

Management's Discussion and Analysis for the year ended December 31, 2015

## **Samco Gold Limited**

Prepared as at April 28, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Introduction

The following Management's Discussion and Analysis ("MD&A") is prepared as at April 28, 2016, and is intended to assist the reader to assess material changes in the financial condition and results of operations of Samco Gold Limited (the "Company" or "Samco Gold") as at, and for the years ended December 31, 2015 and 2014.

This MD&A should be read in conjunction with the audited consolidated financial statements of the Company including the supporting notes thereto for the years ended December 31, 2015 and 2014. The Company's audited consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in United States dollars, unless otherwise identified.

### Caution Regarding Forward Looking Statements

This MD&A contains statements which may be considered forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change except as required by applicable securities laws. Factors that could cause actual results to vary materially from results anticipated by such forward looking statements include changes in market conditions, fluctuations in the currency markets (including Canadian and United States dollars, United Kingdom pound sterling and the Argentinean peso), changes in national and local governments, legislation, taxation, controls, regulations, and political or economic developments in Canada, the United Kingdom and Argentina or other countries in which the Company may carry on business in the future; risks pertaining to the participation agreement (as described below) including the monetary value of the court awarded rights as determined by the arbitrator in the arbitrator's decision, the ability to enforce the arbitrator's decision, the availability of additional revenue streams, the ability of the Company to exercise its buy-out option under the participation agreement; risks pertaining to the Pan American Silver Corp. ("PAS") agreement (as described below) including certain preconditions to PAS exercising its option not being met; operating or technical difficulties in connection with exploration activities; risks and hazards associated with the business of mineral exploration and development (including environmental hazards or industrial accidents); risks relating to the credit worthiness or financial condition of suppliers and other parties with whom the Company does business; inadequate insurance or inability to obtain insurance to cover these risks and hazards and the presence of laws and regulations that may impose restrictions on mining, including those currently enacted in Argentina; employee relations; relationships with and claims by local communities and indigenous populations; availability and increasing costs associated with operational inputs and labour; the speculative nature of mineral exploration, including the risks of obtaining necessary licenses, permits and approvals from government authorities; business opportunities that may be presented to, or pursued by the Company; the Company's ability to successfully integrate acquisitions; challenges to, or difficulty in maintaining, the Company's title to properties; and the risk factors discussed or referred to in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Investors are cautioned against attributing undue certainty to forward-looking statements.

## **Company Overview**

The Company is a mineral exploration company that acquires, explores and develops mineral properties in South America. The Company owns approximately 55,000 hectares of mineral exploration concessions comprising ten projects, all of which are located on the Deseado Massif in the Province of Santa Cruz, Argentina.

The Company's principal project comprises the El Dorado, Monserrat and adjacent Judite property which together cover approximately 8,000 hectares. This project (hereinafter referred to as "El Dorado Monserrat") is situated contiguous to the western boundary of the license area of the Cerro Vanguardia gold-silver mine operated by AngloGold Ashanti Limited and is subject to the Pan American Silver Corp. agreement (as described below).

The Company owns further concessions strategically distributed throughout the Deseado Massif proximal to major gold-silver mines and advanced projects and is situated on the northern boundary of the Cerro Moro project owned by Yamana Gold Inc.

All of the Company's properties are at an early stage of exploration. Subject to market conditions, the Company proposes to continue exploration work in an effort to define potential mineral resources at El Dorado Monserrat and Corina and to further evaluate each of its other properties.

## **Overview**

Significant milestones achieved during the year ended December 31, 2015, and as at the date of this report, include the following:

- On January 2, 2015, the Company announced a \$244,512,225.60 Argentinean Court award against a subsidiary of Yamana Gold Inc.
- On February 9, 2015, the Company announced that the definitive option agreement with Pan American Silver on the El Dorado Monserrat project in Argentina was signed.
- On February 10, 2015, the Company announced that it had received notice of a civil claim by 0805346 B.C. Ltd. and Yamana Gold Inc. and on March 31, 2015, the Company announced that it had filed its response to this notice of civil claim.
- On March 4, 2015, the Company announced that the quantum of the Argentinean Court award of \$244,512,225.60 against a subsidiary of Yamana Gold Inc. was annulled, and on March 30, 2015, the Company announced that the Argentinean lower court granted the right to appeal the annulment of the quantum of damages award calculation to the Argentinean Commercial Court of Appeal; this appeal was rejected on November 13, 2015, and a new expert arbitrator will be appointed to determine the quantum of the damages award.
- On June 30, 2015, the Company announced that it closed the first tranche of \$1,000,000 of its non-brokered private placement of up to \$5,000,000 principal amount convertible notes.
- On November 18, 2015, the Company announced that it closed the second tranche of \$500,000 of its non-brokered private placement of up to \$5,000,000 principal amount convertible notes.
- On December 16, 2015, the Company announced that the Company terminated the previously announced share purchase agreement with Mantaro Resources Limited for the acquisition of the Dino polymetallic property in Peru.

These milestones are reviewed in greater detail below.

## Selected Financial Information

The following table sets out selected financial information for the Company and should be read in conjunction with the Company's audited consolidated financial statements as at, and for the years ended, December 31, 2015 and 2014:

	<b>As at December 31, 2015 (\$)</b>	<b>As at December 31, 2014 (\$)</b>
<b>Assets</b>		
Current assets	1,970,807	2,598,499
Total assets	16,980,229	28,022,479
<b>Liabilities</b>		
Current liabilities	2,868,605	440,838
Total liabilities	2,959,226	459,364
<b>Working capital</b>	(897,798)	2,157,661
<b>Shareholders' equity</b>		
Issued capital	45,423,567	45,423,567
Warrants and share-based payment reserve	5,905,701	5,870,322
Deficit	(37,308,265)	(23,730,774)
Shareholders' equity	14,021,003	27,563,115

	<b>For the year ended December 31, 2015 (\$)</b>	<b>For the year ended December 31, 2014 (\$)</b>
Total loss and comprehensive loss	(13,577,491)	(2,584,074)
Per common share, basic	(0.21)	(0.04)
Per common share, diluted	(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

	<b>For the three months ended December 31, 2015 (\$)</b>	<b>For the three months ended December 31, 2014 (\$)</b>
Total loss and comprehensive loss	(11,462,306)	(689,833)
Per common share, basic	(0.18)	(0.01)
Per common share, diluted	(0.18)	(0.01)
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

## Results of Operations

The following table sets out selected financial information for the Company for the three and twelve months ended December 31, 2015 and 2014, and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014, and related notes.

