Anfield Resources Inc.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Anfield Resources Inc.

We have audited the accompanying consolidated financial statements of Anfield Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anfield Resources Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Anfield Resources Inc.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 29, 2016

Anfield Resources Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes		**December 31, 2015**		December 31, 2014
Assets					
Current Assets					
Cash		**$**	**167,231**	$	7,492
Sales tax receivable			**10,201**		18,684
Prepaids	4		**346,009**		37,423
Inventory	4		**283,310**		-
			806,751		63,599
Non-current Assets					
Property, plant and equipment	4,7		**16,044,416**		14,084
Evaluation and exploration assets	4,8		**2,141,367**		3,312,404
			18,185,783		3,326,488
Total Assets		**$**	**18,992,534**	$	3,390,087
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	9	**$**	**1,021,560**	$	815,416
Due to related parties	13		**657,090**		976,966
Convertible debenture	10		**59,572**		-
Derivative liability	10		**46,500**		-
Amounts owing on asset acquisition - current	4,6		**1,861,404**		-
			3,646,126		1,792,382
Long-term liabilities					
Asset retirement obligation	4,5		**9,402,312**		-
Amounts owing on asset acquisition	4,6		**4,960,000**		-
Total Liabilities			**18,008,438**		1,792,382
Equity					
Share Capital	11		**15,375,511**		12,339,176
Stock option reserve	11		**1,538,342**		1,250,724
Warrant reserve	11		**28,891**		28,891
Foreign exchange reserve	11		**374,593**		258,584
Deficit			**(16,333,241)**		(12,279,670)
Total Equity			**984,096**		1,597,705
Total Equity and Liabilities		**$**	**18,992,534**	$	3,390,087

Going concern (Note 1)
Subsequent events (Note 18)
Approved on behalf of the Board of Directors:

"Corey Dias"
Chief Executive Officer

"Laara Shaffer"
Chief Financial Officer

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

Anfield Resources Inc.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		For the years ended	
	Notes	**December 31, 2015**	December 31, 2014
Expenses			
Amortization	7	**$ 6,546**	$ 5,101
Exploration and evaluation expenditures	8	**278,190**	444,804
General and administrative	13	**867,296**	1,364,916
Investor relations		**49,267**	142,462
Loss on foreign exchange		**52,655**	36,540
Share based payments	11,13	**412,845**	705,994
		1,666,799	2,699,817
Other Items			
Accretion expense for asset retirement obligations	5	**(243,147)**	-
Accretion expense for long term debt	6	**(225,505)**	-
Change in derivative liability	10	**(4,983)**	-
Impairment of exploration and evaluation assets	8	**(2,358,004)**	(385,243)
Interest expense on convertible debenture	10	**(46,936)**	-
Other expense		**(6,512)**	-
Loss on shares issued for properties	11	**(278,889)**	-
Gain on disposal of asset	8	**651,977**	-
Net loss from continuing operations		**(4,178,798)**	(3,085,060)
Discontinued operations	17	**-**	(345,719)
Net loss		**$ (4,178,798)**	$ (3,430,779)
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**116,009**	79,800
Total comprehensive loss		**(4,062,789)**	(3,350,979)
Loss per share from continuing operations – basic and diluted		**(0.14)**	(0.17)
Loss per share from discontinued operations – basic and diluted		**0.00**	(0.02)
Loss per share – basic and diluted		**(0.12)**	(0.19)
Weighted average shares outstanding		**29,259,066**	18,210,798

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

Anfield Resources Inc.
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars) **Years ended December 31, 2015**

