

(an Exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

(Expressed in Canadian Dollars)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Artha Resources Corporation,

We have audited the accompanying consolidated financial statements of Artha Resources Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 audits 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 Artha Resources Corporation as at December 31, 2014 and 2013, 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 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Artha Resources Corporation's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Artha Resources Corporation for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on May 27, 2013.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 24, 2015

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

ARTHA RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	December 31, 2014	December 31, 2013 (Restated – Note 12)	December 31, 2012
ASSETS			
Current			
Cash	$ 31,076	$ 301	$ 26,536
GST and other receivables	5,110	1,644	20,917
Due from related party (Note 7)	-	25,000	29,915
	36,186	26,945	77,368
Non-current			
Exploration and evaluation assets (Note 4)	500,000	$ 700,000	$ 5,607,200
	$ 536,186	$ 726,945	$ 5,684,568
LIABILITIES AND DEFICIENCY			
Current			
Accounts payable and accrued liabilities (Notes 4, 5, 7 and 13)	$ 1,539,640	$ 1,018,698	$ 708,092
Loan from related party (Note 7)	10,000	10,000	12,000
	1,549,640	1,028,698	720,092
Deficiency			
Share capital (Note 6)	9,318,600	9,310,100	9,298,100
Reserves (Note 6)	740,856	807,611	888,462
Deficit	(11,072,910)	(10,419,464)	(5,222,086)
	(1,013,454)	(301,753)	4,964,476
	$ 536,186	$ 726,945	$ 5,684,568

Nature and continuance of operations (Note 1)
Subsequent events (Note 13)

Approved and authorized by the Board of Directors on April 24, 2015:

"W. Todd McMurray" Director *"Charles Straw"* Director

ARTHA RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31

	2014	2013 (Restated – Note 12)	2012
OPERATING EXPENSES			
Bank charges	$ 1,086	$ 861	$ 7,250
Consulting fees	-	11,395	375,213
Impairment of exploration and evaluation assets (Note 4)	588,500	5,055,597	-
Impairment of receivable (Note 7)	-	16,801	-
Investor relations and promotion	630	3,234	29,161
Office and general	59,617	104,122	82,577
Professional fees (Note 7)	80,547	53,626	155,057
Property costs (Note 7)	9,735	-	-
Regulatory and transfer agent	15,779	14,398	17,789
Share-based compensation (Note 6)	-	-	67,613
Travel	-	-	18,679
Total operating expenses	(755,894)	(5,260,034)	(753,339)
Interest income	-	-	3,661
Foreign exchange gain (loss)	775	(18,195)	(9,499)
Gain on sale of exploration and evaluation asset (Note 4)	34,918	-	-
Net loss and comprehensive loss for the year	$ (720,201)	$ (5,278,229)	$ (759,177)
Basic and diluted loss per common share (Note 6)	$ (0.10)	$ (0.74)	$ (0.11)
Weighted average number of common shares outstanding (Note 6)	7,183,790	7,140,538	6,700,900

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

ARTHA RESOURCES CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

	Share capital			Reserves			
	Number of Shares	Amount	Subscriptions Receive in Advance	Stock Option Reserve	Warrant Reserve	Deficit	Total
Balance at December 31, 2011	66,249,272	$ 9,058,100	$ -	$ 807,198	$ 13,651	$ (4,462,909)	$ 5,416,040
Property option agreements (Note 4)	4,300,000	205,500	-	-	-	-	205,500
Subscription received in advance	-	-	34,500	-	-	-	34,500
Share-based compensation	-	-	-	67,613	-	-	67,613
Net and comprehensive loss	-	-	-	-	-	(759,177)	(759,177)
Balance at December 31, 2012	70,549,272	9,263,600	34,500	874,811	13,651	(5,222,086)	4,964,476
Private placement (Note 6)	930,000	46,500	(34,500)	-	-	-	12,000
Expiration and forfeiture of stock options	-	-	-	(80,851)	-	80,851	-
Net and comprehensive loss (Restated – Note 12)	-	-	-	-	-	(5,278,229)	(5,278,229)
Balance at December 31, 2013 (Restated – Note 12)	71,479,272	9,310,100	-	793,960	13,651	(10,419,464)	(301,753)
Property option agreements (Notes 4 and 6)	1,700,000	8,500	-	-	-	-	8,500
Expiration and forfeiture of stock options	-	-	-	(66,755)	-	66,755	-
Net and comprehensive loss	-	-	-	-	-	(720,201)	(720,201)
Balance at December 31, 2014	73,179,272	$ 9,318,600	$ -	$ 727,205	$ 13,651	$ (11,072,910)	$ (1,013,454)

