CAZA GOLD CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Years ended December 31, 2015 and 2014

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CAZA GOLD CORP.

We have audited the accompanying consolidated financial statements of Caza 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our 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 auditors' judgement, 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 Caza 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 matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2016

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CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

		December 31,	
	Notes	**2015**	2014
ASSETS			
Current Assets			
Cash		**$ 364,756**	$ 3,087,528
Receivables and prepaids	11	**39,932**	159,279
Total Current Assets		**404,688**	3,246,807
Non-Current Assets			
Mineral property interests	7 and 11	**9,668,501**	7,219,529
Equipment	8	**56,351**	3,647
Total Non-Current Assets		**9,724,852**	7,223,176
Total Assets		**$ 10,129,540**	$ 10,469,983
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	11	**$ 599,015**	$ 644,445
Shareholders' Equity			
Share capital	10(b)	**21,851,953**	21,782,282
Reserve for share-based payments		**1,407,299**	1,497,285
Deficit		**(13,728,727)**	(13,454,029)
Total Shareholders' Equity		**9,530,525**	9,825,538
Total Liabilities and Shareholders' Equity		**$ 10,129,540**	$ 10,469,983

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ Michael Humphries
Director

/s/ James Defer
Director

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

	Notes	Years ended December 31, 2015	2014
Expenses:			
Accounting and audit		**$ 80,031**	$ 76,088
Amortization		**10,481**	5,035
Employee and director remuneration	11	**259,539**	317,080
Legal	11	**37,437**	82,241
Office and sundry	11	**94,638**	107,562
Property investigation	11 and 12	**32,642**	15,666
Regulatory		**49,605**	62,927
Shareholder relations		**5,480**	783
Share-based payments	10(c) and 11	**146,356**	144,512
Loss before the undernoted		**(716,209)**	(811,894)
Foreign exchange gain (loss)		**266,213**	(33,485)
Interest income		**5,667**	3,046
Interest and finance charges	9	**-**	(88,742)
Fair value change on derivative asset	6	**-**	(115,088)
(Write-off) recovery of receivables and value-added tax	11	**(117,676)**	228,660
Gain on debt settlement	10(b) and 11	**51,118**	119,854
Gain on settlement of demand loans	9	**-**	11,704
Write-off of equipment	8	**(153)**	-
Write-off of mineral property interests, net of settlement		**-**	(126,298)
Net loss and comprehensive loss for the year		**$ (511,040)**	$ (812,243)
Basic and diluted loss per share		**$ -**	$ (0.02)
Weighted average number of common shares outstanding		**139,795,166**	42,396,283

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Shareholders' Equity

(Stated in Canadian dollars)

	Notes	Share Capital Number of Shares	Share Capital Amount	Reserve for Share-Based Payments	Deficit	Total
Balance, December 31, 2013		40,659,805	$ 17,773,987	$ 1,223,041	$ (13,434,103)	$ 5,562,925
Private placement, net of share issue costs	10(b)(ii)	88,160,000	3,450,440	881,600	-	4,332,040
Property acquisition	7(a)	7,249,300	296,598	-	-	296,598
Conversion of convertible promissory notes	9(b)	800,000	113,677	-	-	113,677
Shares-for-debt settlement	10(b)(ii)	1,874,500	149,960	-	-	149,960
Redemption of shareholders rights plan	10(f)	-	(2,380)	-	-	(2,380)
Share-based payments		-	-	144,512	-	144,512
Expiry of stock options		-	-	(792,317)	792,317	-
Warrants issued upon conversion of debt		-	-	40,449	-	40,449
Net loss for the year		-	-	-	(812,243)	(812,243)
Balance, December 31, 2014		138,743,605	21,782,282	1,497,285	(13,454,029)	9,825,538
Shares-for-debt settlement	10(b)(i)	2,558,400	69,671	-	-	69,671
Share-based payments		-	-	146,356	-	146,356
Expiry of stock options		-	-	(236,342)	236,342	-
Net loss for the year		-	-	-	(511,040)	(511,040)
Balance, December 31, 2015		141,302,005	$ 21,851,953	$ 1,407,299	$ (13,728,727)	$ 9,530,525