	For the three months ended December 31,		For the year ended December 31,	
	2015 (\$)	2014 (\$)	2015 (\$)	2014 (\$)
Revenues	-	30	5	1,185
Expenses				
Administrative expenses	(599,989)	(719,973)	(2,815,020)	(2,556,675)
Finance and interest charge	(40,230)	(2,882)	(80,212)	(11,751)
Foreign exchange gain/(loss)	(135,402)	42,663	29,519	25,440
Share-based payment expense	(8,060)	(10,163)	(35,379)	(26,063)
Impairment charge	(10,679,017)	-	(10,679,017)	-
Current tax expense	(364)	(329)	(461)	(516)
Deferred tax recovery/(expense)	758	821	3,074	(15,694)
Total loss for the period	(11,462,304)	(689,833)	(13,577,491)	(2,584,074)

### Results of operations for the three months ended December 31, 2015

The total loss for the three months ended December 31, 2015, was \$11,462,304 (\$0.18 per share) compared to \$689,833 (\$0.01 per share) for the three months ended December 31, 2014. The increase in total loss of \$10,772,471 for the three months ended December 31, 2015, compared to the comparable period in 2014, is principally attributable to the impairment charge of \$10,679,017 as well as a combination of movements in expenses as detailed below:

- Administrative expenses were \$599,989 for the three months ended December 31, 2015, compared to \$719,973 for the comparable period in 2014. The decrease of \$119,984 is principally due to a reduction in management and professional fees as detailed in the quarterly comparison of administrative expenses set out below.
- Finance and interest charges were \$40,230 for the three months ended December 31, 2015, compared to \$2,882 for the comparable period in 2014. The increase of \$37,348 is as a result of interest accrued on financing by way of a Private Placement as set out below.
- The foreign exchange loss was \$135,402 for the three months ended December 31, 2015, compared to a foreign exchange gain of \$42,663 for the comparable period in 2014. The Company incurs expenses in multiple currencies including Canadian and United States dollars, United Kingdom pound sterling and Argentinean pesos and is subject to fluctuations in the exchange rates of these currencies resulting in foreign exchange gains or losses.
- Share-based payment expense was \$8,060 for the three months ended December 31, 2015, compared to \$10,163 for the comparable period in 2014. Share-based payment expense is a non-cash expense and represents the estimated fair value of stock options vested during the period. Fair value is determined by using the Black-Scholes option-pricing model. Share-based payment expense varies period to period based on a number of factors, including the number of stock options granted, the value of stock options granted, vesting provisions, and the amortization schedule of previously granted options. No new options were granted during the current period and 2,330,000 share options were cancelled during the period, however, the majority of previously granted share options had already vested and therefore the expense recognised in prior periods, which has led to the low expense for both periods.
- Income tax expense was \$364 for the three months ended December 31, 2015, compared to a tax expense of \$329 for the comparable period in 2014. The Company is no longer subject to a certain tax within Argentina as a result of one of the Company's subsidiaries obtaining its registration with the Mining Secretary in Argentina, which has resulted in a decrease in the tax amount for both financial periods.

## Results of operations for the year ended December 31, 2015

The total loss for the year ended December 31, 2015, was \$13,577,491 (\$0.21 per share) compared to \$2,584,074 (\$0.04 per share) for the year ended December 31, 2014. The increase in total loss of \$10,993,417 for the year ended December 31, 2015, compared to the comparable period in 2014, is principally attributable to the impairment charge of \$10,679,017 as well as a combination of movements in expenses as detailed below:

- Administrative expenses were \$2,815,020 for the year ended December 31, 2015, compared to \$2,556,675 for the comparable period in 2014. The increase of \$258,345 is detailed in the quarterly comparison of administrative expenses set out below and is principally as a result of an increase in professional fees partially offset by a decrease in administration and travel and subsistence costs.
- Finance and interest charge was \$80,212 for the year ended December 31, 2015, compared to \$11,751 for the comparable period in 2014. The increase of \$68,461 is as a result of interest accrued on financing by way of a Private Placement as set out below.
- The foreign exchange gain was \$29,519 for the year ended December 31, 2015, compared to \$25,440 for the comparable period in 2014. The Company incurs expenses in multiple currencies including Canadian and United States dollars, United Kingdom pound sterling and Argentinean pesos and is subject to fluctuations in the exchange rates of these currencies resulting in foreign exchange gains or losses.
- Share-based payment expense was \$35,379 for the year ended December 31, 2015, compared to \$26,063 for the comparable period in 2014. Share-based payment expense is a non-cash expense and represents the estimated fair value of stock options vested during the period. Fair value is determined by using the Black-Scholes option-pricing model. Share-based payment expense varies period to period based on a number of factors, including the number of stock options granted, the value of stock options granted, vesting provisions, and the amortization schedule of previously granted options. No new options were granted during the year and 2,330,000 share options were cancelled during the year, however, the majority of previously granted share options had already vested and therefore the expense recognised in prior years, which has led to the low expense for both years.
- Income tax expense was \$461 for the year ended December 31, 2015, compared to \$516 for the comparable period in 2014. The Company is no longer subject to a certain tax within Argentina as a result of one of the Company's subsidiaries obtaining its registration with the Mining Secretary in Argentina, which has resulted in a decrease in the tax amount for both financial periods.

