January 2015, the Company was granted an outstanding license renewal application from the Minerals Commission in Ghana which fulfilled a pre-condition for the sale, transfer and disposal of all of its right, title and interest in the concessions to KRGL. KRGL will be responsible for any conveyance and registration costs, including any income taxes on the transfers and renewal fees that may arise during the transfer process. The sale proceeds amounted to US$250,000 (C$311,500), with such amounts received by the Company in February, 2015 and representing a gain on sale.

*(Expressed in Canadian dollars)*

## 15. Exploration and evaluation expenditures

The exploration and evaluation expenditures for the Company are broken down as follows:

| | **Year ended** | | |
|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | **Cumulative to-date(3)** |
| | **$** | $ | **$** |
| **Serbia:** | | | |
| Parlozi project | **-** | 78,854 | **-** |
| **Total** | **-** | 78,854 | **-** |
| ***Ghana:*** | | | |
| Kaniago(1)(3) | **-** | - | **-** |
| Others(2)(3) | **-** | 74,564 | **-** |
| **Total** | **-** | 74,564 | **-** |
| **Nicaragua:** | | | |
| Rosita project | **391,356** | 414,729(4) | **806,085** |
| **Total** | **391,356** | 414,729 | **806,085** |
| **Exploration and evaluation expenditures** | **391,356** | 568,147 | **806,085** |
| **Acquisition costs-rights to explore(5)–note 18** | **-** | 1,901,326 | **1,901,326** |

(1) The Kaniago project was sold in February 2015 - see note 14.

(2) Comparative amounts include all exploration expenditures that are not directly related to any of the listed projects.

(3) Only current properties are included in cumulative-to-date amounts.

(4) For 2015, expenditures included from July 24, 2015 (the close of the Acquisition – note 18) to December 31, 2015.

(5) See note 18 regarding the expenditures incurred to acquire the rights to explore the Rosita project.

***Rosita project***

On August 29, 2011, Alder entered into an option agreement with Calibre to earn a 65% interest in the Rosita project.

To exercise the option, Alder (now Rosita) must pay Calibre:

(i) An aggregate of 1,000,000 Alder common shares as follows:

a) 200,000 common shares of Alder within 5 business days of the TSX Venture Exchange approval of the option agreement (issued);
b) 200,000 common shares of Alder on or before October 3, 2012 (issued);

***(Expressed in Canadian dollars)***

c) 200,000 common shares of Alder on or before October 3, 2013 (issued);
d) 200,000 common shares of Alder on or before October 3, 2014 (issued);
e) 200,000 common shares of Alder on or before October 3, 2015 (Rosita shares issued); and incur

(ii) An aggregate of $4,000,000 in expenditures on the property as follows:

a) $500,000 on or before October 3, 2012 (incurred);
b) An additional $750,000 on or before October 3, 2013 (incurred);
c) An additional $1,250,000 on or before October 3, 2014 (incurred); and
d) An additional $1,500,000 on or before October 3, 2015 (incurred) (see below regarding these expenditures).

On June 30, 2014, the Company entered into a royalty agreement with Forbes & Manhattan, Inc. ("Forbes") for the settlement of a dated accounts payable totaling $508,500 (including HST). The royalty is a 0.5% net smelter royalty ("NSR") multiplied by Alder's participating interest in the Rosita project at the time. The royalty becomes effective upon Alder earning the 65% interest in the Rosita property (completed in November, 2015). The Company may reacquire the NSR by paying to Forbes $1,000,000 plus $508,500.

In November 2015, the Company (including previous expenditures by Alder) had fulfilled the requirements under the option agreement and it had earned its 65% interest in the Rosita project. Pursuant to the option agreement, upon earn-in, an automatic joint-venture was created between Rosita and Calibre and in November 2016, the Company and Calibre memorialized an agreement (the "JV Agreement") with an effective date of November 23, 2015. For accounting purposes, the Company has determined that the JV Agreement does not meet the criteria set forth in IFRS 11 *Joint Arrangements*.

Pursuant to the option agreement, at the earn-in date, Calibre was to transfer title of the Rosita project to the Company. Such transfer is ongoing but not yet completed as of December 31. 2016.

During 2016, the Company's expenditures on the Rosita project, which pursuant to the JV Agreement were subject to contributions on a 65/35 basis between Rosita/Calibre, were not met by Calibre thereby resulting in a 2% dilution to Calibre's holdings, increasing the Company's participation in Rosita to 67% at December 31, 2016. The Company has incurred 100% cost of the Rosita Project since acquired.