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Years ended December 31,	
	2015	2014
Cash provided from (used by):		
Operations:		
Loss for the year	**$ (511,040)**	$ (812,243)
Items not involving cash:		
Amortization	**10,481**	5,035
Effective interest, net paid	**-**	21,031
Unrealized foreign exchange gain	**(343,923)**	(159,412)
Share-based payments	**146,356**	144,512
Fair value change on derivative asset	**-**	115,088
Gain on debt settlement	**(51,118)**	(119,854)
Gain on settlement of demand loans	**-**	(11,704)
Write-off (recovery) of receivables and value-added tax	**117,676**	(228,660)
Write-off of equipment	**154**	-
Write-off of mineral property interests, net of settlement	**-**	126,298
	(631,414)	(919,909)
Changes in non-cash working capital items:		
Receivables and prepaids	**1,671**	(81,324)
Accounts payable and accrued liabilities	**267,930**	(174,670)
Cash used by operating activities	**(361,813)**	(1,175,903)
Financing:		
Proceeds from demand loans	**-**	658,260
Repayment of demand loans	**-**	(862,863)
Financing costs	**-**	(9,327)
Issuance of common shares and warrants, net of share issue costs	**-**	4,332,040
Redemption of shareholders' rights plan	**-**	(2,380)
Cash provided from financing activities	**-**	4,115,730
Investing:		
Mineral property interests, net of recoveries	**(2,641,543)**	(1,597,469)
Equipment	**(63,339)**	-
Cash used by investing activities	**(2,704,882)**	(1,597,469)
Unrealized foreign exchange gain on cash held in foreign currency	**343,923**	159,412
(Decrease) increase in cash	**(2,722,772)**	1,501,770
Cash, beginning of year	**3,087,528**	1,585,758
Cash, end of year	**$ 364,756**	$ 3,087,528

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Notes	Years ended December 31, 2015	2014
Non-cash financing and investing activities:			
Accrual for mineral property interests		**$ 133,423**	$ 346,977
Issuance of common shares for:			
Mineral property interests	7(a), 10(b)(ii)	**-**	296,598
Debt settlement	10(b), 11	**69,671**	149,960
Convertible promissory note	9	**-**	113,677
Fair values from the expiration of:			
Stock options		**236,342**	792,317
Interest paid		**-**	61,067
Income taxes paid		**-**	-

Refer to the accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Caza Gold Corp. (the "Company") was incorporated on November 15, 2007 under the laws of British Columbia, Canada. The address of the Company's registered office is #1040 – 999 West Hastings Street, Vancouver, BC, Canada, V6C 2W2 and its principal place of business is #301 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8.

The Company is in the mineral exploration business and has not yet determined whether its properties contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has no operating revenues, has incurred significant net losses of approximately $511,000 for the year ended December 31, 2015 (2014 - $812,200), and has a deficit of approximately $13.7 million as at December 31, 2015 (2014 - $13.5 million). Furthermore, the Company has a working capital deficiency of approximately $194,300 (2014 – working capital of $2.6 million). These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management would need to raise the necessary capital to meet its planned business objectives. There can be no assurance that management's plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of compliance:

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

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on April 26, 2016.

2. Basis of Presentation (continued)

(c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional currency and presentation currency:

The functional and presentation currencies of the Company are the Canadian dollar. Amounts recorded in a foreign currency are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- non-monetary assets and liabilities at historical exchange rates, unless such items are carried at fair value, in which case they are translated at the exchange rate in effect on the consolidated statement of financial position date; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in profit or loss in the period in which they occur.

(e) Critical accounting estimates:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of derivative assets, stock options granted, and warrants issued as finders' fees and from conversion of convertible loans; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

The Company applies judgment in assessing the functional currency of each entity consolidated in these financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

The Company applies judgment in assessing whether material uncertainties exist that would cast significant doubt as to whether the Company could continue as a going concern.

2. Basis of Presentation (continued)

(e) Critical accounting estimates: (continued)

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

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

(f) New accounting standards and recent pronouncements:

(i) The following standard has become effective during the current year:

Annual Improvements 2010-2012 Cycle

Makes amendments to the following standards:

- IFRS 2 — Amends the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition"
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(ii) The standard listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company is currently assessing the impact of the standard on the consolidated financial statements.

The following standard will become effective in future periods:

IFRS 9 *Financial Instruments:*

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. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015. 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.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

IFRS 9 *Financial Instruments:* (continued)

- *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).

Applicable to the Company's annual periods beginning January 1, 2018.

IFRS 16 *Leases:*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

Applicable to the Company's annual period beginning January 1, 2019.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Minera Caza S.A. de C.V., Minera Canarc de Mexico S.A. de C.V. and Nicaza S.A.

All significant intercompany transactions and balances have been eliminated.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or had rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(b) Financial instruments:

(i) Financial assets:

The Company classifies its financial assets in the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity ("HTM") and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at FVTPL

Financial assets at FVTPL include a derivative financial asset, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. Loans and receivables are carried at amortized cost less any impairment.

Held to maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. HTM investments are initially recognized on their trade-date at fair value, and subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(i) Financial assets: (continued)

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS financial assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at each reporting date and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss.