## Summary of Quarterly Results

The following table provides a comparison of the consolidated statement of loss for each of the eight quarters ended:

	<b>December 31, 2015 (\$)</b>	<b>September 30, 2015 (\$)</b>	<b>June 30, 2015 (\$)</b>	<b>March 31, 2015 (\$)</b>
Revenues	-	-	1	4
Expenses				
Administrative expenses	(599,989)	(548,961)	(902,540)	(763,530)
Finance and interest charge	(40,230)	(34,274)	(2,912)	(2,796)
Foreign exchange gain/(loss)	(135,402)	94,375	(4,519)	75,065
Share-based payment expense	(8,060)	(8,760)	(9,220)	(9,339)
Impairment charge	(10,679,017)	-	-	-
Income tax	(364)	(53)	(41)	(3)
Deferred tax	758	758	757	801
Total loss for the period	(11,462,304)	(496,915)	(918,474)	(699,798)

	<b>December 31, 2014 (\$)</b>	<b>September 30, 2014 (\$)</b>	<b>June 30, 2014 (\$)</b>	<b>March 31, 2014 (\$)</b>
Revenues	30	56	553	546
Expenses				
Administrative expenses	(719,973)	(514,488)	(575,231)	(746,983)
Finance and interest charge	(2,882)	(3,286)	(2,478)	(3,105)
Foreign exchange gain/(loss)	42,663	22,288	9,015	(48,526)
Share-based payment expense	(10,163)	(9,497)	(1,463)	(4,940)
Impairment charge	-	-	-	-
Income tax	(329)	(25)	30	(192)
Deferred tax	821	599	214	(17,328)
Total loss for the period	(689,833)	(504,353)	(569,360)	(820,528)

The following table provides a comparison of administrative expenses for each of the eight quarters ended:

	<b>December 31, 2015 (\$)</b>	<b>September 30, 2015 (\$)</b>	<b>June 30, 2015 (\$)</b>	<b>March 31, 2015 (\$)</b>
Administration costs	(35,757)	(93,028)	(55,565)	(80,408)
Travel and subsistence	(31,407)	(37,963)	(18,287)	(62,972)
Application fees	(15,460)	(11,794)	(15,235)	(3,895)
Management and professional fees	(278,735)	(177,197)	(586,725)	(403,781)
Salary	(233,504)	(223,814)	(221,563)	(206,790)
Depreciation	(5,126)	(5,165)	(5,165)	(5,683)
Total administrative expenses	(599,989)	(548,961)	(902,540)	(763,529)

	<b>December 31, 2014 (\$)</b>	<b>September 30, 2014 (\$)</b>	<b>June 30, 2014 (\$)</b>	<b>March 31, 2014 (\$)</b>
Administration costs	(80,438)	(59,726)	(52,176)	(138,075)
Travel and subsistence	(51,987)	(66,293)	(56,947)	(69,420)
Application fees	(4,302)	(5,985)	(7,395)	(11,658)
Management and professional fees	(367,012)	(161,900)	(225,294)	(309,328)
Salary	(210,153)	(213,734)	(225,432)	(211,225)
Depreciation	(6,081)	(6,850)	(7,987)	(7,277)
Total administrative expenses	(719,973)	(514,488)	(575,231)	(746,983)

## Company Developments

During the year ended December 31, 2015, and as of the date of this MD&A, the Company continued its advance towards a number of important Company milestones detailed in the corporate and operational development sections below.

### Corporate Developments

#### *Participation and Option Agreement*

On January 10, 2014, the Company announced that it had entered into a participation and option agreement (the "Participation Agreement") with Mr. R. Auriemma (the "Grantor"), a Director of the Company, under which the Company may 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 the Grantor and Northern Orion Resources Inc. (since acquired by Yamana Gold Inc. and renamed 0805346 B.C. Ltd.) ("Northern Orion").

Highlights of the Participation Agreement and announcement are as follows:

- The Participation Agreement grants the Company the exclusive right to participate in the proceeds arising out of the regional alliance agreement entered into between the Grantor and Northern Orion;
- Funds from the Participation Agreement will allow the Company to fund further development of its properties in Argentina;
- The matter between the Grantor and Northern Orion was determined by the Argentinean Commercial Court of Appeals on May 22, 2013. An extraordinary proceeding filed by Northern Orion seeking referral to the Argentinean Supreme Court of Justice on June 12, 2013, was rejected by the Commercial Court of Appeals on December 11, 2013;
- Pursuant to the Argentinean Commercial Court of Appeals' judgment, the Grantor's damages award is to be calculated based on 15% of the proceeds received by and accruing to Northern Orion from its interest in the Bajo de la Alumbrera mine ("Alumbrera") subject to certain adjustments and estimates;
- The quantum of award is to be determined by a court appointed expert arbitrator commencing from the date of Northern Orion's acquisition of its interest in Alumbrera until the anticipated end of the mine's life;
- The Company's share of the award is based on a sliding scale of the sum determined by the arbitrator; and
- The Participation Agreement was approved by a special committee of the Company's Board and was conditional upon a number of items, including the approval of independent shareholders holding over 50% of the issued shares of the Company.

On February 11, 2014, the Company announced that it had received all required approvals contemplated under the previously announced Participation Agreement, being shareholder and TSX Venture Exchange approvals and an order of Ontario Securities Commission (the "OSC").

Highlights from this announcement are as follows:

- The Company had applied to the OSC for an order exempting it from the requirements of Part 5.3(2) of Multilateral Instrument 61-101 ("MI 61-101"), and, in lieu of such requirements, allowing it to obtain the necessary disinterested minority approval for the Participation Agreement by written consent of its shareholders. The order was issued by the OSC on January 31, 2014. The Company reported that it had obtained written consents for the Participation Agreement from shareholders holding approximately 68.4% of the common shares of the Company held by parties eligible to vote for approval of the Participation Agreement under Part 8 of MI 61-101.
- With all necessary approvals having been obtained, and with the Company's Board's endorsement, the Company proceeded with closing the transaction on February 14, 2014, by payment to the Grantor of the \$1,400,000 option payment under the Participation Agreement in order to acquire, among other rights, the right to participate, on a sliding scale basis, in any benefits arising from future enforcement of the Argentinean court of appeals judgment against Northern Orion.



The Grantor has the right to terminate the Participation Agreement commencing on the 365<sup>th</sup> day following the Argentinean court appointed expert arbitrator's assessment of the monetary value of court awarded damages or, if later, the date on which any available appeal therefrom is exhausted. In the event that the Grantor terminates the Participation Agreement, the Grantor must return the original payment of \$1,400,000 to the Company. The Company may terminate the Participation Agreement at any time.

The Company understands that on June 13, 2013, Northern Orion filed an extraordinary proceeding with the Argentinean Commercial Court of Appeals seeking that the Supreme Court of Justice of Argentina review the Court of Appeals' decision on the grounds of "arbitrariness of judgment". This extraordinary proceeding was rejected by the Court of Appeals. On February 3, 2014, Northern Orion made an extraordinary motion of complaint to the Supreme Court of Justice in Argentina requesting that it accept the extraordinary proceeding that had been rejected by the Court of Appeals. This extraordinary motion of complaint was unanimously denied by the Supreme Court of Justice on October 28, 2014. On October 29, 2014, the Company announced that with this rejection all possible appeals of the Court of Appeals' decision were exhausted by Northern Orion and that the proceeding to quantify the damages award by a court appointed expert arbitrator was on-going.

