Consolidated financial statements of

Samco Gold Limited

December 31, 2015 and 2014

Samco Gold Limited
December 31, 2015 and 2014

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Independent Auditor's Report

To the Shareholders of
Samco Gold Limited

We have audited the accompanying consolidated financial statements of Samco Gold Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Samco Gold Limited 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 modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company incurred a loss of $13,577,491 for the year ended December 31, 2015 and has an accumulated deficit of $37,308,265 as of that date. The Company is at the exploration stage of its gold and silver properties and has not determined whether these exploration properties contain mineral reserves that are economically recoverable. 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.

"Deloitte LLP"

Chartered Professional Accountants
Licensed Public Accountants
April 28, 2016

Samco Gold Limited

Consolidated statements of loss and comprehensive loss
years ended December 31, 2015 and 2014

(In United States dollars, except where otherwise stated)

	2015	2014
	$	$
Interest income	**5**	1,185
Administrative expenses (Note 5)	**(2,815,020)**	(2,556,675)
Finance and interest charges	**(80,212)**	(11,751)
Foreign exchange gain	**29,519**	25,440
Share-based payment expense (Note 10(c))	**(35,379)**	(26,063)
Impairment charge (Note 9)	**(10,679,017)**	-
Loss before tax	**(13,580,104)**	(2,567,864)
Current tax expense	**(461)**	(516)
Deferred tax	**3,074**	(15,694)
Income tax (Note 7)	**2,613**	(16,210)
Loss and comprehensive loss	**(13,577,491)**	(2,584,074)
Loss per share, basic (Note 10(d))	**(0.21)**	(0.04)
Loss per share, diluted (Note 10(d))	**(0.21)**	(0.04)
Weighted average number of shares outstanding, basic	**65,076,075**	65,076,075
Weighted average number of shares outstanding, diluted	**65,076,075**	65,224,568

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Samco Gold Limited
Consolidated statements of financial position
as at December 31, 2015 and 2014
(In United States dollars, except where otherwise stated)

	2015	2014
	$	$
Assets		
Non-current assets		
Plant and equipment (Note 8)	**178,465**	225,120
Mineral rights and exploration assets (Note 9)	**14,091,510**	24,181,587
Prepaid assets	**694,316**	963,900
Receivables	**45,131**	53,373
Total non-current assets	**15,009,422**	25,423,980
Current assets		
Cash and cash equivalents	**374,026**	1,048,065
Prepaid assets	**196,781**	150,434
Receivables (Note 6)	**1,400,000**	1,400,000
Total current assets	**1,970,807**	2,598,499
Total assets	**16,980,229**	28,022,479
Going concern (Note 2)		
Commitments (Note 12)		
Equity and liabilities		
Capital and reserves		
Share capital (Note 10(a))	**45,423,567**	45,423,567
Warrants	**900,802**	900,802
Share-based payment reserve (Notes 10(c) and 10(d))	**5,004,899**	4,969,520
Deficit	**(37,308,265)**	(23,730,774)
Total equity	**14,021,003**	27,563,115
Non-current liabilities		
Deferred tax liability (Note 7)	**15,452**	18,526
Accrued liabilities	**75,169**	-
Total non-current liabilities	**90,621**	18,526
Current liabilities		
Due to related parties (Note 6)	**2,417,508**	-
Accounts payable and accrued liabilities	**451,097**	440,838
Total current liabilities	**2,868,605**	440,838
Total liabilities	**2,959,226**	459,364
Total equity and liabilities	**16,980,229**	28,022,479

Approved by the Board on April 28, 2016

____***"Charles Koppel"***___________________________ Director

______***"John Hick"***______________________________ Director

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Samco Gold Limited

Consolidated statements of changes in equity
year ended December 31, 2015 and 2014

(In United States dollars, except where otherwise stated)

	Share capital	Warrants	Share-based payment reserve	Deficit	Total
	$	$	$	$	$
Opening balance as at January 1, 2014	45,423,567	900,802	4,943,457	(21,146,700)	30,121,126
Loss for the year attributable to shareholders	-	-	-	(2,584,074)	(2,584,074)
Share-based payment expense (Notes 10(c) and 10(d))	-	-	26,063	-	26,063
Balance as at December 31, 2014	45,423,567	900,802	4,969,520	(23,730,774)	27,563,115
Opening balance as at January 1, 2015	45,423,567	900,802	4,969,520	(23,730,774)	27,563,115
Loss for the year attributable to shareholders	-	-	-	(13,577,491)	(13,577,491)
Share-based payment expense (Notes 10(c) and 10(d))	-	-	35,379	-	35,379
Balance as at December 31, 2015	45,423,567	900,802	5,004,899	(37,308,265)	14,021,003

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Samco Gold Limited

Consolidated statements of cash flows
years ended December 31, 2015 and 2014

(In United States dollars, except where otherwise stated)