(ii) Financial liabilities:

The Company classifies its financial liabilities in the following categories: FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include derivative financial liabilities, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(iii) Fair value hierarchy:

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(iv) Impairment of financial assets:

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is “significant” or “prolonged” based on indicators such as significant adverse changes in the market, economic or legal environment.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(v) Derecognition of financial assets and liabilities:

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized in profit or loss.

(c) Impairment of non-financial assets:

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.

3. Significant Accounting Policies (continued)

(c) Impairment of non-financial assets: (continued)

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purposes of impairment testing, mineral property interests are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Mineral property interests:

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

3. Significant Accounting Policies (continued)

(d) Mineral property interests: (continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to profit or loss.

(e) Equipment:

Equipment is recorded at cost less accumulated amortization. The Company calculates amortization using the declining balance method at rates varying from 10% to 30% annually.

(f) Convertible instruments:

The proceeds received on the issuance of the Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible debt option reserve" within shareholders' equity.

If the convertible debt has a conversion feature that permits only the Company to demand conversion, then there is no equity component, and instead a derivative asset is recognized and measured at fair value. The allocation between the debt and derivative asset components is first allocated based on the fair value of the derivative, with the residual assigned to debt. The derivative asset is subsequently measured at fair value with changes in fair value recognized in profit and loss.

(g) Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to share capital based on the fair value of the common shares with any residual value then allocated to warrants.

(h) Non-monetary transactions:

Common shares issued for consideration other than cash are valued at their fair value at the date of issuance.

3. Significant Accounting Policies (continued)

(i) Share-based payments:

The Company has a stock option plan that is described in Note 10(c). Share-based payments to employees are measured on the grant date using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the 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, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from the reserve for share-based payments to deficit.

(j) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation 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 rehabilitation asset is depreciated on the same basis as mining assets.

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company’s estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company’s estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred. The Company does not have any significant environmental rehabilitation liabilities.

3. Significant Accounting Policies (continued)

(k) Loss per share:

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted loss per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per common share presented is the same as basic loss per common share as the effect of outstanding share options and warrants would be anti-dilutive.

(l) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(m) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

4. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company has not yet determined whether its mineral properties contain reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from operations. The Company's primary sources of funds are from debt capital and the issuance of share capital.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses on all exploration projects and overhead to manage its costs, commitments and exploration activities.

The Company has in the past invested its excess capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the period.

Although the Company has raised funds in the past from the issuance of debt instruments and share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

As at December 31, 2015, the Company was not subject to any externally imposed capital requirements.

5. Financial Instruments and Management of Financial Risk

The Company has classified its cash as FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are as follows.

5. Financial Instruments and Management of Financial Risk (continued)

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

Management has reviewed the items comprising the accounts receivable balance, and determined that all accounts are collectible; accordingly, there has been no allowance for doubtful accounts recorded.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at December 31, 2015, the Company had a working capital deficiency of $194,300 (2014 – working capital of $2.6 million). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2016.

Accounts payable and accrued liabilities are due in less than 90 days.

(c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars, mineral property interests which are in Nicaragua and were previously in Mexico, and a portion of its operations are in Nicaragua and were in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar, Nicaraguan Cordoba and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company’s functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar, Nicaraguan Cordoba and Mexican peso.

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk: (continued)

(i) Foreign currency risk: (continued)

At December 31, 2015 and 2014, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars			
	Held in			Total
	United States Dollars	Mexican Pesos	Nicaraguan Cordoba	
Cash	$ 107,884	$ -	$ 1,356	$ 109,240
Receivables and prepaids	-	-	1,117	1,117
Accounts payable and accrued liabilities	(113,888)	(277,012)	(29,189)	(420,089)
Net financial assets (liabilities), December 31, 2015	(6,004)	(277,012)	(26,716)	(309,732)
Cash	2,792,668	11,281	43,589	2,847,538
Receivables and prepaids	-	51,769	1,255	53,024
Accounts payable and accrued liabilities	(57,680)	(308,735)	(19,513)	(385,928)
Net financial assets (liabilities), December 31, 2014	$ 2,734,988	$ (245,685)	$ 25,331	$ 2,514,634

Based upon the above net exposure as at December 31, 2015 and assuming all other variables remain constant, a 15% (2014 – 10%) depreciation or appreciation of the Canadian dollar relative to the United States dollar, Nicaraguan Cordoba and the Mexican peso could result in a decrease/increase of approximately $46,500 (2014 - $251,500) in the Company’s net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end. The Company’s debt obligations owed for demand loans and convertible promissory notes, if any, bear fixed interest rates.