On January 2, 2015, the Company announced that the Argentinean court appointed expert arbitrator quantified the damages award at \$244,512,225.60 and provided further information on this damages award on January 8, 2015, including filing of the full report of the court appointed expert arbitrator that quantified the damages award. On March 4, 2015, the Company announced that an Argentinean lower court annulled the expert arbitrator's calculation of the damages award. Further, the Company reiterated that the Argentinean Commercial Court of Appeals' judgment of May 22, 2013, for breach of contract against Northern Orion and the subsequent rejection by the Supreme Court of a request to appeal meant that the judgment is final and binding and that the only outstanding issue to be determined is the quantification of the damages payable pursuant to the judgment. On March 30, 2015, the Company announced that the Argentinean lower court granted the right to appeal the annulment of the damages award calculation to the Argentinean Commercial Court of Appeals; this appeal was rejected on November 13, 2015, and the appointment of a new expert arbitrator to determine the quantum of the damages award is in process.

On February 10, 2015, the Company announced that it has been served with a notice of civil claim, in the Supreme Court of British Columbia, by plaintiffs 0805346 B.C. Ltd. (formerly Northern Orion, and a subsidiary of Yamana Gold Inc.) and Yamana Gold Inc., claiming damages for alleged lost 'opportunity' rights of 0805346 B.C. Ltd., as successor to Northern Orion, and other unspecified damages from, among other things, alleged conspiracy by R. Auriemma and others associated with R. Auriemma and the Company. The Company will vigorously defend itself against this claim. The Company believes the allegations are without merit and believes they represent a tactical response by the plaintiffs to the Argentinean litigation in which R. Auriemma successfully obtained a judgment of the Commercial Court of Appeals against 0805346 B.C. Ltd. for breach of contract; and in which the Company has an interest in the damages arising from that judgment. On March 31, 2015, the Company announced that it had filed its response to the notice of civil claim.

The Participation Agreement as well as translations of the Argentinean Commercial Court of Appeals' judgment, other related court decisions and the expert arbitrator's award calculation report have been made public by the Company on SEDAR.

#### *Pan American Silver*

On May 29, 2014, the Company announced that a binding letter of intent was signed with Pan American Silver Corp. ("PAS") to grant PAS the exclusive option (the "Option") to acquire a 60% interest in the El Dorado Monserrat project in the Province of Santa Cruz, Argentina. The parties intend to participate in the exploration and development of El Dorado Monserrat leading to the commencement of mining activities at the project.

As preconditions to PAS exercising its Option, PAS is to conduct further work, including drilling at El Dorado Monserrat 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. Funding for the development of the project may be provided by PAS up to certain limits and pursuant to certain lending criteria which could have the effect of reducing the Company's interest in the project to 30%. The intention is for the formation of a jointly owned company (the "Operating Company") through which to commence mining operations at El Dorado Monserrat.

Additional dilution may occur after commercial production commences if a party does not provide its share of on-going costs. If either party is diluted to less than a 10% interest in the Operating Company that party's interest will automatically convert to a 2% NSR. PAS will have day-to-day management control of the Operating Company.

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 damages it may suffer as a result of this litigation, which the Company views as purely strategic and without merit.

#### *Dino Polymetallic Property in Peru*

On December 12, 2014, the Company announced that it had entered into a share purchase agreement (the "SPA") with Mantaro Resources Limited ("Mantaro"), a company in which Mr. C. Koppel, the Company's Chairman and Chief Executive Officer, has a majority interest, 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 "Dino Property"). Subject to meeting certain conditions the acquisition was expected to close within 120 days. Following several extensions, the Company announced on December 16, 2015, that the SPA had been terminated by mutual consent in accordance with its terms. Notwithstanding the termination of the SPA, the Company agreed to pay certain amounts owing to Mantaro accrued during the term of the SPA, which amounts are evidenced by a promissory note in favour of Mantaro payable upon receipt of funds by the Company in certain circumstances.

As a condition precedent to closing of the SPA, the Company was required to secure funding of not less than US\$5,000,000. Given the current economic climate, as well as the strategic litigation commenced by 0805346 B.C. Ltd. and Yamana Gold Inc. against the Company (see above), the Company was unable to secure the required funding pursuant to the SPA leading to its termination.

#### *Private Placement of Convertible Notes*

On June 30, 2015, the Company announced that it has 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. Immediately prior to the conversion of the principal amount (in whole or in part), the amount will be deemed to first be converted to Canadian dollars at the Bank of Canada noon rate between Canadian dollars and United States dollars (the "Noon Rate") on June 26, 2015, being \$1 = CDN\$1.2359. Interest outstanding on the converted amount may, at the holder's election, but subject to the approval of the TSX Venture Exchange (the "TSXV"), be settled by the issue of common shares of the Company at the market price of such shares at the time of settlement, being the most recent price of the common shares on the TSXV prior to the conversion, which will be converted into United States dollars based on the applicable Noon Rate on the first business day preceding the relevant conversion.

The closing is the first tranche of the Private Placement which may include one or more additional closings for the issuance of additional Notes in the aggregate principal amount of up to \$4,000,000.

The proceeds of the Private Placement are expected to finance the Company's day-to-day operations and maintain a positive cash balance for the Company.

Should the Company receive any payment or other source of funding whether pursuant to operations, financings or pursuant to the terms of the participation and option agreement dated January 10, 2014, between the Company and Mr. R. Auriemma, and provided such funds amount to at least two times the then outstanding principal and interest on the Notes, such funds will be used to immediately repay any then outstanding principal amount under the Notes plus an additional amount equal to the interest payment which would have been payable had such prepaid amount remained outstanding until the maturity date of the Notes.

The Notes, and any shares issued upon conversion of the Notes, were subject to a statutory hold period which expired on October 31, 2015.