	2015	2014
	$	$
Operating activities		
Loss for the year	**(13,577,491)**	(2,584,074)
Interest income	**(5)**	(1,185)
Foreign exchange gain	**(29,519)**	(25,440)
Share-based payment expense (Note 10(c))	**35,379**	26,063
Depreciation (Note 8)	**21,139**	28,195
Impairment charge (Note 9)	**10,679,017**	-
(Gain)/loss on disposals of plant and equipment (Note 8)	**(20,994)**	70,076
Deferred tax (Note 7)	**(3,074)**	15,694
	(2,895,548)	(2,470,671)
Movements in working capital		
Decrease/(increase) in receivables	**8,242**	(3,523)
Decrease in prepaid assets	**223,237**	196,496
Increase in accounts payable and accrued liabilities	**85,428**	4,313
Increase in amounts due to related parties	**2,417,508**	-
	(161,133)	(2,273,385)
Investing activities		
Investment in mineral property rights and exploration costs (Note 9)	**(570,107)**	(972,611)
Interest income	**5**	1,185
Increase in receivable (Note 6)	**-**	(1,400,000)
Disposals of plant and equipment (Note 8)	**27,677**	-
Purchase of plant and equipment (Note 8)	**-**	(105,903)
	(542,425)	(2,477,329)
Effect of foreign exchange rate changes on cash	**29,519**	25,440
Decrease in cash	**(674,039)**	(4,725,274)
Cash and cash equivalents, at the beginning of the year	**1,048,065**	5,773,339
Cash and cash equivalents, at the end of the year	**374,026**	1,048,065

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

1. General information

Samco Gold Limited (the “Company”) was incorporated in the British Virgin Islands on June 16, 2009. The registered office address is Geneva Place, 2nd floor, 333 Waterfront Drive, Road Town, Tortola, British Virgin Islands.

The Company is a mineral exploration company that acquires, explores and develops mineral properties in South America. The Company’s material properties are the El Dorado-Monserrat property and adjacent Judite property, and the Corina property, all located in the Province of Santa Cruz, Argentina. All of the Company’s properties are at an early stage of exploration.

These consolidated financial statements include the Company’s three wholly-owned subsidiaries, Samco Gold S.A. and 5R S.A., both companies incorporated in Argentina, and Samco Gold Services (UK) Ltd., a company incorporated in the United Kingdom.

The Company’s common shares are traded on the TSX Venture Exchange and all filings are publicly available on SEDAR at www.sedar.com.

2. Significant accounting policies and continuation of the business

Statement of compliance

The Company’s consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 28, 2016.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company is primarily engaged in the exploration of mainly gold and silver on properties in Argentina. The Company has not determined whether the exploration properties contain mineral reserves that are economically recoverable. The recoverability of the amount shown for mineral rights for exploration is dependent upon the discovery of economically recoverable reserves of gold and silver on the exploration properties and on attaining future profitable production from such properties.

Going concern

The Company had a loss and comprehensive loss of $13,577,491 for the year (2014 - $2,584,074). As the Company has not yet achieved profitable operations, the Company has, since its inception, accumulated a deficit to December 31, 2015, of $37,308,265 and expects to incur further losses in the development of its business. As at December 31, 2015, the Company had $374,026 in cash and cash equivalents. The Company does not currently have revenue-generating properties.

The Company’s ability to continue operations in the normal course of business is dependent on several factors, including its ability to secure additional funding, along with other matters relevant to exploration companies, such as the failure to maintain the necessary permits which could result in the delay or indefinite postponement of further exploration and development of its Argentinean mineral properties. Such matters indicate the existence of material uncertainties about the Company’s ability to continue as a going concern. There is no assurance that the financing required and/or the necessary permits will be maintained on favorable terms, or at all. Management is exploring all available options to secure additional funding, including equity and loan financing. In addition, the recoverability of the amount shown for mineral rights and exploration assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to continue to perform exploration activity or complete the development of the properties where necessary, or alternatively, upon the Company’s ability to recover its incurred costs through a disposition of its interests, all of which are uncertain.

2. Significant accounting policies and continuation of the business (continued)

Going concern (continued)

In the event the Company is unable to identify recoverable resources, receive the necessary permitting, or arrange appropriate financing, the carrying value of the Company's assets could be subject to material adjustment. Furthermore, these conditions may cast significant doubt upon the validity of the going concern assumption.

These consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, classification of certain liabilities and changes to the statement of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiary. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial records of the subsidiary to bring their accounting policies in line with those used by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Where the Company's interest in a subsidiary is less than 100%, the Company recognizes non-controlling interests. Refer to Note 1 for a description of the subsidiaries of the Company.

Foreign currencies

The individual financial records of each group entity are kept in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency, as determined by management, of Samco Gold Limited, Samco Gold Services (UK) Ltd., Samco Gold S.A. and 5R S.A. is the United States dollar. For presentational purposes, the consolidated financial statements are expressed in United States dollars.

For the purpose of presenting consolidated financial statements, transactions in currencies other than the entity's or foreign operations' functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences, if any, are recognized in the statement of loss and comprehensive loss in the year in which they arise.

Cash and cash equivalents

Cash and equivalents are comprised of cash at banks and on hand, and call and time deposits, which are readily convertible into a known amount of cash.