ARTHA RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31

	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year	$ (720,201)	$ (5,278,229)	$ (759,177)
Items not affecting cash:			
Gain on sale of exploration and evaluation asset	(34,918)	-	-
Impairment of exploration and evaluation assets	588,500	5,055,597	-
Impairment of receivable	-	16,801	-
Interest income recognized	-	-	(3,661)
Share-based compensation	-	-	67,613
Changes in non-cash working capital items:			
Receivables	21,534	7,387	(24,217)
Accounts payable and accrued liabilities	(59,058)	162,209	70,219
Cash from operating activities			
Interest received	-	-	4,162
Net cash outflow from operating activities	(204,143)	(36,235)	(645,061)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditures	-	-	(80,486)
Sale of exploration and evaluation asset	234,918	-	-
Net cash inflow from investing activities	234,918	-	(80,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from related party	-	10,000	12,000
Repay loan from related party	-	(12,000)	-
Proceeds from the issuance of share capital	-	12,000	-
Subscriptions received in advance	-	-	34,500
Net cash inflow from financing activities	-	10,000	46,500
Change in cash for the year	30,775	(26,235)	(679,047)
Cash, beginning	301	26,536	705,583
Cash, ending	$ 31,076	$ 301	$ 26,536

Supplemental disclosure with respect to cash flows (Note 8)

1. NATURE AND CONTINUANCE OF OPERATIONS

Artha Resources Corporation (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on January 9, 2006. The Company's principal business activity is the exploration and evaluation of mineral properties located in Argentina. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "AHC".

The registered address, head office, principal address and records office of the Company is Suite 415 – 1040 West Georgia Street, Vancouver, BC V6E 4H1, Canada.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have financial resources to sustain operations in the long-term. There is no assurance that future financings will be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. As at December 31, 2014, the Company has a working capital deficit of $1,513,454. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments.

2. BASIS OF PREPARATION *(Cont'd…)*

Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant estimates relate to the valuation of deferred income tax assets and impairment testing. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that indications did exist and recorded impairment losses as disclosed in note 4. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

The most significant judgments relate to the recoverability of capitalized amounts, the determination of the economic viability of a project and whether the going concern assumption is appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Subsidiary	Proportion of Ownership Interest	Country of Incorporation	Principle Activity
Takbel S.A.	100%	Uruguay	Holding
Minera Argentina del Norte S.A.	100%	Argentina	Exploration
Minera Crosby S.A.	100%	Argentina	Holding

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Exploration and evaluation assets

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

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued. Option payments received are treated as a reduction in the carrying value of the related acquisition costs of the exploration and evaluation asset until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee, and, accordingly, are accounted for when receipt is reasonably assured.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

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

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

Restoration and environmental obligations

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic earnings or loss per share is calculated on the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

The Company has classified its cash and due from related party as loans and receivables.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its accounts payable and loan from related party as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

New standards, interpretations and amendments adopted

As of January 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

- IAS 32 (Amendment) — New standard that clarifies requirements for offsetting financial assets and financial liabilities.
- IAS 36 (Amendment) — This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.
- IFRIC 21 — This is an interpretation of IAS 37, *Provisions, contingent liabilities and contingent assets*. The interpretation clarifies that the obligation event that gives rise to the recognition of a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

New standards not yet adopted

IFRS 9 *Financial Instruments (Revised)*

IFRS 9 incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing recognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

Other accounting pronouncements with future effective dates are not expected to have an impact on the Company's financial statements.

4. EXPLORATION AND EVALUATION ASSETS

Title to mineral property interests

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfer and may be affected by undetected defects.

Gold, Silver and Base Metal Properties

On September 18, 2009, the Company obtained an option to acquire five exploration properties, located in the Province of Jujuy in Argentina, from Davcha Resources International Ltd. ("DRI") a British Columbia, Canada registered private company (the "Option Agreement").

Upon signing the Letter of Intent relating to this agreement, the Company paid $25,000 to DRI. To exercise the option the Company must issue and allot to DRI 9,500,000 shares in its capital as follows:

	Obligation Date	Shares
a)	Upon the Acceptance Date (October 6, 2009) for filing of formal option agreement *(issued at a value of $255,000)*	1,700,000
b)	One year after the Acceptance Date *(issued at a value of $544,000)*	1,700,000
c)	Two years after the Acceptance Date *(issued at a value of $144,500)*	1,700,000
d)	Three years after the Acceptance Date *(issued at a value of $76,500)*	1,700,000
e)	Four years after the Acceptance Date *(issued on October 15, 2014 at a value of $8,500)*	1,700,000
f)	Upon the Company receiving a bankable feasibility report ("BFR") on one of the Properties within eight years of the Acceptance Date, provided that if the BFR is not received within the said eight years, the total consideration will be reduced to 8,500,000 shares of the Company	1,000,000
	Total	9,500,000

The property interests acquired are as follows:

Pirquitas North

The Company assumes DRI's pre-existing option to acquire a 55% interest by incurring exploration expenditures of US$1.0 million over 4 years. Upon this interest having been earned, the Company and the optioner will enter into a Joint Venture and, thereafter, each party will be required to contribute its proportional share of further expenditures or be diluted accordingly.