The purchasers of the first tranche of Notes, which have a principal amount of \$500,000 each, are Sentient Global Resources Fund IV, L.P. (“Sentient”), a greater than 10% shareholder of the Company, and Mantaro Resources Limited (“Mantaro”), a company in which the Company’s Chairman and Chief Executive Officer, Mr. C. Koppel, and a greater than 10% shareholder of the Company, has a majority interest; therefore the closing of the first tranche of the Private Placement constitutes 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. The principal amount from Mantaro was received on June 30, 2015, and the principal amount from Sentient was received on July 1, 2015.

In consideration of the size of the first tranche of the Private Placement, the Company relied upon the “fair market value not more than 25% of market capitalization” exemptions from the requirements to obtain a formal valuation and minority shareholder approval in Sections 5.5(a) and 5.7(a) of MI 61-101, respectively. On July 21, 2015, the Company has also filed a material change report on SEDAR ([www.sedar.com](http://www.sedar.com)) regarding the Private Placement. The material change report was filed less than 21 days prior to the closing of the Private Placement due to the Company’s immediate need for financing.

On November 18, 2015, the Company announced that it has 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 CDN\$0.50 per share. Immediately prior to any conversion of the principal amount (in whole or in part), the amount will be first be converted into Canadian dollars at the Noon Rate of exchange for United States dollars as presented by the Bank of Canada on November 16, 2015, being \$1 = CDN\$1.3353. Subject to the approval of the TSXV, interest outstanding on the converted amount may, at the holder’s election, be settled by the issue of common shares at the market price of such common shares at the time of settlement, being the most recent price of the common shares on the TSXV prior to the conversion, which will be converted into United States dollars based on the applicable Noon Rate on the business day immediately preceding the date of the relevant conversion.

The Private Placement may include one or more additional closings for the issuance of additional notes in the aggregate principal amount of up to \$3.5 million.

The proceeds of the Private Placement are expected to finance the Company’s day-to-day operations and maintain a positive cash balance for the Company.

Should the Company receive any payment or other source of funding whether pursuant to operations, financings or pursuant to the terms of the participation and option agreement dated January 10, 2014 between the Company and Mr. R. Auriemma, and provided such funds amount to at least two times the then outstanding principal and interest on the Notes, such funds will be used to immediately repay any then outstanding principal amount under the Notes plus an additional amount equal to the interest payment which would have been payable had such prepaid amount remained outstanding until the maturity date of the Notes.

The Notes, and any common shares issued upon conversion of the Notes, are subject to a statutory hold period expiring March 17, 2016.

The purchaser of the second tranche of Notes is Mantaro Resources Limited (“Mantaro”), a company in which Mr. C. Koppel, the Company’s Chairman and Chief Executive Officer, and a greater than 10% shareholder of the Company, has a majority interest; therefore the closing of the second tranche of the Private Placement constitutes 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, five of whom are unrelated to Mantaro, and are otherwise independent as determined pursuant to Part 7

of MI 61-101. The independent directors approved the participation of Mantaro in the second tranche of the Private Placement.

The Company is relying upon the “fair market value not more than 25% of market capitalization” exemptions from the requirements to obtain a formal valuation and minority shareholder approval in Sections 5.5(a) and 5.7(a) of MI 61-101, respectively. The Company has also filed a material change report on SEDAR ([www.sedar.com](http://www.sedar.com)) regarding the second tranche of the Private Placement. The material change report will be filed less than 21 days prior to the closing of the second tranche of the Private Placement due to the Company’s immediate need for financing.

### **Operational Developments**

The Company has undertaken an impairment review of its mineral rights and exploration assets and 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 to 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.

Consequently the mineral rights and exploration assets amounted to \$14,091,510 as at December 31, 2015, compared to \$24,181,587 as at December 31, 2014 with the decrease attributable to the impairment charge of \$10,679,017. For the year ended December 31, 2015, the Company incurred \$588,940 (2014: \$1,022,645) in exploration costs in continuing the Company’s exploration program, including geophysical and geochemical analyses and regional work. These costs are capitalized to mineral rights and exploration assets in line with the Company’s accounting policy.

The Company has continued to develop its property portfolio during the period, with key areas of focus being on the El Dorado Monserrat project, the Corina project, and the development portfolio (other exploration properties) as set out below:

	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

## Liquidity and Risk Factors

### Liquidity

Negative working capital as at December 31, 2015, was \$(897,798), compared to working capital of \$2,157,661 as at December 31, 2014. The decrease of \$3,055,459 is largely attributable to an increase in current liabilities of \$2,427,767, which includes an increase in due to related parties of \$2,417,508, and a decrease in cash of \$674,039.

Cash and cash equivalents were \$374,026 as at December 31, 2015, compared to \$1,048,065 as at December 31, 2014. Current liabilities were \$2,868,605 as at December 31, 2015, compared to \$440,838 as at December 31, 2014.

The Company incurred \$161,133 in operating activities for the year ended December 31, 2015, compared to \$2,273,385 for the comparable period in 2014. The Company incurred \$542,425 in investing activities for the year ended December 31, 2015, compared to \$2,477,329 for the comparable period in 2014. The expenditure incurred in investing activities during 2014 relates to the option payment of \$1,400,000 described above in corporate developments and investment in mineral property rights. The Company incurred \$570,107 in exploration and evaluation cash expenses for the year ended December 31, 2015, compared to \$972,611 for the comparable period in 2014.

For the year ended December 31, 2015, the Company financed its operations through funds raised through the closing of its IPO in 2011 for gross proceeds of CDN\$25,000,000 and funds raised through the exercise, in connection with the IPO, of the over-allotment option for gross proceeds of CDN\$2,583,683. This cash was received on July 7, 2011, and August 8, 2011, respectively. The Company further financed its operations through funds raised by way of the Private Placement of up to \$5,000,000 as described above. This cash was received on June 30, 2015, July 1, 2015, and November 17, 2015. The Company continues to pursue future financing options.