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk: (continued)

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company's financial instruments which fluctuate with market prices include derivative asset, if any, which is recognized when the market price of the Company's common shares is less than the conversion price of the convertible promissory notes (Note 6) and derivative liability, if any, which is payable in common shares of the Company (Note 9(a)).

6. Derivative Asset

Balance, December 31, 2013	$	74,639
Less: Unrealized loss from derivative asset		(74,639)
Balance, December 31, 2014 and 2015	$	-

In 2013, the Company recognized a derivative asset from the convertible promissory notes given the convertible promissory notes were convertible at the sole option of the Company (Note 9(b)). The market price of the common share was $0.10 as at December 31, 2013 which is less than the conversion price of $0.15, resulting in the recognition of a derivative asset. The fair value of the derivative asset was reduced by the liability attributable to the fair value of the warrants in the underlying units.

The convertible promissory notes were converted into units by the Company on March 11, 2014 on which date the market price of its common shares was $0.16, resulting in the derecognition of the derivative asset; each unit was converted into one common share and one warrant. Upon conversion, the fair value of the net derivative asset ($74,639) was de-recognized, and the value of the warrant arising from exercise of the unit was recorded in reserves ($40,449), with the net change recognized in profit and loss ($115,088).

(Stated in Canadian dollars)

7. Mineral Property Interests

	Year ended December 31, 2015		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2014	$ 1,720,319	$ 479	$ 1,720,798
Acquisition or staking	(28,833)	49,457	20,624
Balance, December 31, 2015	1,691,486	49,936	1,741,422
Deferred Exploration Expenditures:			
Balance, December 31, 2014	5,405,352	93,379	5,498,731
Advances	394	-	394
Aerial, photo and mapping	7,613	17,483	25,096
Assays and surveys	31,243	12,904	44,147
Camp and field supplies	6,213	3,933	10,146
Community and social	150,348	93,960	244,308
Drilling	184,740	191,322	376,062
Equipment and systems	356	187	543
Geology	212,197	144,794	356,991
Geophysics	129,632	-	129,632
Salaries and local labour	628,625	206,935	835,560
Sundry	57,280	9,560	66,840
Surface taxes	20,962	139,838	160,800
Transportation and travel	112,195	65,634	177,829
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Mineral Property Interests:			
December 31, 2014	$ 7,125,671	$ 93,858	$ 7,219,529
December 31, 2015	$ 8,638,636	$ 1,029,865	$ 9,668,501

(Stated in Canadian dollars)

7. Mineral Property Interests (continued)

	Year ended December 31, 2014		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2013	$ 1,071,573	$ -	$ 1,071,573
Option payment	300,536	-	300,536
Funds paid in trust	348,210	-	348,210
Staking	-	479	479
Balance, December 31, 2014	1,720,319	479	1,720,798
Deferred Exploration Expenditures:			
Balance, December 31, 2013	4,045,411	48,680	4,094,091
Advances	(2,044)	-	(2,044)
Aerial, photo and mapping	2,225	(141)	2,084
Assays and surveys	9,993	15,223	25,216
Camp and field supplies	8,948	-	8,948
Community and social	211,500	-	211,500
Drilling	245,356	4,790	250,146
Equipment and systems	263	-	263
Environmental	1,946	-	1,946
Geochemistry	26,704	-	26,704
Geology	36,323	-	36,323
Geophysics	12,985	-	12,985
Roads and access	9,191	-	9,191
Salaries and remuneration	510,391	34,754	545,145
Sundry	37,348		37,348
Surface taxes	110,380	(10,145)	100,235
Transportation and travel	138,432	218	138,650
Balance, December 31, 2014	5,405,352	93,379	5,498,731
Mineral Property Interests:			
December 31, 2013	$ 5,116,984	$ 48,680	$ 5,165,664
December 31, 2014	$ 7,125,671	$ 93,858	$ 7,219,529

7. Mineral Property Interests (continued)

(a) Los Andes property (Nicaragua):

In December 2010, as amended in January 2011, the Company entered into a property option agreement with Inversiones Ecologicas S.A. (“Inecosa”) to acquire a 100% interest in the Los Andes property by making US$1.17 million in cash payments, issuing 500,000 common shares and spending US$2.97 million on exploration over a 4 year period. The Company also agreed to issue 50,000 common shares for the staking of additional properties to Inecosa in January 2011, and thereafter the Company shall issue that number of common shares equal to 0.53 multiplied by the number of hectares staked in the area of mutual interest as defined, subject to regulatory approvals. Inecosa retains a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US$1 million and to acquire the remaining 1% NSR by paying an additional US$2 million.