Mineral rights and exploration assets

The Company's accounting policy is to capitalize costs to mineral rights for exploration relating to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, technical feasibility studies for extracting primarily gold and silver and other costs directly attributable to exploration projects. Mineral rights for exploration are carried at cost less accumulated impairment losses. Each accounting period the Company assesses the facts and circumstances and determines if there is an indication that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. One or more of the following facts and circumstances would give rise to the Company testing and evaluating exploration and evaluation assets for impairment:

2. Significant accounting policies and continuation of the business (continued)

Mineral rights and exploration assets (continued)

a) the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed.

b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If there is an indication of impairment, the Company determines the recoverable amount of the asset and compares this to the carrying amount as at the reporting date. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated statement of loss and comprehensive loss. The recoverable amount is determined by comparing the higher of the value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset(s). Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset(s) in an arm's length transaction with reference to a market comparable.

The Company has assessed the recoverability of all its exploration and evaluation cash generating units and has determined that there is an impairment of its exploration and evaluation assets at December 31, 2015, of $10,679,017.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives of each category of plant and equipment are as follows:

Fixtures and fittings	ten years
Computer and office equipment	three years
Vehicles	five years
Machinery	ten years
Leasehold improvements	three years

Financial assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Refer to Note 13 for analysis of categories of financial assets. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

2. Significant accounting policies and continuation of the business (continued)

Impairment of assets

Impairment of exploration and evaluation assets is assessed in accordance with the criteria noted above under "Mineral rights and exploration costs." For all other tangible and intangible assets, the Company reviews the carrying amounts of its tangible and intangible assets at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The recoverable amount is determined by comparing the higher of the value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset(s). The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset(s). Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset(s) in an arm's length transaction.

Share-based payment transactions

The Company has historically been involved in equity settled transactions to acquire assets and/or as repayment of outstanding liabilities. The Company measures the equity transactions at the fair value of the goods or services received. If the goods or services received cannot be measured reliably, the transaction is measured at the fair value of the equity instrument issued.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Refer to Note 13 for analysis of categories of financial liabilities.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

De-recognition of financial liabilities

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

Deferred tax

Deferred tax is recognized on loss carry-forwards and tax credits, and on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. Significant accounting policies and continuation of the business (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax for the period

Deferred taxes are recognized as an expense or income in the statement of loss and comprehensive loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Earnings per share

Basic earnings per share is computed by dividing net income or loss attributable to the equity holders of the Company by the weighted average number of common shares outstanding during the year.

The dilutive effect on earnings/(loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of dilutive earnings/(loss) per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Potentially dilutive common shares, relating to options and warrants outstanding as at December 31, 2015 and 2014, were not included in the computation of loss per share because their effect was anti-dilutive.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Refer to Note 10 for details regarding the determination of the fair value of equity-settled share-based payment transactions.

Equity-settled share-based payment transactions related to services provided are measured at the fair value of the services received. If the services cannot be measured reasonably, the transaction is measured at the fair value of the equity instrument issued.

Segment reporting

An operating segment is a component of the Company that can be identified based on the operational activities and the reporting structure. The accounting policies of the reportable segments are the same as the Company’s accounting policies.

Newly applied accounting standards

The following new and revised standards and interpretations were adopted as of January 1, 2015:

- IFRS 8, “Operating Segments” (amendment); and
- IAS 24, “Related Party Disclosures” (amendment).

The adoption of these amended standards did not have a significant impact on the Company’s consolidated financial statements.

2. Significant accounting policies and continuation of the business (continued)

Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 11 - Joint Arrangements ("IFRS 11")

In May 2014, the IASB issued Amendments to IFRS 11, on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3. Acquirers of such interests are to apply the relevant principles on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. This amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016, and should be applied prospectively. The Company has evaluated the impact of IFRS 11 and has determined it will not have a material impact on its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 provides a single comprehensive model to account for revenue arising from contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

IFRS 9 - Financial Instruments ("IFRS 9")

This standard, which will eventually replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), in it's entirely, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. While determination is made at initial recognition, classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The most significant change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement. IFRS 9 has a mandatory effective date for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of IFRS 9 on its consolidated financial statements.

IFRS 16, "Leases" ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently assessing the impact of IFRS 16 on its consolidated financial statements.

2. Significant accounting policies and continuation of the business (continued)

Amendments to IAS 16, property, plant and equipment, and IAS 38, intangible assets

On May 12, 2014, the IASB issued amendments to IAS 16, property, plant and equipment, and *IAS 38, intangible assets*. In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for fiscal years beginning on or after January 1, 2016 with early application permitted. The Company has evaluated the impact of IAS 16 and IAS 38 and has determined the changes will not have a material impact on its consolidated financial statements.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures were published by the IASB in December 2014. The amendments define the application of the consolidation exception for investment entities. They are effective for annual periods beginning on or after January 1, 2016. The Company is evaluating the impact of this standard but does not expect the standard to have a material impact on its consolidated financial statements.

Amendment to IAS 1, Presentation of Financial Statements

An amendment to IAS 1, Presentation of Financial Statements was issued by the IASB in December 2014. The amendment clarifies principles for the presentation and materiality consideration for the financial statements and notes to improve understandability and comparability. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2016. The Company is evaluating the impact of this standard but does not expect the standard to have a material impact on its consolidated financial statements.

3. **Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company’s accounting policies, which are described in Note 2 above, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future estimates.

Critical accounting judgments

<u>Functional currency</u>

Management applied judgment in determining the functional currency of Samco Gold Limited, Samco Gold S.A., 5R S.A. and Samco Gold Services (UK) Ltd. as United States dollars. Functional currency was determined based on the currency that mainly influences labour, material and other costs.