## 16. Equipment

Equipment is comprised as follows:

| **Cost** | $ |
|---|---|
| Balance at January 1, 2015 | 30,802 |
| Additions | 15,724 |
| Additions (Acquistion – note 18) | 491 |
| Disposals | (30,802) |
| **Balance December 31, 2015** | **16,215** |

***(Expressed in Canadian dollars)***

| | |
|---|---|
| Additions | 2,613 |
| **Balance December 31, 2016** | **18,828** |
| **Accumulated depreciation** | $ |
| Balance at January 1, 2015 | (13,060) |
| Depreciation | (4,588) |
| Disposals | 13,947 |
| **Balance December 31, 2015** | **(3,701)** |
| Depreciation | **(8,437)** |
| **Balance December 31, 2016** | **(12,138)** |
| **Net book value** | $ |
| **Balance December 31, 2015** | **12,514** |
| **Balance December 31, 2016** | **6,690** |

## 17. Commitments and contractual obligations

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees. At present, the Company has complied with existing laws with regard to environmental legislation.
The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

## 18. Acquisition of Alder Resources Ltd.

### *The Arrangement*

On July 24, 2015, Rosita and Alder completed the Acquisition by way of a plan of arrangement (the "Arrangement"). Pursuant to the Arrangement, shareholders of Alder received consideration of 1.81 common shares of Rosita (each whole common share, a "Rosita Share") per Alder share outstanding (the "Alder Shares"), calculated on a pre-Consolidation basis.

***(Expressed in Canadian dollars)***

Each holder of a warrant to acquire Alder Shares (each, an "Alder Warrant") outstanding immediately prior to July 24, 2015, received on subsequent exercise of such holder's Alder Warrant, in accordance with its terms, for the same aggregate consideration payable on exercise of such warrant, 1.81 of a Rosita Share, calculated on a pre-Consolidation basis.

Each holder of an Alder option to acquire Alder Shares (each, an "Alder Option") outstanding immediately prior to July 24, 2015, received on subsequent exercise of such holder's Alder Option, in accordance with its terms, for the same aggregate consideration payable on exercise of such option, 1.81 of a Rosita Share, calculated on a pre-Consolidation basis.

In addition, Rosita has paid further consideration by acquiring $100,000 of unsecured, non-convertible debentures (the "Debenture") bearing interest at a rate of 10% per annum, from Alder. The Debenture matured on July 24, 2015, immediately following the Acquisition.

Upon completion of, and in connection with, the Arrangement, Rosita consolidated the outstanding Rosita Shares (including the Rosita Shares issued to former holders of Alders Shares under the Arrangement) on the basis of one new common share for every ten existing common shares (1-for-10) and changed its name to Rosita Mining Corporation.

***Purchase price consideration***

The Acquisition is being treated as an asset acquisition for accounting purposes as Alder does not meet the definition of a business, as defined in IFRS 3, *Business Combinations*. The purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed as at July 24, 2015. The fair value of the purchase consideration was based on the closing stock price of Rosita (then Midlands) on July 23, 2015 (being the day prior to the closing of the Acquisition).

| | **Fair value** |
|---|---:|
| | **$** |
| Consideration: | |
| 17,324,959(1) common shares of Rosita at $0.05(1) per share | 866,267(1) |
| Fair value of Alder's options and warrants(2) | - |
| Other acquisition costs (the Debenture) | 100,000 |
| **Purchase consideration** | **966,267** |

| | **Purchase price allocation** |
|---|---:|
| | **$** |
| Cash | 427 |
| Other receivables and prepaids | 5,224 |
| Equipment | 15,724 |
| Account payable and accrued liabilities | (125,934) |
| Loans payable | (20,500) |
| Acquisition costs-rights to explore(3) (note 15) | 1,091,326 |
| **Purchase consideration** | **966,267** |

***(Expressed in Canadian dollars)***

(1)After adjusting for the Consolidation and non-issuance of fractional shares.
(2)Options issued to Alder option holders were revalued using the Black-Scholes weighted average parameters below. The subsequent value was not material and therefore no adjustment was made. The warrants issued to Alder warrant holders were valued using the Black Scholes option pricing model with the following weighted-average parameters: Dividend yield – nil; expected volatility – 214.1%, risk-free interest rate – 0.60%, expected life (years) – 1.81 and Rosita common share price - $0.005.
(3)In completing the Acquisition, the Company acquired the "rights" to explore the Rosita project. For accounting purposes, the Company considers these to be acquired rights to explore pursuant to IFRS 6 and accordingly has expensed these costs pursuant to its accounting policy (note 3.6).