	Note	Number of Shares	Amount	Obligation to issue shares	Stock Option Reserve	Warrant Reserve	Foreign exchange reserve	Deficit	Total Equity
Balance as at December 31, 2013		**8,595,722**	**$ 8,311,460**	**$ 330,916**	**$ 770,476**	**$ 26,157**	**$ 178,784**	**$ (9,002,771)**	**$ 615,022**
Shares issued - private placement	11	6,547,006	2,035,816	(330,916)	-	-	-	-	1,704,900
Shares issued – debt settlement	11	10,594	3,708	-	-	-	-	-	3,708
Shares issued - acquisition costs	11	4,800,000	1,820,500	-	-	-	-	-	1,820,500
Shares issued - warrants exercised	11	225,000	90,000	-	-	-	-	-	90,000
Shares issued - options exercised	11	135,000	115,066	-	(71,866)	-	-	-	43,200
Shares issue costs – cash	11	-	(34,640)	-	-	-	-	-	(34,640)
Shares issue costs - finder warrants	11	-	(2,734)	-	-	2,734	-	-	-
Options cancelled	11	-	-	-	(153,880)	-	-	153,880	-
Share based payment	11	-	-	-	705,994	-	-	-	705,994
Comprehensive loss		-	-	-	-	-	79,800	(3,430,779)	(3,350,979)
Balance as at December 31, 2014		**20,313,322**	**12,339,176**	**-**	**1,250,724**	**28,891**	**258,584**	**(12,279,670)**	**1,597,705**
Shares issued - private placement	11	8,763,500	1,202,700	-	-	-	-	-	**1,202,700**
Shares issued - acquisition costs	11	11,559,501	1,844,520	-	-	-	-	-	**1,844,520**
Shares issue costs – cash	11	–	(10,885)	-	-	-	-	-	**(10,885)**
Options cancelled	11	–	–	-	(125,227)	-	-	125,227	**-**
Share based payment	11	–	–	-	412,845	-	-	-	**412,845**
Comprehensive loss		-	-	-	-	-	116,009	(4,178,798)	**(4,062,789)**
Balance as at December 31, 2015		**40,636,323**	**$ 15,375,511**	**$ -**	**$ 1,538,342**	**$ 28,891**	**$ 374,593**	**$ (16,333,241)**	**$ 984,096**

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

Anfield Resources Inc.
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

	December 31, 2015	December 31, 2014
Cash Flows from Operating Activities		
Net loss from continuing operations	$ (4,178,798)	$ (3,085,060)
Adjustments for non-cash items:		
Accretion of provision	243,147	-
Accretion of long term debt	225,505	-
Amortization	6,546	5,101
Amortization of deferred debt issue costs	11,719	-
Foreign exchange	4,549	(34,448)
Share based payments	412,845	705,994
Impairment of exploration and evaluation assets	2,358,004	385,243
Gain on sale of asset	(379,380)	-
Change in derivative liaiblity	4,983	-
Loss on shares issued for properties	278,889	-
Changes in non-cash working capital:		
Sales tax receivable	8,483	50,857
Prepaids	(308,586)	44,030
Accounts payable and accrued liabilities	206,144	266,155
Due to related parties	(319,876)	238,049
Net cash flows used in operating activities	(1,425,826)	(1,424,079)
Investing activities		
Acquisition costs and option payments	(75,000)	(343,854)
Net cash used in investing activities	(75,000)	(343,854)
Financing activities		
Net proceeds from share issuances, net of issuance costs	1,191,815	1,803,460
Convertible debentures, net of issuance costs	468,750	-
Net cash flow from financing activities	1,660,565	1,803,460
Cash flows from continuing operations	159,739	35,527
Discontinued operations		
Cash flows used in operating activities	-	(66,091)
Cash flows used in discontinued operations	-	(66,091)
Increase (decrease) in cash	159,739	(30,564)
Cash, beginning	7,492	38,056
Cash, ending	$ 167,231	$ 7,492
Supplementary information		
Shares issued for acquisition of exploration and evaluation assets	$1,844,520	$1,820,500

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Anfield Resources Inc. (the "Company") is a publicly listed company incorporated in British Columbia on July 12, 1989. The Company's shares are listed on the TSX Venture Exchange ("TSX.V") under the symbol "ARY", the OTCBB Marketplace under the symbol "ANLDF", and the Frankfurt Stock Exchange under the symbol "OAD". The Company is engaged in mineral exploration, development and production.

The Company's head office and its registered and records offices are located at Suite 608, 1199 West Pender Street, Vancouver, British Columbia, V6E 2R1.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2015 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company incurred a loss of $4,178,798 during the year ended December 31, 2015 and had an accumulated deficit of $16,333,241 as at December 31, 2015. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares or the issuance of debt. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) STATEMENT OF COMPLIANCE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

b) BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The policies set out below were consistently applied to all periods presented unless otherwise noted.

c) BASIS OF CONSOLIDATION

These consolidated financial statements comprise the accounts of the Company and its wholly-owned subsidiaries Equinox Exploration Holding Corp. ("EQX US"), Anfield Resources Holding Corp. ('ARC") and Mineral Pro Chile, SA ("MPC") up to June 30, 2014, the date the Company relinquished control of MPC.

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

d) SIGNIFICANT MANAGEMENT JUDGMENT AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Areas requiring a significant degree of estimation and judgment relate to the determination of the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, purchase price allocation and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Significant judgements

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- Allocation of purchase price on acquisition of assets.

e) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents have a term to maturity of three months or less from the date of acquisition.

f) FINANCIAL INSTRUMENTS

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

f) FINANCIAL INSTRUMENTS (CONT'D)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments 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 financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company 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.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

g) INCOME TAXES

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

g) INCOME TAXES

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

h) 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 the Black–Scholes Option 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.

i) EVALUATION AND EXPLORATION 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 direct costs related to the acquisition of exploration and evaluation assets. 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.

Exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and a decision to proceed with development are charged to operations as incurred.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

i) EVALUATION AND EXPLORATION ASSETS (CONT'D)

- 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, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

j) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amount of the Company's assets (which include property, plant and equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

k) FOREIGN CURRENCY TRANSLATION

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of MPC was the Chilean Pesos. The functional currency of EQX US and ARC is the US dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates.

Transactions and balances

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. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

k) FOREIGN CURRENCY TRANSLATION (CONT'D)

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

l) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs to repair or enhance are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Depreciation of machinery and mobile equipment, vehicles and office furniture and equipment is calculated on a straight-line basis over a three to ten year life, as appropriate. Certain items of property, plant and equipment including the Shootaring Mill and its related assets are amortized over the estimated life of the mine using the units-of-production ("UOP") method based on the recoverable ounces from the indicated resources.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

m) INVENTORY

Inventory consists of ore stockpile. Stockpiles are physically measured or estimated and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product.

2. Significant Accounting Policies and Basis of Preparation (cont'd)

n) Restoration and environmental obligations

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

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

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

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

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

o) Revenue

Revenue from ore sales is recognized as revenue only when there is evidence of a sale arrangement, amounts are determinable, collection is reasonably assured and the Company no longer retains control over the goods sold.

3. Accounting Standards Issued But Not Yet Effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this new standard and is currently assessing the impact that it will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. ASSET ACQUISITION

On August 27, 2015 the Company closed an Asset Purchase Agreement and amendments, with Uranium One Americas Inc. ("Uranium One") to acquire the Shootaring Canyon uranium mill (the "Shootaring Mill") located in Utah, and a portfolio of conventional uranium assets including: Shootaring Mill, Velvet-Wood Project, Frank M Project, Wate and Findlay Tank Breccia Pipes, royalty portfolio and surface stockpile. (Notes 7 and 8)

Considerations included cash and share payments totalled US$7,500,000 to be paid to Uranium One and U.S. Energy Corp. ("US Energy"). The Company incurred transaction costs of $75,000 in relation to this acquisition.

The shares to be issued for the Shootaring Mill acquisition was recorded as a liability as a variable number of the Company's common shares are to be issued in settlement of the obligaitons.

Uranium One – USD $5,000,000

The Company must issue a total of up to USD $1,000,000 in shares to Uranium One and pay a total of up to USD $4,000,000 cash consideration and as follows:

(i) USD $500,000 in shares due at closing August 27, 2015 (issued 4,022,996 shares with a value of $545,772 (USD $405,735) and USD $94,265 (discounted to $125,806) in shares to be issued on or before August 27, 2016 (Notes 6 and 11));
(ii) a further USD $500,000 (discounted to $667,300) in shares to be issued on August 27, 2016 (Note 6);
(iii) USD $2,000,000 in cash paid earlier of July 1, 2017 (discounted to $2,035,229 (US$1,524,973) (Note 6)) or restart of commenrcial production; and
(iv) USD $2,000,000 in cash paid earlier of July 1, 2019 (discounted to $1,516,032 (US$1,135,946) (Note 6)) or restart of commercial prodction.

US Energy – USD $2,500,000

Concurrent with the abovementioned agreement, the Company, Uranium One and US Energy entered into an Amended Assignment and Assumption Agreement whereby the Company assumed the obligations of Uranium One relative to Uranium One's agreements with US Energy under revised terms negotiated between the Company and US Energy. These terms stated that the Company must issue a total of up to US$2,500,000 in shares to US Energy as follows:

(i) USD $750,000 due at closing August 27, 2015 (issued 7,436,505 shares with a value of $1,008,859 (Note 11));
(ii) a further USD $750,000 (discounted to $1,000,950) in shares to be issued on August 27, 2016 (Note 6); and
(iii) a further US$1,000,000 (discounted to $993,924) in shares to be issued on August 27, 2017 (Note 6).

Asset Retirement Obligations

The Company assumed the asset retirment obligations ("ARO") from the acquisition of the Shootaring Mill. The present value of the obligation at acquistion was $8,808,360 (US$6,600,000) and was allocated to the Shootaring Mill and the resource properties acquired (Note 5).