<u>Tax contingency</u>

Management has applied judgment in the identification and estimation of deferred tax liabilities related to costs incurred by the Company. This is determined by evaluating the facts and circumstances that caused the liability to arise, and determining the probable penalty of the eventual tax liabilities that could be assessed by taxation authorities.

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical accounting judgments (continued)

Mining exploration costs and impairment

The Company also applied judgment in the determination of the types of costs that are capitalized as mineral rights for exploration as described in the accounting policy in Note 2. The alternative to this accounting policy would be to expense all costs related to property rights and exploration costs. During the year ended December 31, 2015, any costs that were not clearly considered qualifying expenditures were expensed. Exploration and development costs are capitalized until the properties to which they relate are placed into production, are sold, or are allowed to lapse. Management is required to use judgment to review the carrying values of the mining properties on a quarterly basis to determine whether any impairment exists based on assumptions of current and future events or circumstances. Estimates and assumptions may change if new information becomes available. If after the expenditures are capitalized and information becomes available suggesting that the recovery of the carrying values is unlikely, the amount capitalized is written-off to the statement of loss and comprehensive loss during the period that the new information becomes available.

Going concern

As described in significant accounting policies, basis of presentation within Note 2, management uses its judgment in determining whether the Company is able to continue as a going concern. Considerations take into account all available information about the future viability of the mineral exploration program, the availability of capital financing, current working capital funds, and future commitments and obligations.

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 a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is the amount agreed to by the parties.

Critical accounting estimates

Share options and share-based payments

The Company measures the fair value of the share options granted to officers, directors, employees and agents using the Black-Scholes option pricing model, which incorporates the assumptions regarding the expected life of the share option, volatility, dividend yield, and risk-free rates. The Company is required to calculate the fair value of these share options at the date of issuance.

Receivables

Management has estimated that the $1,400,000 receivable relating to the participation and option agreement will be recovered within twelve months. In addition, the VAT recoverable from the Argentinean government is to be fully recovered and no provision or discounting has been recorded by the Company.

(In United States dollars, except where otherwise stated)

4. Segment information

Operating segments were identified based on internal reporting reviews that are performed by the chief executive officer of the Company. Two segments were identified based on the operational activities and the reporting structure. The accounting policies of the reportable segments are the same as the Company's accounting policies. The Company operates a corporate business segment as well as a segment for managing exploration rights in Argentina. Assets, liabilities and loss/(income) within each segment are as follows:

			As at December 31, 2015
	Corporate	**Argentina**	**Total**
	$	**$**	**$**
Non-current assets	**719,338**	**14,290,084**	**15,009,422**
Current assets	**1,779,862**	**190,945**	**1,970,807**
Non-current liabilities	**15,452**	**75,169**	**90,621**
Current liabilities	**2,609,680**	**258,925**	**2,868,605**

			As at December 31, 2014
	Corporate	Argentina	Total
	$	$	$
Non-current assets	736,266	24,687,714	25,423,980
Current assets	2,486,119	112,380	2,598,499
Non-current liabilities	18,526	-	18,526
Current liabilities	149,006	291,832	440,838

			Year ended December 31, 2015
	Corporate	**Argentina**	**Total**
	$	**$**	**$**
Interest income	**5**	**-**	**5**
Depreciation expenses	**15,367**	**5,772**	**21,139**
Finance and interest charge	**76,025**	**4,187**	**80,212**
Share-based payment expense	**35,379**	**-**	**35,379**
Income tax expense	**-**	**461**	**461**
Deferred tax	**(3,074)**	**-**	**(3,074)**
Loss	**8,289,005**	**5,288,486**	**13,577,491**
Mineral rights and exploration costs	**682**	**588,258**	**588,940**

(In United States dollars, except where otherwise stated)

4. Segment information (continued)

	Year ended December 31, 2014		
	Corporate	Argentina	Total
	$	$	$
Interest income	1,185	-	1,185
Depreciation expenses	18,631	9,564	28,195
Finance and interest charge	8,205	3,546	11,751
Share-based payment expense	26,063	-	26,063
Income tax expense	-	516	516
Deferred tax expense	15,694	-	15,694
Loss	7,022,703	(4,438,629)	2,584,074
Expenditures on plant and equipment	105,091	812	105,903
Mineral rights and exploration costs	17,109	1,005,536	1,022,645

5. Administrative expenses

	2015	2014
	$	$
Administrative expenses		
Administration costs	**264,759**	330,415
Travel and subsistence	**150,629**	244,647
Application fees	**46,384**	29,340
Management and professional fees	**1,446,438**	1,063,534
Salary	**885,671**	860,544
Depreciation (Note 8)	**21,139**	28,195
	2,815,020	2,556,675

6. Related party transactions

The Company's related parties include key management. Key management includes the directors (executive and non-executive) and officers of the Company. Remuneration of key management was as follows:

	2015	2014
	$	$
Short-term employee benefits	**675,000**	670,834
Share based payments	**35,379**	26,063
	710,379	696,897

No bonuses were awarded for the year ended December 31, 2015, and the Company does not participate in a pension plan.

6. Related party transactions (continued)

Mr. Fornazzari, who is the Company's corporate secretary, was also a partner in Gowling, Lafleur, Henderson LLP, which provided legal services of $101,665 (2014 - $247,697) to the Company during the year.