#### *Risk Factors*

The Company's continuing operations are dependent on its ability to secure equity and/or debt financing, with which it intends to maintain its proposed mineral exploration programs on the properties and also identify, evaluate and acquire, if appropriate, interests in other mineral properties. The circumstances that could affect the Company's ability to secure equity and/or debt financing that are reasonably likely to occur are, without limitation, as follows:

- The state of capital markets generally;
- The prevailing market prices for precious metals and other commodities, in particular the prevailing market prices for gold (the price per ounce of gold was \$1,183 at opening on January 1, 2015, and \$1,061 at closing on December 31, 2015);
- The consolidation and potential abandonment of the properties as exploration results provide further information relating to the underlying value of the properties;
- Changes in laws, regulations and political conditions and currency fluctuation (the Argentinean peso declined by 53% against the US Dollar between January 1, 2015, and December 31, 2015);
- Changes in the Argentinean administrative, legislative, economic and political landscape (in November 2015 a new Government was elected);
- Changes in the Santa Cruz provincial administrative, legislative and political environment;
- In regards to the Participation Agreement and related Argentinean Commercial Court of Appeals' judgment described above, the court appointed expert arbitrator's report containing the calculation of the monetary value of the court awarded rights relating to Alumbra was subsequently annulled by a lower court and accordingly, such monetary value remains uncertain at this time ;
- Certain preconditions in the Pan American Silver Corp. transaction not being met; and
- The ability of the Company to realize satisfactory terms in its negotiation of work contracts relating to the properties.
- Management's estimate that the \$1,400,000 receivable relating to the participation and option agreement will be recovered within twelve months.

The current trends relating to the above factors could change at any time and negatively affect the Company's operations and business. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are likely to have any further material effect on the Company's business, financial condition or results of operations for the year ended December 31, 2015.

#### **Capital Resources**

The Company had \$374,026 in cash and cash equivalents, \$891,097 in prepaid assets, \$1,445,131 in receivables and \$(897,798) in working capital as at December 31, 2015.

<b>Liquidity Risk Management as at December 31, 2015 (\$)</b>					
	<b>&lt; 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>&gt; 1 year</b>	<b>Total</b>
Due to related parties	-	171,308	2,246,200	-	2,417,508
Accounts payable and accrued liabilities	-	451,097	-	75,169	526,266
<b>Total</b>	-	<b>622,405</b>	<b>2,246,200</b>	<b>75,169</b>	<b>2,943,774</b>

In the event that the Company makes a significant discovery which merits follow up drilling, the Company would need to raise additional finance to do so. The Company is currently considering a number of options which could facilitate the continued development of its asset portfolio in accordance with good geological practice.

### **Off-Balance Sheet Arrangements**

As at the date hereof there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources.

### **Transactions with Related Parties**

*For the three months ended December 31, 2015*

Salary expense, including share-based payment expense, for the three months ended December 31, 2015, was \$241,564 (2014: \$220,316).

Mr. P. Fornazzari, the Company's corporate secretary, is a partner at Fasken Martineau DuMoulin LLP ("Faskens") law firm. The value of services billed by Faskens in the three months ended December 31, 2015, was \$15,867 (2014: \$Nil).

As detailed above, on November 18, 2015, the Company announced that it had closed the second tranche of \$500,000 of its non-brokered Private Placement of up to \$5,000,000 principal amount convertible notes. The purchaser of the second tranche of Notes having a principal amount of \$500,000 is Mantaro Resources Limited, a company in which the Company's Chairman and Chief Executive Officer, Mr. C. Koppel, a greater than 10% shareholder of the Company, has a majority interest; therefore the closing of the second tranche of the Private Placement constitutes a related party transaction.

In the three months ended December 31, 2015, the Company received \$500,000 (2014: \$Nil) in respect of the private placement and related interest of \$38,333 was accrued (2014: \$Nil).

*For the year ended December 31, 2015*

Salary expense, including share-based payment expense, for the year ended December 31, 2015, was \$921,050 (2014: \$886,607).

The value of the services billed by Faskens in the year ended December 31, 2015, was \$25,793 (2014: \$Nil), of which \$16,570 (2014: \$Nil) was accrued.

Paul Fornazzari was formerly a partner at Gowling, Lafleur, Henderson LLP ("Gowlings") law firm. The value of services billed by Gowlings in the year ended December 31, 2015, was \$101,665 (2014: \$247,697).

As detailed above, on June 30, 2015, the Company announced that it had closed the first tranche of \$1,000,000 of its non-brokered Private Placement of up to \$5,000,000 principal amount convertible notes. The purchasers of the first tranche of Notes having a principal amount of \$500,000 each, were Sentient Global Resources Fund IV, L.P., a greater than 10% shareholder of the Company, and Mantaro Resources Limited, a company in which the Company's Chairman and Chief Executive Officer, Mr. C. Koppel, a greater than 10% shareholder of the Company, has a majority interest; therefore the closing of the first tranche of the Private Placement constitutes a related party transaction. Also, as noted above, 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 \$1,500,000 (2014: \$Nil) in respect of the private placement and related interest of \$69,000 was accrued (2014: \$Nil).

On December 6, 2013, the Company entered into a sub-lease in respect of its London office premises with JayTree Limited, a company wholly-owned by the Company's Chairman and Chief Executive Officer, Mr. C. Koppel. In accordance with the terms of the sub-lease, the Company leases a part of the premises, as required for its purpose, and pays its pro-rata portion of costs on a cost only basis. The remaining cost of this 53-month lease commitment as at December 31, 2015, as it relates to the related party, is \$87,580 in the next twelve months (2014: \$91,899) and \$117,813 thereafter (2014: \$215,522).

As detailed above, on January 10, 2014, the Company announced that it had entered into a Participation Agreement with a Director of the Company, Mr. R. Auriemma. On February 14, 2014, the Company closed the Participation Agreement and an option payment of \$1,400,000 to Mr. R. Auriemma was made.

As detailed above, on December 12, 2014, the Company entered into a share purchase agreement with Mantaro Resources Limited, a company in which the Company's Chairman and Chief Executive Officer, Mr. C. Koppel, has a majority interest. On December 16, 2015, the Company announced that the share purchase agreement had been terminated. Notwithstanding the termination, and in accordance with the share purchase agreement, a total of \$790,134 was owed to Mantaro Resources Limited of which \$677,200 is still outstanding for the year ended December 31, 2015 (2014: \$Nil) and which amount is evidenced by a promissory note in favour of Mantaro payable upon receipt of funds by the Company in certain circumstances.

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.

### **Proposed Transactions**

Whilst the Company continues to explore opportunities in various South American mining jurisdictions on an on-going basis, it has not entered into any asset or business acquisitions or dispositions as at the date hereof. The Company regularly assesses opportunities to supplement its existing portfolio through the acquisition of assets of quality.