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

4. ASSET ACQUISITION (CONTINUED)

Reclamation Bonds

The Company is required to obtain replacement bonds to meet reclamation requirement of USD$9,346,014 in connection with the Shootaring Mill acquisition. Uranium One provided a cash collateral in the amount of US$7,075,807 to cause the issuance of the replacement bonds. The collateral deposit was not recorded in the Company's assets as the cash collateral was provided by Uranium One. The Company prepaid the 3% annual bond premium of US$280,380 as insurance, which would create an obligation for the surety company to cover the difference between the bond requirement and the cash collateral. The bond premium is amortized over one year. As at December 31, 2015, $248,750 (US$179,642) was recorded in prepaids.

The Company allocated the purchase price and ARO to the following assets:

	Consideration	Asset Retirement Obligations	Total
Shootaring Mill (Note 7)	$ 7,104,484	$ 8,283,542	$ 15,388,026
Resource Properties (Note 8)	473,632	524,818	998,450
Royalty Portfolio (Note 8)	78,939	-	78,939
Inventory - Stockpile	236,816	-	236,816
	$ 7,893,872	$ 8,808,360	$ 16,702,232

5. ASSET RETIREMENT OBLIGATIONS

Laws and regulations concerning environmental protection affect the Company's exploration and operations. Under current regulations, the Company is required to meet performance standards to minimize environmental impact from its activities and to perform site restoration and other closure activities. The Company's provision for future site closure and reclamation costs is based on known requirements.

The Company's determination of the environmental rehabilitation provision arising from the Shootaring Mill acquisition at December 31, 2015 was $9,402,312 (US$6,790,144). This estimate was based upon an undiscounted future cost of $10,977,517 (US$8,225,324) (2014: $Nil), an annual inflation rate of 3% and risk adjusted discount rate of 4%. The closure and reclamation expenditure is expected to be incurred in 2021.

As at December 31, 2015, the Company's provision for site reclamation and closure is as follows:

Balance, January 1, 2015	$ -
Addition	8,808,360
Accretion	243,147
Foreign exchange	350,806
Balance, December 31, 2015	$ 9,402,312

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

6. AMOUNTS OWING ON ASSET ACQUISITION

As of the closing date of the Shootaring Mill acquisition, the Company issued 11,459,501 common shares (Notes 4 and 11) in settlement of US$1,155,735 ($1,554,631)owing on the acquisition. The remaining balances owing were fair valued at a discount rate of 15%. As at December 31, 2015, the balances of the amount owing is as follows:

Balance, January 1, 2015	$ -
Addition	6,339,241
Accretion	225,505
Foreign exchange	256,658
Balance, December 31, 2015	$ 6,821,404

Short Term	$ 1,861,404
Long Term	4,960,000
	$ 6,821,404

7. PROPERTY, PLANT, AND EQUIPMENT

	Equipment (United States)	Equipment (Chile)	Total
Cost:			
December 31, 2013	$ 20,405	$ 137,994	$ 158,399
Discontinued operations	–	(137,994)	(137,994)
Foreign exchange	3,348	-	3,348
December 31, 2014	23,753	-	23,753
Amortization:			
December 31, 2013	3,254	20,277	23,531
Charge for the year	5,101	7,666	12,767
Discontinued operations	-	(27,943)	(27,943)
Foreign exchange	1,314	-	1,314
December 31, 2014	9,669	-	9,669
Net Book Value:			
December 31, 2014	**$ 14,084**	**$ -**	**$ 14,084**

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

7. PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

	Equipment (United States)	Shootaring Mill (United States)	Total
Cost:			
December 31, 2014	$ 23,753	$ -	$ 23,753
Addition		15,388,026	15,388,026
Foreign exchange	4,599	646,668	651,267
December 31, 2015	28,352	16,034,694	16,063,046
Amortization:			
December 31, 2014	9,669	-	9,669
Charge for the year	6,546	-	6,546
Foreign exchange	2,415	-	2,415
December 31, 2015	18,630	-	18,630
Net Book Value:			
December 31, 2015	**$ 9,722**	**$ 16,034,694**	**$ 16,044,416**

During the year ended December 31, 2015, $6,546 (2014 - $5,101) was included in amortization expense and $Nil (2014 - $7,666) was included in discontinued operations.

During the year ended December 31, 2015, the Company acquired the Shootaring Mill located in Hanksville, Utah (Note 4).

No amortization was recorded on the mill during the year ended December 31, 2015.

8. EVALUATION AND EXPLORATION ASSETS

As at December 31, 2015, the Company held interests in three copper exploration properties in Arizona; the Northstar Property along with the Binghampton and Copper Queen properties. The Company also holds interests in uranium exploration properties in Colorado, Utah and Arizona ("Uranium Properties").