Mr. Fornazzari joined Fasken Martineau DuMoulin LLP law firm during the year ended December 31, 2015, which provided legal services of $25,793 (2014 - $Nil) to the Company during the year, of which $16,570 (2014 - $Nil) was accrued.

On December 6, 2013, the Company entered into a lease for its London office premises with JayTree Limited, a company wholly-owned by the Company's chairman and chief executive officer, Mr. Koppel. Refer to Note 12 for further disclosure.

On January 10, 2014, the Company announced that it had entered into a participation and option agreement with a director of the Company, Mr. R. Auriemma, under which the Company could acquire the sole and exclusive right to participate in any benefits arising from enforcement of an Argentinean court judgment relating to the breach of an agreement between Mr. R. Auriemma and Northern Orion Resources Inc. (since acquired by Yamana Gold Inc. and renamed 0805346 B.C. Ltd.).

On February 14, 2014, the Company closed the participation and option agreement and an option payment of $1,400,000 was made to Mr. R. Auriemma. The Company has recorded the $1,400,000 as a current asset in the statement of financial position as the Company believes that it will recover the value of the asset within twelve months. Mr. R. Auriemma has the right to terminate the participation and option agreement commencing on the 365th day following the Argentinean court appointed arbitrator's assessment of the monetary value of court awarded damages or, if later, the date on which any available appeals therefrom are exhausted. The Company may terminate the participation and option agreement at any time.

On December 12, 2014, the Company entered into a share purchase agreement with Mantaro Resources Limited ("Mantaro"), a company in which the Company's chairman and chief executive officer, Mr. Koppel, has a majority interest, and has a greater than 10% shareholding in the Company, for the acquisition of all the issued and outstanding shares of Samco Minerals S.A. and Cia Dorita MA S.A.C., Mantaro's wholly-owned Peruvian subsidiaries which hold certain exploration and mining concessions over the Dino polymetallic property located in Peru. The agreement was terminated on December 1, 2015. In accordance with the share purchase agreement, a total of $790,134 (2014 - $56,591) has accrued to Mantaro of which $677,200 was still outstanding as at December 31, 2015 (2014 - $Nil), which amount was reflected in the termination agreement.

On June 30, 2015, the Company announced that it had closed the first tranche of $1,000,000 of its non-brokered private placement (the "Private Placement") of up to $5,000,000 principal amount convertible notes bearing 12% interest and maturing December 30, 2016 (the "Notes"). The principal amount of the Notes is convertible at the option of the holder into common shares of the Company at a deemed price of CDN $0.50 per share.

The purchasers of the first tranche of Notes having a principal amount of $500,000 each, were Sentient Global Resources Fund IV, L.P. ("Sentient"), a greater than 10% shareholder of the Company, and Mantaro; therefore the closing of the first tranche of the Private Placement constituted a related party transaction pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101") and TSX Venture Exchange Policy 5.9. The Board of the Company consists of six directors, four of whom are unrelated to Sentient and Mantaro, and are otherwise independent as determined pursuant to Part 7 of MI 61-101. The independent directors approved the participation of Sentient and Mantaro in the Private Placement.

(In United States dollars, except where otherwise stated)

6. Related party transactions (continued)

On November 18, 2015, the Company announced that it had closed the second tranche of its previously announced non-brokered Private Placement of up to $5,000,000 principal amount of convertible notes, consisting of $500,000 principal amount of convertible Notes bearing 12% interest and maturing December 30, 2016. The principal amount of the Notes is convertible at the option of the holder into common shares of the Company at a conversion price of CAD$0.50 per share.

The purchaser of the second tranche of Notes is Mantaro, therefore the closing of the second tranche of the Private Placement constitutes a related party transaction.

In the year ended December 31, 2015, the Company received a total of $1,500,000 (2014 - $Nil) in respect of the private placement and related interest of $69,000 was accrued (2014 - $Nil).

In the year ended December 31, 2015, a total of $154,738 (2014 - $Nil) was accrued in respect of fees and salaries due to Directors and Officers of the Company.

The related party transactions are conducted in the normal course of business operations and were measured at the exchange amount, which is the amount agreed to by the related parties.

7. Income taxes

The statutory corporate tax applicable to the parent company, which is incorporated in the British Virgin Islands, is Nil%. The income tax expense/(recovery) differs from the amount that would result from applying the statutory rate to earnings before tax. The differences result from the following:

	2015	2014
	$	$
Net loss before income tax	**13,580,104**	2,567,864
Income tax (expense)/recovery based on statutory rate	**-**	-
Differences arising from		
Different statutory rates on earning of foreign subsidiaries	**1,847,774**	(1,558,863)
Permanent differences	**1,025,360**	2,806
Change in unrecognized net deductible temporary differences	**(2,870,060)**	1,540,363
Alternative minimum tax expense	**(461)**	(516)
Total income tax recovery (expense)	**2,613**	(16,210)

The current and deferred income taxes recognized in the consolidated financial statements of the Company are derived from Samco Gold S.A. and 5R S.A. that operate in Argentina, and Samco Gold Services (UK) Ltd. that operates in the United Kingdom.