On October 24, 2013 the Company and the optionor agreed that the optionor would proceed to negotiate and complete the sale of the Piquitas North property to a third party and that the Company would receive 25% of the net proceeds. At December 31, 2013, the Company wrote down the carrying value to $200,000, being the Company's anticipated proceeds from the termination of the property option agreement.

4. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Pirquitas North (cont'd...)

On April 23, 2014, the optionor entered into an agreement to sell 100% of the Pirquitas North property to a third party. The Company's share of the net proceeds received was $234,918 (USD$212,942) resulting in a gain of $34,918.

Crosby

The Company assumed and subsequently earned DRI's option to acquire a 94% interest in this property, subject to a 2% net smelter royalty, in consideration for assuming DRI's obligation to pay the underlying property owner US$215,000 (paid), agreeing to reimburse approximately AU$169,105 (paid) in exploration costs and advances incurred by the property optioner, and the assumption of certain other obligations of DRI under the Option Agreement.

At December 31, 2014 and 2013, the Company wrote down the carrying value of the Crosby property to its estimated recoverable value of $500,000.

Vallecito, Rosario and Ichaca Properties

The three other properties, Vallecito, Rosario and Ichaca are 100% owned by DRI. During the year ended December 31, 2013, the Company determined that it would not pursue these properties and wrote down the carrying value to $Nil.

Organullo

On September 9, 2011, the Company entered into a property option agreement with Cardero Resource Corp. and Cardero Argentina, S.A. (the "Cardero Group") dated September 1, 2011 in which the Cardero Group granted the Company an exclusive right and option to earn an undivided 55% working interest in and to the Organullo Property and, thereafter, form an association in the nature of a joint venture with Cardero Argentina, S.A. This transaction was accepted by the TSX Venture Exchange on September 27, 2011.

To earn the 55% interest, the Company was required to incur exploration expenditures of US $1,500,000 and issue 350,000 common shares over a period of 3 years.

On September 11, 2013, the Company provided the Cardero Group notice that it had abandoned its option to acquire any interest in the property, as it had not completed the required expenditures and therefore wrote down the carrying value to $Nil.

Aguilar

During the year ended December 31, 2012, the Company signed an option agreement with Teck Argentina Ltd. ("Teck") to acquire a 100% interest in the Aguilar property located in Jujuy Province, Argentina. Under the terms of the agreement, the Company may exercise the option by:

1. Issuing to Teck 2,500,000 units at a value of $125,000 (issued). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles Teck to purchase one common share at a price of $0.125 for a period of two years; and

4. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Aguilar (Cont'd…)

2. Incurring exploration expenditures of at least US$2,875,000 by October 31, 2015, which includes a firm commitment to incur US$100,000 on or before October 1, 2013 and US$500,000 on or before October 1, 2014. The Company must complete, also as a firm commitment, a minimum of 4,000 meters of diamond drilling or combination RC/diamond drilling on the property prior to October 31, 2015.

At December 31, 2014 and 2013, the Company had not met the terms of the option agreement and therefore wrote down the carrying value to $Nil. The Company has recorded an account payable of US$600,000 ($696,000) (2013 – US$100,000 ($106,360)) for the committed expenditures due but not paid. The firm commitment to complete a minimum of 4,000 meters of drilling is considered as an onerous contract; however, no additional liability has been recorded on the basis that the expected cost to exit the contract is less than the payable already recorded. Subsequent to December 31, 2014, the Company and Teck agreed to terminate the option agreement (Note 13).

Rare Earth Properties

The Company had acquired land permits for 60,000 hectares located in the Jujuy and Salta provinces in Argentina from the Argentinian Land Authority via staking. During fiscal 2011, additional land permits were staked in the Jasimampa area in the Sierra Norte de Córdoba, Santiago del Estero Province.

During the year ended December 31, 2013, the Company determined that it would not pursue these properties and wrote down the carrying value to $Nil.

4. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Schedule of exploration and evaluation expenditures for the years ended December 31,2014 and 2013:

Gold, Silver and Base Metal Properties	Balance December 31, 2012	Additions	Impairment	Balance December 31, 2013	Additions	Impairment / Disposals	Balance December 31, 2014
	$	$	$	$	$	$	$
Pirquitas North							
Acquisition	210,596	-	(10,596)	200,000	-	(200,000)	-
Assays	24,140	-	(24,140)	-	-	-	-
Geology Consulting	239,216	5,118	(244,334)	-	-	-	-
Office & Sundry	62,424	3,294	(65,718)	-	-	-	-
Satellite Imagery	7,146	-	(7,146)	-	-	-	-
Surface Geochemistry	27,040	-	(27,040)	-	-	-	-
Surface Geophysics	92,068	-	(92,068)	-	-	-	-
Travel	110,459	-	(110,459)	-	-	-	-
	773,089	8,412	(581,501)	200,000	-	(200,000)	-
Crosby							
Acquisition	598,214	-	(98,214)	500,000	8,500	(8,500)	500,000
Assays	23,375	-	(23,375)	-	-	-	-
Geology Consulting	180,961	5,000	(185,961)	-	-	-	-
Office & Sundry	46,860	3,294	(50,154)	-	-	-	-
Satellite Imagery	2,015	-	(2,015)	-	-	-	-
Surface Geochemistry	11,588	-	(11,588)	-	-	-	-
Travel	63,939	-	(63,939)	-	-	-	-
	926,952	8,294	(435,246)	500,000	8,500	(8,500)	500,000
Vallecito							
Acquisition	332,080	-	(332,080)	-	-	-	-
Assays	111,591	-	(111,591)	-	-	-	-
Drilling	1,688,232	-	(1,688,232)	-	-	-	-
Environmental Report	1,320	-	(1,320)	-	-	-	-
Geology Consulting	220,149	5,118	(225,267)	-	-	-	-
Office & Sundry	45,207	3,294	(48,501)	-	-	-	-
Satellite Imagery	4,502	-	(4,502)	-	-	-	-
Travel	154,020	-	(154,020)	-	-	-	-
	2,557,101	8,412	(2,565,513)	-	-	-	-
Rosario							
Acquisition	210,596	-	(210,596)	-	-	-	-
Assays	7,260	-	(7,260)	-	-	-	-
Geology Consulting	107,098	5,118	(112,216)	-	-	-	-
Office & Sundry	38,934	3,294	(42,228)	-	-	-	-
Satellite Imagery	1,706	-	(1,706)	-	-	-	-
Travel	22,240	-	(22,240)	-	-	-	-
	387,834	8,412	(396,246)	-	-	-	-
Ichaca							
Acquisition	210,596	-	(210,596)	-	-	-	-
Assays	17,946	-	(17,946)	-	-	-	-
Geology Consulting	108,954	5,184	(114,138)	-	-	-	-
Office & Sundry	38,802	3,298	(42,100)	-	-	-	-
Satellite Imagery	1,706	-	(1,706)	-	-	-	-
Travel	21,458	-	(21,458)	-	-	-	-
	399,462	8,482	(407,944)	-	-	-	-
Organullo							
Acquisition	8,305	25	(8,330)	-	-	-	-
Assays	28,705	-	(28,705)	-	-	-	-
Geology Consulting	176,322	-	(176,322)	-	-	-	-
Travel	10,559	-	(10,559)	-	-	-	-
	223,891	25	(223,916)	-	-	-	-
Carried forward	5,268,329	42,037	(4,735,366)	700,000	8,500	(208,500)	500,000

4. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Schedule of exploration and evaluation expenditures for the years ended December 31, 2014 and 2013 *(cont'd…)*:

Gold, Silver and Base Metal Properties *(Cont'd…)*	**Balance December 31, 2012**	**Additions**	**Impairment**	**Balance December 31, 2013**	**Additions**	**Impairment / Disposals**	**Balance December 31, 2014**
	$	$	$	$	$	$	$
Brought forward	5,268,329	42,037	(4,735,366)	700,000	8,500	(208,500)	500,000
Aguilar							
Acquisition	125,000	-	(125,000)	-	-	-	-
Firm commitment	-	106,360	(106,360)	-	580,000	(580,000)	-
	125,000	106,360	(231,360)	-	-	-	-
Subtotal Gold, Silver and Base Metal Properties	5,393,329	148,397	(4,966,726)	700,000	588,500	(788,500)	500,000
Rare Earth Elements							
Jujuy							
Acquisition	5,608	-	(5,608)	-	-	-	-
Environmental Report	3,645	-	(3,645)	-	-	-	-
Geology Consulting	903	-	(903)	-	-	-	-
	10,156	-	(10,156)	-	-	-	-
Salta							
Acquisition	43,100	-	(43,100)	-	-	-	-
Assays	19,639	-	(19,639)	-	-	-	-
Environmental Report	9,028	-	(9,028)	-	-	-	-
Geology Consulting	85,175	-	(85,175)	-	-	-	-
Office & Sundry	7,225	-	(7,225)	-	-	-	-
Travel	14,205	-	(14,205)	-	-	-	-
	178,372	-	(178,372)	-	-	-	-
Santiago Del Estero Minas							
Acquisition	16,340	-	(16,340)	-	-	-	-
Assays	3,331	-	(3,331)	-	-	-	-
Office & Sundry	3,744	-	(3,744)	-	-	-	-
Travel	1,928	-	(1,928)	-	-	-	-
	25,343	-	(25,343)	-	-	-	-
Subtotal Rare Earth Elements	213,871	-	(213,871)	-	-	-	-
Total Exploration and Evaluation Assets	**5,607,200**	**148,397**	**(5,055,597)**	**700,000**	588,500	(788,500)	**500,000**

4. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Schedule of exploration and evaluation expenditures for the year ended December 31, 2012:

Gold, Silver and Base Metal Properties	Balance December 31, 2011	Additions (Recoveries)	Balance December 31, 2012
	$	$	$
Pirquitas North			
Acquisition	195,296	15,300	210,596
Assays	24,140	-	24,140
Geology Consulting	219,540	19,676	239,216
Office & Sundry	37,589	24,835	62,424
Satellite Imagery	7,146	-	7,146
Surface Geochemistry	27,040	-	27,040
Surface Geophysics	92,068	-	92,068
Travel	100,490	9,969	110,459
	703,309	69,780	773,089
Crosby			
Acquisition	582,914	15,300	598,214
Assays	23,375	-	23,375
Geology Consulting	161,285	19,676	180,961
Office & Sundry	22,025	24,835	46,860
Satellite Imagery	2,015	-	2,015
Surface Geochemistry	11,588	-	11,588
Travel	53,970	9,969	63,939
	857,172	69,780	926,952
Vallecito			
Acquisition	316,780	15,300	332,080
Assays	111,591	-	111,591
Drilling	1,688,232	-	1,688,232
Environmental Report	1,320	-	1,320
Geology Consulting	200,473	19,676	220,149
Office & Sundry	20,372	24,835	45,207
Satellite Imagery	4,502	-	4,502
Travel	144,363	9,657	154,020
	2,487,633	69,468	2,557,101
Rosario			
Acquisition	195,296	15,300	210,596
Assays	7,260	-	7,260
Geology Consulting	87,422	19,676	107,098
Office & Sundry	14,099	24,835	38,934
Satellite Imagery	1,706	-	1,706
Travel	11,959	10,281	22,240
	317,742	70,092	387,834
Ichaca			
Acquisition	195,296	15,300	210,596
Assays	17,946	-	17,946
Geology Consulting	89,278	19,676	108,954
Office & Sundry	13,967	24,835	38,802
Satellite Imagery	1,706	-	1,706
Travel	12,278	9,180	21,458
	330,471	68,991	399,462
Organullo			
Acquisition	4,305	4,000	8,305
Assays	17,929	10,776	28,705
Geology Consulting	34,004	142,318	176,322
Travel	6,498	4,061	10,559
	62,736	161,155	223,891
Aguilar			
Acquisition	-	125,000	125,000
	-	125,000	125,000
Subtotal Gold, Silver and Base Metal Properties	4,759,063	634,266	5,393,329

4. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Schedule of exploration and evaluation expenditures for the year ended December 31, 2012 *(cont'd…)*:

Rare Earth Elements	Balance December 31, 2011	Additions (Recoveries)	Balance December 31, 2012
	$	$	$
Jujuy			
Acquisition	5,608	-	5,608
Environmental Report	3,645	-	3,645
Geology Consulting	903	-	903
	10,156	-	10,156
Salta			
Acquisition	43,100	-	43,100
Assays	30,415	(10,776)	19,639
Environmental Report	6,870	2,158	9,028
Geology Consulting	85,175	-	85,175
Office & Sundry	7,225	-	7,225
Travel	14,205	-	14,205
	186,990	(8,618)	178,372
Santiago Del Estero Minas			
Acquisition	16,340	-	16,340
Assays	3,331	-	3,331
Office & Sundry	3,744	-	3,744
Travel	1,928	-	1,928
	25,343	-	25,343
Subtotal Rare Earth Elements	222,489	(8,618)	213,871
Total Exploration and Evaluation Assets	**4,981,552**	**625,648**	**5,607,200**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	December 31, 2013	December 31, 2012
Accounts payable	$ 1,033,946	$ 492,431	$ 255,781
Accrued liabilities	505,694	526,267	452,311
	$ 1,539,640	$ 1,018,698	$ 708,092

6. SHARE CAPITAL AND RESERVES

a. Authorized

Unlimited number of voting common shares without nominal or par value.