A summary of acquisition costs included in exploration and evaluation assets are as follows:

	North Star	Aura	Binghampton	Copper Queen	Uranium Properties	Total
Balance December 31, 2013	**$ 576,735**	**$ 160,898**	**$ 250,869**	**$ 585,361**	**$ 8,113**	**$1,581,976**
Acquisition costs	-	-	15,000	35,000	2,114,354	**2,164,354**
Foreign exchange	40,604	-	21,277	49,646	688	**112,215**
Impairment	(385,243)	-	-	-	-	**(385,243)**
Discontinued operations	-	(160,898)	-	-	-	**(160,898)**
Balance December 31, 2014	**232,096**	**-**	**287,146**	**670,007**	**2,123,155**	**3,312,404**
Acquisition costs	-	-	11,000		1,077,389	**1,088,389**
Disposal					(23,001)	**(23,001)**
Impairment	(237,925)	-	(325,981)	(734,953)	(1,059,145)	**(2,358,004)**
Foreign exchange	25,221	-	27,835	64,946	3,577	**121,579**
Balance December 31, 2015	**$ 19,392**	**$ -**	**$ -**	**$ -**	**$ 2,121,975**	**$ 2,141,367**

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

8. EVALUATION AND EXPLORATION ASSETS (CONTINUED)

The following exploration and evaluation expenditures were included in comprehensive loss are as follows:

	Year Ended December 31, 2015	Year Ended December 31, 2014
Consulting	**$ 73,990**	$ 9,094
Geology and geophysics	**62,890**	187,119
License and filing	**141,310**	170,893
Sundry Field	**-**	77,698
Total for the year	**$ 278,190**	$ 444,804

a) NORTH STAR PROPERTY

The Company owns a 100% interest in the North Star Property.

b) AURA PROJECT, BINGHAMPTON AND COPPER QUEEN PROPERTIES

During the year ended December 31, 2015, the Company fully impaired the Binghampton and Copper Queen properties as no further work is planned for these properties.

During the year ended December 31, 2014, the Aura Mine Project was discontinued (Note 17).

c) URANIUM PROPERTIES

i) UTAH URANIUM PROJECT

In December 2013, the Company's application for mining leases in the state of Utah was accepted and nine mineral leases on Utah State Trust Land had been granted. The costs to acquire these leases totaled to $8,113.

ii) MAG PROJECT

On October 29, 2013, the Company entered into an option agreement with MAG Exploration Services Inc. to acquire a 100% interest in 109 mineral claims located in Utah and 24 mineral claims located in Arizona.

Under the terms of the agreement, the Company is required to pay a total of US$600,000 in cash and issue 1,500,000 shares to be held in escrow (825,000 shares released at the date of this report) for a period of three years from issuance, as follows:

Date	Cash Payments	Shares issuances
On acceptance by TSX.V (paid; issued with a fair value of $510,000)	US$ 100,000	1,500,000
To be paid on or before July 24, 2015	150,000	–
To be paid on or before January 24, 2016	150,000	–
To be paid on or before January 24, 2017	200,000	–
Total Consideration	**US$ 600,000**	**1,500,000**

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

8. EVALUATION AND EXPLORATION ASSETS (CONTINUED)

On April 8, 2015, the Company signed a second option amendment agreement, which extended the first anniversary payment due date from January 24, 2015 to July 24, 2015. At the date of these financial statements the US$150,000 was not yet paid.

iii) YELLOW ROCK PROJECT

On January 20, 2014, the Company entered into an option agreement with Yellow Rock Resources Inc. ("Yellow Rock") to acquire a 100% interest in 130 unpatented mineral claims located in Utah, for consideration of 1,250,000 common shares to be held in escrow (687,500 shares released at the date of this report) for a period of three years from issuance, and US$500,000 cash payments as follows:

Date	Cash Payments	Shares issuances
On acceptance by TSX.V (paid; issued with a fair value of $500,000) (Note 11)	US$ 100,000	1,250,000
To be paid on or before August 6, 2015	100,000	–
To be paid on or before February 6, 2016	150,000	–
To be paid on or before February 6, 2017	150,000	–
Total Consideration	**US$ 500,000**	**1,250,000**

On April 13, 2015, the Company signed a second option amendment agreement, which extended the first anniversary payment due date from February 6, 2015 to August 6, 2015. At the date of these financial statements the US$100,000 was not yet paid.

iv) STAKING

During February 2014 the Company increased its holding in Utah by staking an additional 51 new unpatented uranium claims in four areas.