	2015	2014
	$	$
Current income tax recovery (expense)	**461**	516
Deferred income tax recovery (expense)	**(3,074)**	15,694
Total income tax recovery (expense)	**(2,613)**	16,210

(In United States dollars, except where otherwise stated)

7. Income taxes (continued)

The following table summarizes the movement in the deferred tax liability for the year ended December 31, 2015:

	$
Deferred tax liability as at December 31, 2014	18,526
Deferred tax recovery	(3,074)
Deferred tax liability as at December 31, 2015	15,452

The deferred tax liability is entirely related to fixed assets' taxable temporary differences in the United Kingdom.

The company has non-capital losses of $1,477,236 in Argentina for which no deferred tax asset has been recognized. If not utilized, these losses will expire between one and five years from the year the loss arose.

8. Plant and equipment

	Fixtures and fittings	Computer and office equipment	Vehicles	Machinery	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
As at January 1, 2014	121,749	68,070	144,579	51,821	93,180	479,399
Additions	86,407	19,496	-	-	-	105,903
Disposals	(7,695)	(16,593)	(108,127)	-	-	(132,415)
As at December 31, 2014	200,461	70,973	36,452	51,821	93,180	452,887
Additions	-	-	-	-	-	-
Disposals	-	-	(36,452)	-	-	(36,452)
As at December 31, 2015	**200,461**	**70,973**	**-**	**51,821**	**93,180**	**416,435**
Accumulated depreciation						
As at January 1, 2014	(23,665)	(47,215)	(62,734)	(10,573)	(67,690)	(211,877)
Depreciation	(19,232)	(19,371)	(8,954)	(5,182)	(25,490)	(78,229)
Disposals	1,596	13,356	47,387	-	-	62,339
As at December 31, 2014	(41,301)	(53,230)	(24,301)	(15,755)	(93,180)	(227,767)
Depreciation	(20,047)	(9,275)	(5,468)	(5,182)	-	(39,972)
Disposals	-	-	29,769	-	-	29,769
As at December 31, 2015	**(61,348)**	**(62,505)**	**-**	**(20,937)**	**(93,180)**	**(237,970)**
Carrying amount						-
As at January 1, 2014	98,084	20,855	81,845	41,248	25,490	267,522
As at December 31, 2014	159,160	17,743	12,151	36,066	-	225,120
As at December 31, 2015	**139,113**	**8,468**	**-**	**30,884**	**-**	**178,465**

Of the total depreciation for the year ended December 31, 2015, $18,833 (2014 - $50,034) is capitalized to mineral rights and exploration costs as this is directly attributable to the mining operations, and $21,139 (2014 - $28,195) is expensed.

(In United States dollars, except where otherwise stated)

9. Mineral rights and exploration assets

Mineral rights and exploration costs movement

	El Dorado Monserrat	Corina	Other exploration properties	Total
	$	$	$	$
Balance as at December 31, 2013	18,983,566	4,038,230	137,146	23,158,942
Exploration costs incurred				
Field costs	182,078	10,443	14,079	206,600
Surface rights	94,916	755	1,340	97,011
Professional fees	29,447	6,473	-	35,920
Geophysics	5,874	-	-	5,874
Lab costs	18,111	222	438	18,771
Geology	451,455	113,667	93,347	658,469
	781,881	131,560	109,204	1,022,645
Balance as at December 31, 2014	19,765,447	4,169,790	246,350	24,181,587
Exploration costs incurred				
Field costs	75,019	107	124	75,250
Surface rights	92,996	580	992	94,568
Professional fees	8,454	-	-	8,454
Geology	259,730	52,852	98,086	410,668
	436,199	53,539	99,202	588,940
	20,201,646	4,223,329	345,552	24,770,527
Impairment	(9,380,550)	(1,298,467)	-	(10,679,017)
Balance as at December 31, 2015	**10,821,096**	**2,924,862**	**345,552**	**14,091,510**

The Company currently maintains mineral property rights for mainly gold and silver exploration in Argentina's Santa Cruz Province. There is no foreseeable time limit over which the Company can explore the properties.

In accordance with IAS 36, management has performed an assessment for impairment indicators regarding the Company's mineral properties and concluded that a risk of impairment exists. Accordingly, this has resulted in management performing an exercise to value the Corina and EDM properties in order to conclude as the whether or not the carrying values are recoverable. In estimating the fair value, the Company used the Indexed Acquisition Cost method. This methodology indexes the cost of the properties to the changes in natural resource prices from the acquisition date to the valuation date. As the valuation technique requires the use of observable inputs, the historical and current resource prices, but also requires the use of unobservable inputs, as similar properties are not frequently transacted on an active market, it is classified within Level 2 of the fair value hierarchy. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the properties at this stage of operations. Therefore, the Company wrote down the carrying value of Corina to $2,924,862 and that of El Dorado Monserrat to $10,821,096, recognizing an impairment loss of $1,298,468 and $9,380,549 for the respective properties.

(In United States dollars, except where otherwise stated)

9. Mineral rights and exploration assets (continued)

Mineral rights and exploration costs movement (continued)

On May 29, 2014, the Company announced that a binding letter of intent had been signed with Pan American Silver Corp. (“PAS”) to grant PAS the exclusive option to acquire a 60% interest in the El Dorado Monserrat project in Santa Cruz Province, Argentina (“EDM”). As a precondition to PAS exercising its option PAS is to conduct further work, including drilling at EDM equivalent to at least $2,000,000, followed by the preparation of a technical report. Upon exercising the option, PAS is to make a one-time payment to the Company of $5,000,000. On February 9, 2015, the Company announced that the definitive option agreement had been executed.