In April 2012, a shareholder who owns a 40% interest in Inecosa became a senior officer of the Company (Note 11).

The Company paid US$300,000 in December 2013, and issued 189,300 common shares at a fair value of $0.075 in February 2014.

In connection with the loan agreement and security interest referred to in Note 9(a), Inecosa acknowledged the security interest granted in favour of Polygon Mining Opportunity Master Fund (“Polygon”) pursuant to an acknowledgement dated July 31, 2014 and had made certain covenants in favor of Polygon thereunder. In December 2014, Polygon released and discharged its security interests against the Company.

In December 2014, the Company entered into a Purchase Agreement with Inecosa, which amended and superseded the prior property option agreement, to acquire a 100% interest in the Los Andes property. The Company issued 7.06 million common shares to Inecosa at a fair value of $0.04 per share and paid US$300,000 “in trust” to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them.

7. Mineral Property Interests (continued)

(b) Title to mineral property interests:

The Company has investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(c) Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

(d) Environmental matters:

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

(Stated in Canadian dollars)

8. Equipment

	Vehicles	Field Equipment	Office Equipment	Total
Cost:				
Balance, December 31, 2013	$ -	$ 5,515	$ 20,370	$ 25,885
Adjustments	-	-	-	-
Balance, December 31, 2014	-	5,515	20,370	25,885
Add: Acquisitions	57,497	-	5,842	63,339
Less: Write-offs	-	(5,515)	(12,450)	(17,965)
Balance, December 31, 2015	57,497	-	13,762	71,259
Accumulated amortization:				
Balance, December 31, 2013	-	3,899	13,304	17,203
Add: Amortization	-	737	4,298	5,035
Balance, December 31, 2014	-	4,636	17,602	22,238
Add: Amortization	6,959	304	3,218	10,481
Less: Write offs	-	(4,940)	(12,871)	(17,811)
Balance, December 31, 2015	6,959	-	7,949	14,908
Net book value:				
Balance, December 31, 2014	$ -	$ 879	$ 2,768	$ 3,647
Balance, December 31, 2015	$ 50,538	$ -	$ 5,813	$ 56,351

(Stated in Canadian dollars)

9. Loans

	Demand Notes Payable	Convertible Promissory Notes
Balance, December 31, 2013	$ 204,603	$ 118,203
Proceeds from loan	658,260	-
Loan issuance costs	(9,327)	-
Obligation to issue loan bonus in common shares	(118,486)	-
Interest accrual	88,742	4,183
Interest paid	(69,615)	(8,709)
Foreign exchange	35,461	-
Loan balance on settlement date, December 30, 2014	789,638	113,677
Conversion of convertible promissory notes	-	(113,677)
Cash repayment amount	(896,420)	-
Gain (loss) on settlement	(106,782)	-
Gain on forgiveness of obligation to issue loan bonus in common shares	118,486	-
Net Gain on Settlement in 2014	$ 11,704	$ -

(a) Promissory Note:

In July 2013, the Company entered into a loan agreement with Polygon under which the Company borrowed $200,000 at an interest rate of 12% per annum, compounded and payable quarterly. The loan and any accrued interest were repayable upon the earlier of January 22, 2015 or written demand for repayment after November 19, 2013. In connection with the loan, Polygon was granted a security interest in the Company's present and after-acquired personal property as well as a negative pledge over all of the Company's assets. In December 2014, the Company repaid the principal plus interest, and Polygon released and discharged its security interests against the Company.

9. Loans (continued)

(a) Promissory Note: (continued)

In August 2014, the Company entered into a loan agreement with Polygon under which the Company borrowed US$600,000 at an interest rate of 12% per annum, compounded and payable each calendar quarter. The loan and any accrued interest were repayable upon the earlier of February 8, 2016 or written demand for repayment after August 8, 2015. In connection with the loan, Polygon was granted a security interest in the Company's present and after-acquired personal property including the property option agreement under which the Company has a contractual right to acquire a 100% interest in the Los Andes property (Note 7(a)). Polygon also had a negative pledge over all of the Company's assets pursuant to the loan agreement. In December 2014, the Company repaid the principal plus interest, with Polygon waiving any make-whole interest from early redemption of the loan and the issuance of bonus shares. Polygon also released and discharged its security interests in the Company's present and after-acquired personal property and its negative pledge over the Company's assets.