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

8. EVALUATION AND EXPLORATION ASSETS (CONTINUED)

v) **ALAMOSA MINING**

On May 6, 2014, the Company entered into an option agreement with Alamosa Mining Corp. ("Alamosa") to acquire a 100% interest in 239 mineral claims located in Colorado for consideration of 1,950,000 common shares and US$600,000 cash payments to pay in installments over a period of three years, as follows:

Date	Cash Payments	Shares issuances
On execution of agreement (paid)	US$ 100,000	-
On acceptance by TSX.V (issued with a fair value of $760,500) (Note 11)		1,950,000
To be paid on or before December 6, 2015	150,000	–
To be paid on or before June 6, 2016	150,000	–
To be paid on or before June 6, 2017	200,000	–
Total Consideration	**US$ 600,000**	**1,950,000**

On April 8, 2015, the Company signed an amended option agreement, which extended the first anniversary payment due date from June 6, 2015 to December 6, 2015. At the date of these financial statements, the US$150,000 was not yet paid.

During the year ended December 31, 2015, the Company allowed certain claims in the MAG Project, Yellow Rock Project, and Alamosa Mining to lapsed, resulting an impairment of $1,059,145 recorded in the statements of comprehensive loss.

vi) **VELVET WOOD PROJECT** (Note 4)

The Velvet Wood Project is a uranium project, located in San Juan County, Utah.

vii) **FRANK M PROJECT** (Note 4)

The Frank M deposit is located approximately 12 km north of the Shootaring Mill.

viii) **WATE PROJECT** (Note 4)

The Company acquired a 50% interest in the Wate Breccia Pipe ("Wate") in Northern Arizona, with the other 50% interest owned by Energy Fuels Inc. ("Energy Fuel"). On October 13, 2015, the Company sold its 50% interest to Energy Fuels for US$550,000 as follows:

i) US$275,000 Cash on closing (received on October 27, 2015) and;
ii) US$275,000 in Shares from Energy Fuels on closing (issued on October 27, 2015 with a fair value of $379,380.

A gain of $651,977 was recorded as the result of this sale transaction.

ix) **ROYALTY PORTFOLIO** (Note 4)

Royalty arrangements in four uranium projects. The royalty projects are not currently in production, and no royalty would be due to the Company until commencement of production.

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2015	December 31, 2014
Trade payables	$ 994,560	$ 609,416
Accrued liabilities	27,000	206,000
	$ 1,021,560	**$ 815,416**

10. CONVERTIBLE DEBENTURE

On October 18, 2015, the Company raised $500,000 through a secured convertible debenture at an interest rate of 15% per annum maturing in 12 months. At anytime before maturiy, the holder can convert to units of the Company at US$0.12 per unit. Each unit is comprised of one common share and one share purchase warrant with each warrant entitling the holder to acquire one common share at an exercise price of U$0.15 per share for a period of 12 months.

The conversion price is denominated in a currency that is different from the Company's function currency. IFRS required that the conversion right to be accounted as a derivative liability as the Company will be obliged to issue a variable number of shares upon conversion. The Company determined the fair value of the derivative liability to be $179,900 using the Black-Sholes Option Pricing Model with the following assumptions: Expected dividend yield – 0%; Volatility – 145%; Risk-free interest rate – 0.79%; Expected life: ½ year. There was no value attributed to the equity component. The Company incurred transaction costs of $31,250 in relation to this debenture.

On October 26, 2015, the Company made a repayment of $379,380 (US$275,000).

As at December 31, 2015, the Company's convertible debenture is as follows:

	Principal	Derivative Liabilities	Transaction Costs	Total
At inception	$ 320,100	$ 179,900	$ (31,250)	$ 468,750
Repayment	(240,997)	(138,383)	-	(379,380)
Interest expense	46,936	-	11,719	58,655
Interest paid	(46,936)	-	-	(46,936)
Unrealized loss	-	4,983	-	4,983
Balance, December 31, 2015	$ 79,103	$ 46,500	$ (19,531)	$ 106,072

As at December 31, 2015 the contractual cash flows for the convertible debt based on contractual maturiy date of August 18, 2016 is $120,620.

As at December 31, 2015, the Company determined the fair value of the derivative liability to be $46,500 using the Black-Sholes Option Pricing Model with the following assumptions: Expected dividend yield – 0%; Volatility – 145%; Risk-free interest rate – 0.79%; Expected life: ½ year.