## 19. Segmented information

### Operating Segments

As at December 31, 2016, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Nicaragua and Serbia (2015 only) and Ghana (2015 only). The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment. As the operations comprise a single reporting segment, amounts disclosed in the Consolidated Financial Statements also represent operating segment amounts.

### Geographic Segments

Management has organized the Company's reportable segments by geographic area. The Ghanaian (2015 only), Serbian (2015 only) and Nicaraguan segments are responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. Information concerning Rosita's reportable segments is as follows:

| | **Years ended** | |
|---|---|---|
| | **December 31, 2016** | December 31, 2015 |
| | **$** | $ |
| **Net loss** | | |
| Canada | **(774,145)** | (2,034,855) |
| Ghana | **-** | (74,563) |
| Nicaragua | **(247,695)** | (305,530) |
| Serbia | **-** | (78,854) |
| | **(1,021,840)** | (2,493,802) |

**Significant non-cash items**

| | | |
|---|---|---|
| Canada: | | |
| Acquisition costs (note 18) | **-** | 1,091,326 |

***(Expressed in Canadian dollars)***

| | | |
|---|---|---|
| Share-based compensation | **340,000** | - |
| Finders' Warrants | **37,783** | - |
| | **377,783** | 1,091,326 |

| **As at** | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| **Identifiable assets** | | |
| Canada | **304,773** | 456,147 |
| Ghana | **27,901** | 21,226 |
| | **332,674** | 477,373 |

## 20. Income taxes

***Current income taxes***

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **$** | **%** | $ | % |
| Profit (loss) before income taxes | **(1,021,840)** | | (2,493,802) | |
| Combined statutory rate | **27.4%** | | 27.1% | |
| Expected income tax (benefit) | **(279,689)** | **(27.4)** | (675,054) | (27.1) |
| Increase (decrease) in income taxes resulting from: | | | | |
| Share issue costs | **(708)** | **-** | (51,191) | (2.1) |
| Stock-based compensation | **90,100** | **8.8** | 303,470 | 12.2 |
| Resource property costs carried forward | **112,136** | **11.0** | 161,280 | 6.5 |
| Tax benefits of losses not recognized | **78,161** | **7.6** | 261,495 | 10.5 |
| Current income tax | **-** | **-** | - | - |

The Canadian statutory income tax rate of 26.5% (2015 – 26.5%) is comprised of the federal income tax rate at approximately 15% (2015 – 15%) and the provincial income tax rate of approximately 11.5% (2015 – 11.5%). The Nicaragua statutory income tax rate is 30% (2015 – 30%).

***(Expressed in Canadian dollars)***

The Company also has non-capital loss-carry forwards of $18,292,569 (2015 - $19,806,000) for which no benefit has been recognized in the Consolidated Financial Statements. These non-capital losses expire as follows:

| | **Canada** | **Nicaragua** |
|---|---|---|
| | **$** | **$** |
| 2017 | - | 326,000 |
| 2018 | - | 30,000 |
| 2019 | - | 14,000 |
| 2027 | 996,000 | - |
| 2028 | 1,182,000 | - |
| 2029 | 889,000 | - |
| 2030 | 2,748,000 | - |
| 2031 | 4,914,000 | - |
| 2032 | 2,582,000 | - |
| 2033 | 2,017,000 | - |
| 2034 | 1,445,000 | - |
| 2035 | 1,240,000 | - |
| 2036 | 279,000 | - |
| | 18,292,000 | 370,000 |

***Deferred income taxes***

Deferred income taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| ***Unrecognized deferred income tax asset (liability):*** | **$** | $ |
| Non-capital losses carry forward | **4,958,391** | 5,275,893 |
| Share issue costs | **7,222** | - |
| Plant and equipment | **9,375** | 7,140 |
| Resource property costs(1) | **492,465** | 380,328 |
| **Unrecognized net deferred income tax asset** | **5,467,453** | 5,663,361 |

(1)This income tax asset is may be carried forward indefinitely.