(b) Convertible Promissory Notes:

In August 2013, the Company arranged convertible promissory notes for $121,058 of which $35,000 were from certain current and former directors. The convertible notes bore an interest rate of 12% per annum compounded annually and payable every second quarter, and would mature on February 7, 2015. The principal and accrued interest can be converted, at the sole option of the Company, into units of the Company with the principal at $0.15 per unit for the first year and at $0.30 per unit for the remaining 6 months, and accrued interest at market price per unit. Each unit was comprised of one common share and one common share purchase warrant; each warrant is exercisable to acquire one common share at $0.30 per share until August 7, 2016. A finder's fee of $4,000 was paid on the debt financing. In February 2014, the Company paid interest of $7,260. Then on March 11, 2014 the Company converted the promissory notes into 800,000 units and paid interest of $1,450.

As the convertible promissory notes are compound financial instruments which are convertible at the Company's sole discretion into units, the instrument contains both a liability and a derivative asset. The liability, net of issue costs, was accreted using the effective interest rate method over the term of the convertible promissory notes. Note 6 provides further details.

10. Share Capital

(a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued:

(i) On April 14, 2015, the Company issued 1.25 million common shares at a fair value of $0.03 per share which were issuable to a senior officer pursuant an employment agreement. Then on November 17, 2015, the Company issued 1.31 million common shares at a fair value of $0.03 per share to the same senior officer for his remuneration.

(ii) On February 3, 2014, the Company issued 189,300 common shares which were issuable for the Los Andes property and the staking of additional properties, at a fair value of $0.075 per share (Note 7(a)).

On March 11, 2014, the Company converted the convertible promissory notes into 800,000 units, with each unit comprised of one common share and one share purchase warrant (Note (9)(b)).

On August 25, 2014, the Company issued 1.87 million common shares at a fair value of $0.08 to current and former senior officers pursuant to shares-for-debt settlements for $149,960.

On December 30, 2014, the Company issued 7.06 million common shares to Inecosa at a fair value of $0.04 per share pursuant to a Purchase Agreement to acquire a 100% interest in the Los Andes property (Note 7(b)).

Also on December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.05 until December 30, 2019; Polygon is a control person and related party, as defined, to the Company and had a 78.9% interest in the Company at that time. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

(Stated in Canadian dollars)

10. Share Capital (continued)

(c) Stock option plan:

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX Venture Exchange at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

The continuity of stock options for the year ended December 31, 2015 and 2014 is as follows:

	2015		2014	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of period	2,819,003	$0.33	1,677,971	$1.03
Granted	3,415,000	$0.08	2,815,000	$0.14
Forfeited	(23,667)	$1.01	(965,300)	$0.47
Expired	(285,334)	$1.07	(708,668)	$1.02
Outstanding balance, end of period	5,925,002	$0.15	2,819,003	$0.33
Exercise price range	$0.08 - $1.13		$0.08 - $1.26	

The following table summarizes information about stock options outstanding and exercisable at December 31, 2015:

	Options Outstanding			Options Exercisable		
Exercise Prices	Number Outstanding at Dec 31, 2015	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Dec 31, 2015	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
$1.125	175,001	0.48	$1.125	175,001	0.48	$1.125
$0.78	155,001	1.33	$0.78	155,001	1.33	$0.78
$0.15	1,680,000	3.23	$0.15	1,344,000	3.23	$0.15
$0.08	500,000	3.73	$0.08	300,000	3.73	$0.08
$0.08	3,415,000	4.51	$0.08	683,000	4.51	$0.08
	5,925,002	3.88	$0.15	2,657,002	3.32	$0.23

(Stated in Canadian dollars)

10. Share Capital (continued)

(c) Stock option plan: (continued)

During the year ended December 31, 2015, the Company recognized share-based payments of $146,356 (2014 - $144,512) based on the fair value of stock options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants as follows:

	2015	2014
Directors (excludes directors who are officers)	$ 17,429	$ 19,470
Officers (includes directors who are officers)	113,913	104,313
Employees	6,112	10,481
Consultants	8,902	10,248
	$ 146,356	$ 144,512

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	2015	2014
Number of stock options granted	3,415,000	2,815,000
Fair value of stock options granted	$0.05	$0.09
Market price of shares on grant date	$0.06	$0.13
Pre-vest forfeiture rate	15.88%	10.57%
Risk-free interest rate	0.55%	1.31%
Expected dividend yield	0%	0%
Expected stock price volatility	139.73%	121.62%
Expected option life in years	3	3

Expected stock price volatility is based on the historical price volatility of the Company's common shares.