11. SHARE CAPITAL

a) AUTHORIZED SHARE CAPITAL

Unlimited number of common shares without par value.

b) ISSUED SHARE CAPITAL

As at December 31, 2015, the Company had 40,636,323 (December 31, 2014 – 20,313,322) issued and fully paid common shares, of which 1,237,500 (December 31, 2014 – 2,262,500) were held in escrow.

c) SHARES FOR PROPERTY, PLANT AND EQUPMENT

i) On August 27, 2015 the Company issued 7,436,505 common shares to US Energy with a fair value of $1,189,841 (USD $750,000) pursuant to the Shootaring Mill acquisition (Note 4). A loss of $180,982 was recorded to recognize the difference between the fair value of the shares issued and the contract purchase price per the agreement.

ii) On August 27, 2015 the Company issued 4,022,996 common shares to Uranium One with a fair value of $643,679 (USD $405,735) pursuant to the Shootaring Mill Acquisition (Note 4). A loss of $97,907 was recorded to recognize the difference between the fair value of the shares issued and the contract purchase price per the agreement.

iii) On May 15, 2015 the Company issued 100,000 common shares with a fair value of $11,000 pursuant to the Binghampton option agreement (Note 8).

iv) On June 6, 2014 the Company issued 1,950,000 common shares to with a fair value of $760,500 pursuant to the Alamosa Mining option agreement (Note 8).

v) On May 16, 2014 the Company issued 100,000 common shares with a fair value of $50,000 pursuant to the Binghampton option agreement (Note 8).

vi) On February 6, 2014, the Company issued 1,250,000 common shares with a fair value of $500,000 pursuant to the Yellow Rock option agreement (Note 8).

vii) On January 24, 2014, the Company issued 1,500,000 common shares with a fair value of $510,000 pursuant to the MAG Project option agreement (Note 8).

11. SHARE CAPITAL (CONTINUED)

d) PRIVATE PLACEMENTS

i) On August 26, 2015, the Company completed a private placement of 5,500,000 units at $0.10 for gross proceeds of $550,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at $0.15 per warrant for a term of two years. In connection with the private placement, the Company incurred cash share issuance costs of $6,125.

ii) On January 28, 2015, the Company completed a private placement of 3,263,500 units at $0.20 for gross proceeds of $652,700. Each unit is comprised of one common share and one common share purchase warrant exercisable at $0.25 per warrant for a term of one year. In connection with the private placement, the Company incurred cash share issuance costs of $4,760.

iii) On March 14, 2014, the Company completed a private placement of 1,406,600 units at $0.50 for gross proceeds of $703,300. Each unit is comprised of one common share and one common share purchase warrant exercisable at $0.65 per warrant for a term of one year.

iv) On February 12, 2014, the Company completed a private placement of 2,370,741 units at $0.27 for gross proceeds of $640,100. Each unit is comprised of one common share and one common share purchase warrant exercisable at $0.40 per warrant for a term of 18 months. The warrants have a forced conversion clause whereby in the event the Company's shares trade at $0.80 or higher for 21 days, the warrant holders are obligated to exercise the warrants.

v) On January 23, 2014, the Company completed a private placement of 2,769,665 units at $0.25 for gross proceeds of $692,416. Each unit is comprised of one common share and one common share purchase warrant exercisable at $0.40 per warrant for a term of one year. The obligation to issue shares of $330,916 at December 31, 2013 was settled with this private placement. The Company issued 14,000 finder's warrants with a fair value of $2,734 exercisable at $0.40 per warrant for a term of one year. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: volatility – 170%; expected life – 1 year; risk-free rate – 1.64%; and dividend yield – 0%.

vi) In connection with the private placements, the Company incurred $37,374 in share issuance costs, which included the fair value of finder's warrants of $2,734 and cash share issuance costs of $34,640.

vii) On May 15, 2014 the Company issued 10,594 shares with a fair value of $3,708 to extinguish debt of $3,708.

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

11. SHARE CAPITAL (CONTINUED)

viii) During the year ended December 31, 2014, the Company issued 225,000 common shares upon exercise of 225,000 warrants at $0.40 for gross proceeds of $90,000.

ix) During the year ended December 31, 2014, the Company issued 135,000 common shares upon exercise of 135,000 options at $0.32 for gross proceeds of $43,200. The fair value of these options of $71,866 was reallocated from stock option reserve to share capital upon excercise.

e) WARRANTS

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise price
Balance December 31, 2013	**586,672**	$ 2.50
Warrants granted	6,561,006	0.45
Warrants exercised	(225,000)	0.40
Warrants expired	(250,000)	2.50
Balance at December 31, 2014	**6,672,678**	**0.56**
Warrants granted	8,763,500	0.19
Warrants expired	(4,053,013)	0.66
Balance at December 31, 2015	**11,383,165**	**$ 0.24**

The weighted average remaining life of the warrants oustanding as at December 31, 2015 is 0.83 years (December 31, 2014 – 0.69 years).

Details of warrants outstanding as at December 31, 2015 are as follows:

Number of warrants outstanding	Exercise price	Expiry
2,619,665	$0.40	January 22, 2016*
3,263,500	$0.25	January 27, 2016*
5,500,000	$0.15	August 25, 2017
11,383,165		

*Expired unexercised subsequent to December 31, 2015.