PAS has not yet commenced any activity pursuant to this agreement as a result of the litigation commenced by 0805346 B.C. Ltd. and Yamana Gold Inc. (see above) in which an interest is claimed in the El Dorado Monserrat property. The Company is assessing its options in respect of any damage it may suffer as a result of this litigation, which the Company views as purely strategic and without merit.

10. Share capital and share options

a) *Share capital*

	Year ended December 31, 2015		Year ended December 31, 2014	
	Shares	**Amount**	Shares	Amount
	$	**$**	$	$
Common shares				
Balance at beginning of the year	**65,076,075**	**45,423,567**	65,076,075	45,423,567
Balance at end of the year	**65,076,075**	**45,423,567**	65,076,075	45,423,567

b) *Share options*

The Company has in place a stock option plan (the “Option Plan”), which, under the policies of the TSX Venture Exchange, requires re-approval at each annual meeting of shareholders of the Company.

The Option Plan is a “rolling” stock option plan, pursuant to which the number of common shares that may be issued upon exercise of options may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time and such aggregate number of common shares automatically increases or decreases as the number of issued and outstanding common shares of the Company changes.

The Option Plan was established to promote the profitability and growth of the Company, facilitating the efforts of the Company to obtain and retain key individuals by encouraging their ownership of the Company’s shares so that they benefit from increases in the value of the Company’s shares. If the Option Plan is not approved by the shareholders at the annual meeting, the Company will not be able to grant any further options under the Option Plan and the Company will have to consider other methods of compensation, such as increased cash compensation.

(In United States dollars, except where otherwise stated)

10. Share capital and share options (continued)

b) Share options (continued)

The following tables summarize information about share options outstanding as at December 31, 2015:

Number outstanding	Number vested and exercisable	Exercise price	Expiry date	Weighted average remaining contractual life
		(CDN $)		(years)
2,900,000	2,900,000	1.10	July 6, 2016	0.52
500,000	500,000	1.10	March 27, 2017	1.24
100,000	100,000	0.35	October 4, 2017	1.76
200,000	200,000	0.17	June 3, 2019	3.42
245,000	-	0.22	July 13, 2019	3.53
3,945,000	3,700,000			0.97

	Number	Weighted average exercise price
		(CDN $)
Balance as at December 31, 2013	5,750,000	1.07
Granted (i)	525,000	0.20
Balance as at December 31, 2014	6,275,000	1.00
Cancelled (ii)	(2,330,000)	1.04
Balance as at December 31, 2015	**3,945,000**	**0.98**

(i) On June 3, 2014, 200,000 share options were granted at CDN $0.17. These options will vest if the individual is still employed eighteen months from the grant date.

On July 13, 2014, 325,000 share options were granted at CDN $0.22. These options will vest if the employees are still employed eighteen months from the grant date.

(ii) On June 4, 2015, 400,000 share options with an exercise price of CDN $1.10 were cancelled.

1,750,000 of the total share options granted on July 6, 2011 with an exercise price of CDN $1.10 were cancelled during the three month period ended September 30, 2015.

100,000 of the total share options granted on October 4, 2012 with an exercise price of CDN $0.35 were cancelled during the three month period ended September 30, 2015.

80,000 of the total share options granted on July 13, 2014 with an exercise price of CDN $0.22 were cancelled during the three month period ended September 30, 2015.

(In United States dollars, except where otherwise stated)

10. Share capital and share options (continued)

b) Share options (continued)

The following table summarizes the range of inputs used by the Company in calculating the share-based payment expense using the Black-Scholes option-pricing model:

	October 4, 2012	June 3, 2014	July 13, 2014
Expected dividend yield	-	-	-
Expected volatility	96%	95%	96%
Risk free rate	1.33%	1.61%	1.39%
Expected life (years)	5	5	4
Fair value per option (CDN $)	0.14	0.10	0.15

c) Share-based payment reserve

During the year ended December 31, 2015, the Company expensed $35,379 (2014 - $26,063) in relation to the fair value of these options.

d) Loss per share

The calculation of basic and diluted loss per share is based on the net loss of $13,577,491 for the year ended December 31, 2015 (2014 - $2,584,074) and on the total weighted average number of common shares of 65,076,075 outstanding during the year ended December 31, 2015 and 2014.

Effect on diluted earnings per share

The share options have an anti-dilutive effect on the diluted loss per share disclosed in the consolidated statement of loss and comprehensive loss as at December 31, 2015, and therefore were not included in the diluted earnings per share calculation for the period.

11. Operating commitments

Commitments were as follows:

	2015	2014
	$	$
In respect of		
Surface rights	**110,000**	43,000

There are two separate contracts for surface rights covering the EL Dorado and Monserrat properties. The costs are spread evenly over the terms of the contracts.

12. Operating lease commitments

The Company leases offices in the UK. The term of the office lease in the UK is for four years and five months and expires on May 5, 2018. An office lease in Argentina was terminated during the year ended December 31, 2015.