On March 24, 2014, the Company granted stock options to purchase up to 2.32 million common shares at an exercise price of $0.15 until March 24, 2019. Stock options for 2.16 million common shares are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

(Stated in Canadian dollars)

10. Share Capital (continued)

(c) Stock option plan: (continued)

On September 25, 2014, the Company granted stock options to purchase up to 500,000 common shares at an exercise price of $0.08 until September 25, 2019. These stock options are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

On July 3, 2015, the Company granted stock options to purchase up to 3.4 million common shares at an exercise price of $0.08 until July 3, 2020. These stock options are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

(d) Warrants:

At December 31, 2015, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2014	Issued	Exercised	Expired	Outstanding at December 31, 2015
$0.24	December 13, 2016	20,833,333	-	-	-	20,833,333
$0.30	August 7, 2016 [(1)]	800,000	-	-	-	800,000
$0.05	December 30, 2019 [(2)]	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	-	109,793,333

(1) Arose from conversion of convertible promissory note (Note 6). Fair value of $40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

(2) On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

(Stated in Canadian dollars)

10. Share Capital (continued)

(d) Warrants: (continued)

At December 31, 2014, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2013	Issued	Exercised	Expired	Outstanding at December 31, 2014
$0.60	December 28, 2014	380,834	-	-	(380,834)	-
$0.24	December 13, 2016	20,833,333	-	-	-	20,833,333
$0.30	August 7, 2016 (1)	-	800,000	-	-	800,000
$0.05	December 30, 2019 (2)	-	88,160,000	-	-	88,160,000
		21,214,167	88,960,000	-	(380,834)	109,793,333

(1) Arose from conversion of convertible promissory note (Note 6). Fair value of $40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

(2) On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

On March 11, 2014, the Company converted the convertible promissory notes into 800,000 units, with each unit comprised of one common share and one share purchase warrant (Note (9)(b)).

On December 30, 2014, the Company closed a private placement for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.05 until December 30, 2019 (Note (10)(b)(ii)).

(e) Common shares reserved for issuance at December 31, 2015:

	Number of Shares
Stock options (Note 10(c))	5,925,002
Warrants (Note 10(d))	109,793,333
Common shares reserved for issuance	115,718,335

10. Share Capital (continued)

(f) Shareholder rights plan:

On June 12, 2012, the shareholders of the Company approved a shareholder rights plan (the “Plan”). The Plan was intended to ensure that any entity seeking to acquire control of the Company made an offer that represented fair value to all shareholders and provided the board of directors with sufficient time to assess and evaluate the offer, to permit competing bids to emerge, and, as appropriate, to explore and develop alternatives to maximize value for shareholders. Under the Plan, each shareholder at the time of the Plan’s adoption was issued one Right for each common share of the Company held. Each Right entitled the registered holder thereof, except for certain “Acquiring Persons” (as defined in the Plan), to purchase from treasury one common share at a 50% discount to the prevailing market price, subject to certain adjustments intended to prevent dilution. The Rights were exercisable after the occurrence of specified events set out in the Plan generally related to when a person, together with affiliated or associated persons, acquires, or makes a take-over bid to acquire, beneficial ownership of 20% or more of the outstanding common shares of the Company. The Rights expire in three years. The Company had authority to terminate or abandon the Plan if its Board of Directors determines such cancellation was in the best interest of the Company.

In December 2014, the Company resolved to redeem all of the Rights issued and outstanding under the Company’s Plan and otherwise effectively abandon the Plan. The Plan provided that the Company’s Board may elect to redeem all, but not less than all, of the Rights at a redemption price of $0.0003 per Right (the “Redemption Price”) and/or terminate the Plan. The Company had no obligation to make any payment to any person in the event the aggregate amount owing to such person as a result of the redemption of Rights is less than $15 (ownership of less than 50,000 shares). The effective date of the redemption was the close of business on December 2, 2014 (the “Redemption Date”) as of which date the only right of qualifying holders of Rights was to receive the Redemption Price. The Company accrued $2,380 in redemption commitments owed to shareholders as at December 31, 2014 which was paid in 2015.

(Stated in Canadian dollars)

11. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with related parties:

	Years ended December 31,		Net balance receivable (payable) as at December 31,	
	2015	2014	2015	2014
Key management compensation:				
Executive salaries and remuneration [1]	$ 590,702	$ 482,493	$ (73,998)	$ (83,992)
Directors fees [2]	44,330	43,563	(116,525)	(80,196)
Share-based payments	131,342	123,783	-	-
	$ 766,374	$ 649,839	$ (190,523)	$ (164,188)
Mineral property expenditures incurred to Inecosa [3]:				
Acquisition costs:				
Funds in trust pending title transfer	$ -	$ 348,210		
Number of common shares issued	-	7,249,300		
Exploration expenditures incurred	$ -	$ 412,151		
Legal fees incurred to a law firm in which a director of the Company is a partner [4]	$ 52,636	$ 83,101	$ (11,503)	$ (20,298)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) [5]	$ (447)	$ (460)	$ 7,481	$ 48,650
Gain of debt settlement [6]	$ 51,118	$ 119,854		
Write-off of receivables [5]	$ 41,874	$ -		

(1) Includes key management compensation which is included in mineral property interests and property investigation.