### **Critical Accounting Estimates**

In the application of the Company's accounting policies, 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 to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process. Such judgments include:

- 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 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;
- The Company measures the fair value of share purchase warrants issued using the Black-Scholes option pricing model, which incorporates the assumptions regarding contractual life of the warrants, volatility, dividend yield, and risk-free rates. The Company is required to calculate the fair value of these warrants at the date of issuance;
- Management applied judgment in determining the functional currency of Samco Gold Limited, Samco Gold Services (UK) Ltd., Samco Gold S.A. and 5R S.A. as United States dollars, based on the facts and circumstances that existed for the year ended December 31, 2015;
- The Company applied judgment in the determination of the types of costs that are capitalized as mineral rights and exploration costs;
- Management applied judgment in determining whether the Company is able to continue as a going concern;
- Management applied judgment in the identification and estimation of deferred tax liabilities related to costs incurred by the Company;
- Management applied judgment in determining related party transactions; and



- Management has applied judgment in reviewing the carrying values of the mining properties to determine whether any impairment exists based on assumptions of current and future events or circumstances.

#### *Mineral rights and exploration costs*

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with IFRS and applicable guidelines for exploration stage companies. The policy is consistent with other exploration companies which have not established mineral reserves objectively.

An alternative policy could be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established, or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

#### **Financial Instruments and Other Instruments**

The Company's financial instruments consist of the following:

<b>Carrying Amount</b>	<b>Classification</b>	<b>As at December 31, 2015</b>	<b>As at December 31, 2014</b>
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	-

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value due to the short term nature of their maturity.

The Company undertakes transactions denominated in foreign currencies, and as such, exposure 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 as at December 31, 2015 and 2014, in United States dollars, is:

	<b>As at December 31, 2015 (\$)</b>		<b>As at December 31, 2014 (\$)</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
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

The Company's cash is predominantly held in United States dollars other than as needed in the ordinary course of business.

## Disclosure of Outstanding Security Data

As at December 31, 2015, and the date of this MD&A, the Company has 65,076,075 issued and outstanding common shares. As at the date of this report, there are 3,945,000 stock options outstanding, of which none have a dilutive effect.

<b>Shares</b>	<b>Number</b>
Common shares outstanding as at December 31, 2014	65,076,075
Issued	-
Balance as at December 31, 2015, and April 28, 2016	65,076,075

<b>Options</b>	<b>Number</b>
Balance as at December 31, 2014	6,275,000
Cancelled	(2,330,000)
Balance as at December 31, 2015, and April 28, 2016	3,945,000

## Disclosure Controls and Procedures

The Company is required to review and report on the effectiveness of its disclosure controls and procedures (“DC&P”) in accordance with National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings” (“NI 52-109”), issued by the Canadian Securities Administrators. NI 52-109 requires a Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) to certify that they are responsible for establishing and maintaining DC&P for the issuer, that DC&P have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer’s DC&P and that their conclusions about the effectiveness of those DC&P at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

Management, including the CEO and CFO, has evaluated the design of the Company’s DC&P as at December 31, 2015, and has concluded that the DC&P are effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the period then ended.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluation of controls can provide absolute assurance that all control issues within a company have been detected. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, the Company’s DC&P are effective in providing reasonable, not absolute, assurance that the objectives of its disclosure control system have been met.

## Internal Controls over Financial Reporting

NI 52-109 also requires CEO’s and CFO’s to certify that they are responsible for establishing and maintaining internal controls over financial reporting (“ICFR”) for the issuer, that the ICFR have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that the issuer has disclosed any change in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its ICFR.

The design and operating effectiveness of the Company’s ICFR were evaluated by management in accordance with “Internal Controls over Financial Reporting – Guidance for Smaller Public Companies”, as published by the Committee of Sponsoring Organizations of the Treadway Commission (1992) (“COSO”), and NI 52-109, as at December 31, 2015.

In its review, the Company's management has not identified any weaknesses that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. Based on this evaluation, management has concluded that the Company's ICFR are effective in providing reasonable assurance that its financial reporting is reliable and its consolidated financial statements are prepared in accordance with IFRS.

There were no changes in the Company's ICFR that, in the view of the Company's management, occurred during the year ended December 31, 2015, or up to the date of this MD&A, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

## **Risks and Uncertainties**

Exploration, development and mining of mineral resources involve numerous inherent risks. The Company is subject to various financial, operational and political risks that could have a significant impact on its business and, once in production, profitability and levels of operating cash flows. Although the Company assesses and seeks to mitigate these risks by careful management of its activities, resources and employing qualified personnel, these risks cannot be eliminated. Such risks include, but are not limited to, the mining, business and country risks discussed below.

### *Mining Risk Factors*

#### *Exploration and Development*

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining and processing facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

The Company's properties are in the exploration stage only and without a known body of commercially exploitable ore. Development of the Company's properties would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

There is no assurance that the Company will establish the existence of any mineral resource on any of its properties in commercially exploitable quantities. Until the Company can do so, it cannot earn any revenues from operations and if the Company does not do so it will lose all of the funds that it expends on exploration. If the Company does not discover any mineral resource in a commercially exploitable quantity, its business could fail.

The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

### *Resource Estimates*

Because the Company has not commenced production at any of its properties, and has not defined or delineated any proven or probable reserves or mineral resources on any of its properties, mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may

differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. Resource estimates contained in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time will be determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold, silver, copper, iron or other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition. The Company has not established the presence of any resources or any proven or probable reserves at any of its mineral properties. There can be no assurance that subsequent testing or future studies will establish any resources or proven or probable reserves at the Company's properties. The failure to establish proven or probable reserves could restrict the Company's ability to successfully implement its strategies for long term growth.

### *Surface Rights*

The Company must procure access rights or lease and/or acquire the necessary surface rights over the exploration area and must come to an agreement with the surface owner specifying the activity to be conducted prior to commencing exploration and/or production. This agreement usually includes the provision for use of water and other facilities that the owner may be in a position to provide, and the agreement must be filed with the mining authorities. There can be no assurance that the Company will continue to come to agreements with the surface owners of its properties and that it will lease and/or acquire all necessary surface rights, or lease and/or acquire such rights at prices currently contemplated. There are significant risks that the leasing and/or acquisition of all necessary surface rights could be delayed due to circumstances beyond the Company's control and any such delays could negatively impact the Company's development plans and result in additional expenses. However, the Argentinean Mining Code provides that mining or exploration activities take priority over the rights of the surface owner such that if for any reason it is not possible to reach an agreement with the owner, the Company can file a surety bond (a guarantee) in favour of the owner and start exploration.