(In United States dollars, except where otherwise stated)

12. Operating lease commitments (continued)

The future minimum lease payments of the operating leases are as follows:

	2015	2014
	$	$
No later than 1 year	**116,373**	158,113
Later than 1 year and no later than 5 years	**156,546**	343,379
Later than 5 years	**-**	-
	272,919	501,492

13. Financial instruments and risk management

a) *Capital risk management*

The Company's objectives in managing its capital are to ensure the Company's ability to continue as a going concern, to meet its capital expenditures for its continued exploration programs in Argentina, and to maintain a flexible capital structure of equity and debt financing to optimize the costs of capital with minimal risks. The Company considers the items included in shareholders' equity to be capital. The Board of Directors monitors the Company's capital position on a regular basis.

The Company is sensitive to both changes in foreign exchange rates and commodity prices.

b) *Liquidity risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The company manages liquidity risk through the management of its capital structure.

The following table has been prepared based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Company could be required to pay. The Company continues to pursue future financing options and has completed the Private Placement for $5,000,000 as disclosed in Note 6.

					As at December 31, 2015
	< 1 month	**1-3 months**	**3 months to 1 year**	**> 1 year**	**Total**
	$	**$**	**$**	**$**	**$**
Due to related parties	**-**	**171,308**	**2,246,200**	**-**	**2,417,508**
Accounts payable and accrued liabilities	**-**	**451,097**	**-**	**75,169**	**526,266**
	-	**622,405**	**2,246,200**	**75,169**	**2,943,774**

					As at December 31, 2014
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	-	440,838	-	-	440,838

13. Financial instruments and risk management (continued)

c) Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies, and consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by maintaining low levels of foreign currencies and related obligations that are perceived to be volatile. The carrying amount of the Company's foreign currency denominated assets and monetary liabilities at the end of the reporting period, in United States dollars is:

	As at December 31, 2015		As at December 31, 2014	
	Assets	**Liabilities**	Assets	Liabilities
	$	**$**	$	$
Argentine pesos	**70,938**	**334,094**	58,056	291,832
United Kingdom sterling	**31,320**	**25,318**	253,831	35,033
Canadian dollars	**9,626**	**31,709**	120,876	132,499
	111,884	**391,121**	432,763	459,364

Based on the December 31, 2015, balances and applying a movement in the exchange rate of 5%, had the United States dollar strengthened (weakened) against the Argentine peso, the Company's equity would have been $13,158 higher (lower). Had the United States dollar strengthened (weakened) against the United Kingdom sterling, the Company's equity would have been $300 lower (higher). Had the United States dollar strengthened (weakened) against the Canadian dollar, the Company's equity would have been $1,104 higher (lower). The Company's cash is predominantly held in United States dollars other than as needed in the ordinary course of business.

d) Title risk

Title to mineral properties and exploration rights involves certain inherent risks due to the potential for problems arising from the ambiguous conveyance history characteristic of many mining properties and from political risk associated with the countries in which the Company carries out its exploration activities. The Company has taken all reasonable steps to ensure it has proper title to its properties. However, no guarantees can be provided that there are no unregistered agreements, claims or defects, which may result in the Company's title to its properties being challenged. Furthermore, the Company requires a number of different permits and licenses in order to carry on its business and there can be no assurance that they will be renewed upon expiry.

e) Credit risk management

The Company's main credit risk arises from its cash deposit with banks, of which there is $374,026 deposited as at December 31, 2015 (2014 - $1,048,065). The Company limits its counterparty credit risk on its deposits by dealing only with financial institutions with high credit ratings.

f) Price risk

Mineral prices, in particular gold and silver, are volatile, and have fluctuated sharply in recent years. The prices are subject to market supply and demand, political and economic factors, and commodity speculation, all of which can interact with one another to cause significant price movement from day to day. These price movements can affect the Company's ability to operate and to raise financing through the sale of its common shares.

(In United States dollars, except where otherwise stated)

13. Financial instruments and risk management (continued)

g) Fair value hierarchy

The Company applies a three-tier hierarchy to classify the determination of fair value measurements for disclosure purposes. Inputs refer broadly to the data and assumptions that market participants would use in pricing the investment. Observable inputs are inputs that are based on market data from independent sources. Unobservable inputs are inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing an investment based on the best information available in the circumstances. The three-tier hierarchy of inputs is as follows:

Level 1 - quoted prices in active markets for identical investments.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (as prices) or indirectly (derived from prices).

Level 3 - inputs for the investment that are not based on observable market data (unobservable inputs).

The Company currently has cash at Level 1.

Categories of financial instruments:

Carrying amount	Classification	**As at December 31, 2015**	As at December 31, 2014
		$	$
Financial assets			
Cash and cash equivalents	loans and receivables	**374,026**	1,048,065
Receivables	loans and receivables	**1,445,131**	1,453,373
Financial liabilities			
Accounts payable and accrued liabilities	other liabilities	**451,097**	440,838
Due to related parties - current	other liabilities	**2,417,508**	-

Cash in the statement of financial position comprises cash at banks and on hand. As at December 31, 2015, and December 31, 2014, there are no cash equivalents. The carrying value of cash and receivables approximates their fair values. The accounts payable and accrued liabilities have remaining terms of less than one year and the amounts due to related parties have remaining terms of both less than and more than one year. The carrying values of the other liabilities both current and non-current approximate their fair values.