(2) A portion of Directors fees are accrued.

(Stated in Canadian dollars)

11. Related Party Transactions (continued)

(3) A 40% shareholder of Inecosa became a senior officer of the Company in April 2012. Exploration expenditures include those related to mineral property interests and property investigations. (Notes 7(a) and 12).

(4) Includes legal fees which are included in finance charges and share issuance expenses.

(5) The company is Aztec Metals Corp. which shares a common director.

(6) The Company entered into a mutual release agreement with a former director in August 2014 and a settlement agreement with a law firm in which a senior officer is a partner in December 2014, resulting in the recognition of gain from debt settlement.

Pursuant to an employment agreement, a portion of a senior officer's remuneration is payable in common shares of the Company (Note 10(b)(i)).

The above related party transactions are incurred in the normal course of business.

Transactions with Polygon are provided in Notes 9(a) and 10(b)(ii). Convertible promissory notes with certain related parties are provided in Note 9(b). Shares-for-debt settlement with a senior officer is provided in Note 10.

12. Property Investigation

	Years ended December 31,	
	2015	2014
Property Investigation:		
Equipment and systems	$ 3,354	$ -
Geology	9,145	-
Mapping and surveys	9,938	981
Office and sundry	217	472
Transportation and travel	9,988	14,213
	$ 32,642	$ 15,666

(Stated in Canadian dollars)

13. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada, Mexico and Nicaragua, as follows:

	December 31, 2015			December 31, 2014			
	Canada	Nicaragua	Total	Canada	Mexico	Nicaragua	Total
Mineral property interests	$ -	$ 9,668,501	$ 9,668,501	$ -	$ -	$ 7,219,529	$ 7,219,529
Equipment	1,331	55,020	56,351	1,902	1,745	-	3,647

14. Deferred Income Taxes

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2015	2014
Loss for the year	$ (511,110)	$ (812,243)
Canadian statutory tax rate	26.0%	26.0%
Income tax benefit computed at statutory rates	(132,863)	(211,183)
Foreign tax rates different from statutory rates	83,730	(6,154)
Items non-deductible for income tax purposes	38,052	37,573
Effect of change in tax rate	-	-
Change in timing differences	232,169	30,171
Unused tax losses and tax offsets not recognized in tax asset	430,892	189,519
Impact of foreign exchange on tax assets and liabilities	(651,980)	(39,926)
	$ -	$ -

Effective January 1, 2013, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 11% for a total Canadian statutory tax rate of 26%.

In 2009, the Mexican government approved tax reform that includes a 2% increase in the income tax rate in Mexico from 28% to 30% for a three-year period starting in 2010.

(Stated in Canadian dollars)

14. Deferred Income Taxes (continued)

(b) The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income liabilities at December 31, 2015 and 2014 are presented below:

	December 31, 2015	December 31, 2014
Deferred tax assets		
Non-capital losses carried forward	$1,265,291	$ 635,485
Deferred tax liabilities		
Book value over tax value of equipment	(346)	(691)
Book value over tax value of mineral property interests	(1,264,945)	(634,794)
Deferred tax liabilities	(1,265,291)	(635,485)
Net deferred tax assets	$ -	$ -

(c) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2015	December 31, 2014
Non-capital losses	$ 12,631,969	$ 14,664,967
Share issue costs	152,503	280,073
Unrecognized deferred tax assets	$ 12,784,472	$ 14,945,040

(Stated in Canadian dollars)

14. Deferred Income Taxes (continued)

(c) (continued)

The Company's unrecognized unused non-capital losses have the following expiry dates:

	Canada	Mexico	Nicaragua	**Total**
2017	$ -	$ 347,127	$ -	$ 347,127
2018	-	555,819	-	555,819
2019	-	371,119	-	371,119
2020	-	511,981	-	511,981
2021	-	2,793,589	-	2,793,589
2022	-	973,764	-	973,764
2023	-	3,019,071	-	3,019,071
2024	-	117,842	50,172	168,014
2025	-	297,725	79,717	377,442
2026	-	-	-	-
2027	27,623	-	-	27,623
2028	278,062	-	-	278,062
2029	467,363	-	-	467,363
2030	1,305,702	-	-	1,305,702
2031	1,593,807	-	-	1,593,807
2032	1,015,019	-	-	1,015,019
2033	2,654,999	-	-	2,654,999
2034	512,051	-	-	512,051
2035	234,749	-	-	234,749
	$ 8,089,375	$ 8,988,037	$ 129,889	$ 17,207,301

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