6. SHARE CAPITAL AND RESERVES *(Cont'd…)*

b. Share issuances

Year ended December 31, 2014

On October 15, 2014, the Company issued 1,700,000 common shares with a total fair value of $8,500 pursuant to the DRI Option Agreement (Note 4).

Year ended December 31, 2013

On January 29, 2013, the Company completed a non-brokered private placement by issuing 930,000 units at $0.05 per unit for gross proceeds of $46,500. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant will be exercisable into one common share of the Company for a period of 24 month. Warrants are exercisable between $0.07 and $0.10 in the first year and $0.25 per share in the second year. 680,000 of the units issued were issued to directors of the Company or companies controlled by directors of the Company.

Year ended December 31, 2012

During the year ended December 31, 2012, the Company issued:

- 1,700,000 common shares with a total fair value of $8,500 pursuant to the DRI Option Agreement (Note 4);
- 2,500,000 units at a fair value of $125,000 pursuant to the Aguilar Option Agreement. Each unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of $0.125 for a period of two years (Note 4); and
- 100,000 common shares with a total fair value of $4,000 pursuant to the Organullo option agreement (Note 4).

c. Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Such options will be exercisable for a period of up to five years from the date of grant. Vesting of stock options is at the discretion of the Board of Directors.

Stock option transactions and the number of options outstanding are summarized as follows:

	December 31, 2014		December 31, 2013		December 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning	3,720,000	$ 0.17	4,220,000	$ 0.18	3,645,000	$ 0.18
Granted	-	-	-	-	1,475,000	0.10
Expired	(395,000)	0.20	(25,000)	0.35	-	-
Forfeited	-	-	(475,000)	0.21	(900,000)	0.17
Outstanding and exercisable, ending	3,325,000	$ 0.17	3,720,000	$ 0.17	3,720,000	$ 0.18

6. SHARE CAPITAL AND RESERVES *(Cont'd…)*

c. Stock options *(cont'd...)*

At December 31, 2014, options were outstanding enabling holders to acquire common shares as follows:

Expiry Date	Number of options	Weighted average exercise price	Weighted average remaining life (years)
December 8, 2015	2,325,000	$ 0.20	0.94
February 22, 2016	25,000	0.27	1.15
March 1, 2017	975,000	0.10	2.17
Total	3,325,000	$ 0.17	1.29

d. Share-based compensation

During the years ended December 31, 2014 and 2013, the Company did not grant stock options. During the year ended December 31, 2012, the Company granted 1,475,000 stock options to its directors, officers and consultant with a weighted average grant date fair value of $0.06 determined using the Black-Scholes option pricing model using the following assumptions:

Risk-free interest rate	1.44%
Expected life of options	5 years
Expected annualized volatility	105%
Dividend rate	0%

e. Warrants

Share purchase warrant transactions and the number of warrants outstanding are summarized as follows:

	December 31, 2014		December 31, 2013		December 31, 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning	3,430,000	$ 0.16	2,500,000	$ 0.125	14,885,558	$ 0.280
Issued	-	-	930,000	0.25	2,500,000	0.125
Expired	(2,500,000)	0.125	-	-	(14,885,558)	0.28
Outstanding and exercisable, ending	930,000	$ 0.25	3,430,000	$ 0.16	2,500,000	$ 0.16

6. SHARE CAPITAL AND RESERVES *(Cont'd…)*

e. Warrants *(cont'd…)*

At December 31, 2014, warrants were outstanding enabling holders to acquire common shares as follows:

Expiry Date	Number of warrants	Weighted average exercise price	Weighted average remaining life (years)
January 29, 2015	930,000	$ 0.25	0.08

Subsequent to December 31, 2014, these warrants expired unexercised.

f. Reserves

Stock option reserve
The stock option reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If stock options expire unexercised, the amount recorded will be reclassified to deficit.

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

g. Loss per share

Subsequent to December 31, 2014, the Company completed a consolidation of its common shares by issuing one new common share for every ten existing common shares. The weighted average number of shares outstanding for the year has been adjusted to reflect the impact of the share consolidation.

7. RELATED PARTY TRANSACTIONS

Transactions with related parties

During the year ended December 31, 2014, the Company incurred $5,741 (2013 – $Nil, 2012 $37,890) for property costs provided by a Company controlled by a director and officer of the Company.

During the year ended December 31, 2014, the Company incurred $Nil (2013 – $8,200, 2012 - $9,600) for professional services provided by a former director and Chief Financial Officer of the Company.

During the year ended December 31, 2014, the Company incurred $Nil (2013 - $Nil, 2012 - $119,000) for consulting services provided by a director also serving as Chief Executive Officer of the Company.