### *Uninsurable Risks*

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premia or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

### *Health, Safety and Environmental Risk*

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities due to accidents that could result in serious injury or death and or material damage to the environment and Company assets. The impact of such accidents could affect the profitability of the operations, cause an interruption to operations, lead to a loss of licenses, affect the reputation of the Company and its ability to obtain further licenses, damage community relations and reduce the perceived appeal of the Company as an employer. The Company has rigorous procedures in place to manage health and safety protocols in order to reduce the risk of occurrence and the severity of any accident and is continually investing time and resources to enhance health and safety at its operations.

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety, and other matters. Permits from various governmental authorities are necessary in order to engage in mining operations in all jurisdictions in which the Company operates. Such permits relate to many aspects of mining operations, including maintenance of air, water and soil quality standards. In most jurisdictions, the requisite permits cannot be obtained prior to completion of an environmental impact statement and, in some

cases, public consultation. Further, the Company may be required to submit for government approval a reclamation plan, to post financial assurance for the reclamation costs of the mine site, and to pay for the reclamation of the mine site upon the completion of mining activities.

Environmental liability may result from mining activities conducted by others prior to the Company's ownership of a property. To the extent the Company is subject to uninsured environmental liabilities, the payment of such liabilities would reduce funds otherwise available for business activities and could have a material adverse effect on the Company. Should the Company be unable to fully fund the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which may have a material adverse effect. The Company mitigates the likelihood and potential severity of these environmental risks it encounters in its day-to-day operations through the application of its high operating standards as dictated by Company management.

#### *Business Risk Factors*

##### *Future Funding*

As the Company has limited financial resources and no source of operating income the Company's continuing operations are dependent on its ability to secure equity and/or debt financing. There can be no assurance that future funding will be available to the Company for further exploration and development of the Company's properties, or to identify, evaluate and acquire, if appropriate, interests in other mineral properties. The ability of the Company to arrange additional financing in the future will depend, in part, on prevailing capital market conditions generally, the business performance of the Company, as well as the prevailing market prices for precious metals.

##### *Participation Agreement*

Under the Participation Agreement, as detailed above, the Company participates in any benefit arising from the enforcement of an Argentinean court judgment relating to the breach of an agreement between the Grantor and Northern Orion. The court appointed expert arbitrator's report containing the calculation of the monetary value of the court awarded rights in relation to Alumbreira was subsequently annulled by a lower court and accordingly, such monetary value remains uncertain at this time; it may prove difficult to enforce the final expert arbitrator's decision; the Court of Appeals' decision may not extend to additional revenue streams; and the Company may not be able to exercise its buy-out option under the Participation Agreement.

##### *Pan American Silver Agreement*

There is a risk that certain preconditions to Pan American Silver Corp. ("PAS") exercising its exclusive option to acquire a 60% interest in the El Dorado Monserrat project under the binding letter of intent, as described above, may not be met.

As described above, there is a risk that PAS may not commence any activity pursuant to the option agreement.

##### *Notice of Civil Claim*

The Company has been served with a notice of civil claim, in the Supreme Court of British Columbia, by plaintiffs 0805346 B.C. Ltd. (formerly Northern Orion, and a subsidiary of Yamana Gold Inc.) and Yamana Gold Inc., claiming damages for alleged lost 'opportunity' rights of 0805346 B.C. Ltd., as successor to Northern Orion, and other unspecified damages from, among other things, alleged conspiracy by R. Auriemma and others associated with R. Auriemma and the Company. The Company has filed its response to the notice of civil claim and will vigorously defend itself against this claim. The Company believes the allegations are without merit and believes they represent a tactical response by the plaintiffs to the Argentinean litigation in which R. Auriemma successfully obtained a judgment of the Commercial Court of Appeal against 0805346 B.C. Ltd. for breach of contract; and in which the Company has an interest in the damages arising from that judgment.

##### *Country Risk Factors*

### *Political and Economic Conditions*

Regardless of the economic viability of the Company's interest in its properties it may be materially adversely affected by risk factors associated with conducting exploration and mining activities including political instability and violence, war and civil disturbance, acts of terrorism, expropriation or nationalization, inequitable treatment of non-domiciled companies, changing fiscal regimes, fluctuations in currency exchange rates, high rates of inflation, underdeveloped industrial and economic infrastructure and uncertainty of contractual rights which may prevent or restrict exploration, or mining, of some or all, of any deposits which the Company may find on its properties, and could affect the Company's ability to raise additional capital.

### *Argentinean Mining Operations*

Regulators can have broad authority to shut down and/or levy fines against operations that do not comply with regulations or standards. In addition to the factors listed above, the Company's mineral exploration and potential future mining activities may also be affected to varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange controls, export controls, taxes, royalties, environmental legislation and mine safety regulation. Changes in the provincial, legislative and political landscape may also negatively affect the Company. Regardless of the economic viability of the Company's interest in its properties, and despite being beyond the Company's control, such factors may prevent or restrict mining of some or all of any deposits which the Company may find on its properties.

Argentina has been known to experience periods of high inflation. High inflation could increase the Company's operating costs relating to work carried out on the Company's properties. Also, the Company may not realize satisfactory terms in its negotiation of work contracts relating to the properties.

### *Difficulties in Conducting Business through a Foreign Subsidiary*

The Company conducts part of its business through its Argentinean subsidiaries. Any limitation on the transfer of cash or other assets between the Company and its Argentinean subsidiaries or the perception that such limitation may exist now or in the future, could have an adverse impact on the Company.

### **Subsequent Events**

Other than as disclosed herein, there are no subsequent events to report.

### **Company Outlook**

Subject to market conditions, the Company's exploration program for 2016 in Argentina will focus on further identification of potential mineral resources on the Corina project. Further work may include geophysical and geochemical surveys, mechanical trenching and detailed geological mapping, and further specific target and/or infill drilling.

The Company will also continue to further evaluate its other properties.

In addition, the Company regularly assesses opportunities to supplement its existing portfolio through the acquisition of assets of quality.

The Company continually monitors its activities and associated expenditure closely to ensure effective deployment of resources.

### **Other Information**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).