During the year ended December 31, 2014, the Company incurred $Nil (2013 - $Nil, 2012 - $198,000) for professional services provided by a company of which two directors are controlling shareholders

During the year ended December 31, 2014, the Company incurred $Nil (2013 - $Nil, 2012 - $29,750) for professional services provided by a former director and Chief Financial Officer of the Company.

During the year ended December 31, 2014, the Company incurred $Nil (2013 - $Nil, 2012 - $69,926) for project exploration and consulting services to a company of which a director of the Company is a partner.

7. RELATED PARTY TRANSACTIONS *(Cont'd…)*

Due to related parties

As at December 31, 2014, amounts due to officers, directors and companies controlled by officers and / or directors was $296,555 (December 31, 2013 - $320,186, December 31, 2012 - $296,415) are included in accounts payable and accrued liabilities. Subsequent to December 31, 2014, the Company entered into agreements with the related parties to settle the amounts owing (Note 13).

Loan from related party

During the year ended December 31, 2013, the Company received an unsecured, non-interest bearing loan of $10,000 from a company with common directors. The loan has no fixed repayment terms. Subsequent to December 31, 2014, this related party agreed to forgive this loan.

During the year ended December 31, 2012, the Company received a short-term, unsecured, non-interest bearing loan of $12,000 from a private company with common directors. The loan had no fixed repayment terms, and was repaid during the year ended December 31, 2013.

Due from related party

During the year ended December 31, 2013, the Company recovered $6,102 (2012 - $40,507) in shared office cost from a company with directors in common. Included in receivables is $Nil (2013 - $25,000, 2012 - $29,915) due from this company. The related company is in the exploration stage and the timing of full repayment is uncertain. Therefore, at December 31, 2013, the Company recorded an impairment of $16,801 against the receivable reducing the carrying value to $25,000 which was received during the year ended December 31, 2014.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash investing transactions:

During the year ended December 31, 2014, the Company issued 1,700,000 common shares with a total fair value of $8,500 pursuant to the DRI Option Agreement (Note 4).

During the year ended December 31, 2014, the Company incurred exploration and evaluation expenditures of $580,000 (2013 - $148,397, 2012 - $34,567) which was not paid and is included accounts payable and accrued liabilities.

During the year ended December 31, 2012, issuing 4,300,000 common shares with a fair value of $205,500 in accordance with option agreements for exploration and evaluation assets.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Net loss	$ (720,201)	$ (5,278,229)	$ (759,177)
Statutory income tax rate	26%	26%	25%
Expected income tax recovery	(187,252)	(1,372,340)	$ (181,936)
Non-deductible, deductible and other items	-	(51,194)	(23,881)
Temporary differences not recognized	187,252	1,423,534	205,817
Income tax recovery	$ -	$ -	$ -

The significant components of the Company's deferred income tax assets as at December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Losses carried forward	$ 212,693	$ 1,377,678	$ 1,258,208
Exploration and evaluation assets	1,430,733	1,314,456	-
Share issuance costs	-	11,257	21,649
Net deferred income tax assets not recognized	$ 1,643,426	$ 2,703,391	$ 1,279,857

The Company has approximately $818,000 in non-capital losses for Canadian, US, and Uruguayan tax purposes. These losses, if not utilized, will expire through 2034. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

10. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL

Fair value

The fair value of the Company's financial instruments approximates the carrying amount due to their short term nature and capacity for prompt liquidation.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash. Cash deposits are maintained with Canadian financial institutions of reputable credit and are redeemable on demand.

10. FINANCIAL RISK AND CAPITAL MANAGEMENT AND MANAGEMENT OF CAPITAL *(Cont'd…)*

Financial risk management *(cont'd…)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is engaged in ongoing evaluation of opportunities to improve its financial position which includes, but is not limited to, additional equity financings, obtaining exploration partners and/or the sale of assets. At December 31, 2014, the Company had a working capital deficiency of $1,513,454.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no outstanding debt subject to interest. Accordingly, the Company does not believe it is exposed to significant interest rate risk.

Foreign exchange risk

The Company's exploration work is conducted in Argentina. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The Company's operating expenses are incurred primarily in Canadian dollars; its exploration programs are primarily in Argentina and are denominated in either United States dollars or Argentine Pesos. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

Price risk

The Company is exposed to price risk with respect to commodity prices, particularly those included in its exploration and evaluation asset portfolio. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Management of capital

The Company's objectives in managing its capital (items included in shareholders' deficiency) are to fund acquisition, exploration and development of its exploration and evaluation assets and to meet its administrative and corporate activities to ensure that the Company continues as a going concern.

The Company is an exploration stage company and is currently unable to self-finance its operations. The Company has historically relied on equity financings to raise sufficient funds to carry out its exploration and acquisition activities and pay its administrative costs. Therefore, the Company intends to raise additional funds as required to carry out its planned activities**.**

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to manage its capital requirements management has put into place a planning and budgeting process.

10. FINANCIAL RISK AND CAPITAL MANAGEMENT AND MANAGEMENT OF CAPITAL *(Cont'd…)*

Management of capital *(Cont'd…)*

The Company is not subject to any externally imposed capital requirements or restrictions and there were no changes to the Company's approach to managing capital during the year ended December 31, 2014.

11. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment which is the acquisition, exploration and development of mineral properties. As at December 31, 2014 and December 31, 2013, all capitalized exploration and evaluation assets are located in Argentina (Note 4).

12. RESTATEMENT

The Company determined that the firm commitment required pursuant to the Aguilar Agreement should have been recorded as a liability as at December 31, 2013 (Note 4). Accordingly, the financial statements for the year ended December 31, 2013 have been restated as follows:

Consolidated statement of financial position as at December 31, 2013:

	As previously reported	Restatement	As restated
Accounts payable and accrued liabilities	$ 912,338	$ 106,360	$ 1,018,698
Deficit	$ (10,313,104)	$ (106,360)	$ (10,419,464)
Deficiency	$ (195,393)	$ (106,360)	$ (301,753)

Consolidated statement of comprehensive loss for the year ended December 31, 2013:

	As previously reported	Restatement	As restated
Impairment of exploration and evaluation assets	$ (4,949,237)	$ (106,360)	$ (5,055,597)
Loss and comprehensive loss	$ (5,171,869)	$ (106,360)	$ (5,278,229)
Loss per share	$ (0.72)	$ (0.02)	$ (0.74)

There was no impact on the classification of cash flows as operating, investing or financing as previously reported.

13. SUBSEQUENT EVENTS

Share consolidation

On February 3, 2015, the Company completed a consolidation of its common shares by issuing one new common share for every ten existing common shares.

Debt settlement agreements

Subsequent to December 31, 2014, the Company entered into debt settlement agreements with a number of related party and arms-length creditors. Pursuant to such agreements, with a settlement cut-off date of December 31, 2014, the Company settled $713,109 of outstanding debts for consideration of the issuance of 911,388 common shares and cash payments totalling $46,468.

13. SUBSEQUENT EVENTS *(Cont'd…)*

Termination of Aguilar option agreement

On April 23, 2015, the Company and Teck agreed to terminate the Aguilar option agreement (Note 4). As consideration, the Company has agreed to pay Teck US$20,000 and issue to Teck 1,500,000 units (the "Settlement Units"). Each Settlement Unit will consist of one common share of the Company and one-half of one common share-purchase warrant, with each whole warrant entitling Teck to purchase one common share of the Company at a price of $0.18 per share for a period of 24 months from the date of issuance. The Company has also agreed to pay Teck up to an additional US$20,000 to cover future environmental assessment costs relating to the Aguilar Property. The settlement eliminates the Company's liability of US$600,000 ($696,000) relating to the firm expenditure commitments and the Company's obligation to complete a minimum of 4,000 meters of diamond drilling or combination RC/diamond drilling on the Aguilar Property prior to October 31, 2015.

Acquisition of Cardero Argentina, S.A. and concurrent financings

On March 27, 2015, the Company entered into a definitive purchase agreement with Cardero Resource Corp. ("Cardero") whereby the Company will acquire all of the issued and outstanding shares of Cardero Argentina, S.A. ("Cardero Argentina") (the "Transaction"). As consideration for the acquisition, as well as for services provided by Cardero to the Company in connection with the Transaction, the Company will pay / issue to Cardero US $50,000 cash and 21,953,781 common shares. The Transaction will result in a reverse-takeover of the Company. Cardero Argentina is a mineral exploration company with properties located in Argentina.

In connection with the transaction, the Company intends to complete private placements for proceeds of up to $1,000,000, including a bridge financing of $50,000 at a price of $0.08 per unit (the "Bridge Financing Units") to cover certain costs associated with the Transaction and a concurrent private placement of up to $950,000 at a price of $0.10 per unit (the "Concurrent Financing Units"). Each Bridge Financing Unit will consist of one common share of the Company and one-half of one share-purchase warrant, each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.12 per share for a period of 24 months from the closing of the bridge financing. Each Concurrent Financing Unit will consist of one common share of the Company and one whole share-purchase warrant, each warrant entitling the holder to purchase one common share of the Company at a price of $0.15 per share for a period of 24 months from the closing of the concurrent financing.

The closing of the Transaction is subject to regulatory and shareholder approval.