11. SHARE CAPITAL (CONTINUED)

f) 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 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to a maximum of five years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all investor relation activities and consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position. With the exception of options granted for investor relations, all options granted typically vest on the grant date.

i) On September 23, 2015, the Company granted 68,000 common share purchase options to an employee of the Company. The options are exercisable at $0.20 per share and will expire on September 22, 2020. The options vested immediately. The fair value ascribed to the options was determined to be $7,711 using the Black-Scholes Option Pricing Model and $7,711 was included in the statement of comprehensive loss for year ended December 31, 2015.

ii) On September 3, 2015, the Company granted 2,300,000 common share purchase options to directors and consultants of the Company. The options are exercisable at $0.20 per share and will expire on September 3, 2020. The options vested immediately. The fair value ascribed to the options was determined to be $369,085 using the Black-Scholes Option Pricing Model and $369,085 was included in the statement of comprehensive loss for the year ended December 31, 2015.

iii) On September 25, 2014, the Company granted 556,932 common share purchase options to directors, consultants, employees and an investor relations consultant of the Company. The options are exercisable at $0.50 per share and will expire on September 24, 2019. The options vested immediately except for the investor relations options that vest 25% quarterly. The fair value ascribed to the options was determined to be $217,873 using the Black-Scholes Option Pricing Model and $36,049 (2014 - $181,824) was included in the statement of comprehensive loss for the year ended December 31, 2015.

iv) On March 27, 2014, the Company re-priced 345,400 existing options to $0.32 per share and maintained the previously set expiry dates. The options have a four month vesting period. The incremental fair value ascribed to the options was determined to be $42,905 using the Black-Scholes Option Pricing Model and was included in the statement of comprehensive loss for the year ended December 31, 2014.

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

11. SHARE CAPITAL (CONTINUED)

f) STOCK OPTIONS (CONT'D)

v) On February 26, 2014, the Company granted 37,000 common share purchase options to a consultant of the Company. The options are exercisable at $0.44 per share and will expire on February 25, 2019. The options vested immediately. The fair value ascribed to the options was determined to be $18,635 using the Black-Scholes Option Pricing Model and was included in the statement of comprehensive loss for the year ended December 31, 2014.

vi) On February 12, 2014, the Company granted 325,000 common share purchase options to consultants and employees of the Company. The options are exercisable at $0.33 per share and will expire on February 11, 2019. The options vested immediately. The fair value ascribed to the options was determined to be $118,850 using the Black-Scholes Option Pricing Model and was included in the statement of comprehensive loss for the year ended December 31, 2014.

vii) On February 3, 2014, the Company granted 941,000 common share purchase options to directors, officers, consultants and employees of the Company. The options are exercisable at $0.32 per share and will expire on February 2, 2019. The options vested immediately. The fair value ascribed to the options was determined to be $343,780 using the Black-Scholes Option Pricing Model and was included in the statement of comprehensive loss for the year ended December 31, 2014.

The fair value of these options was estimated on the date of grant using the Black-Scholes Option Pricing Model, with the following assumptions:

	December 31, 2015	December 31, 2014
Expected dividend yield	0%	0%
Volatility	145%	144% - 148%
Risk-free interest rate	0.79%	1.56% - 1.63%
Expected life	5 years	5 years

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

11. SHARE CAPITAL (CONTINUED)

f) STOCK OPTIONS (CONT'D)

The changes in options during the period ended December 31, 2015 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance December 31, 2013	397,900	1.88
Options granted	1,859,932	0.38
Options exercised	(135,000)	0.32
Options forfeited or expired	(102,500)	1.06
Balance December 31, 2014	2,020,332	$ 0.37
Options granted	2,368,000	0.20
Options exercised	-	-
Options cancelled	(325,000)	0.46
Balance December 31, 2015	4,063,332	$ 0.27

The weighted average remaining life of the outstanding options at December 31, 2015 was 3.89 years (December 31, 2014 – 3.92 years).

Details of options outstanding as at December 31, 2015 are as follows:

Number of options outstanding	Exercise price	Expiry
160,000	$0.32	April 25, 2016*
60,000	$0.32	April 8, 2017
77,900	$0.32	July 29, 2017
30,000	$0.32	November 26, 2017
7,500	$0.32	June 5, 2018
816,000	$0.32	February 2, 2019
200,000	$0.33	February 11, 2019
37,000	$0.44	February 25, 2019
306,932	$0.50	September 24, 2019
2,300,000	$0.20	September 3, 2020
68,000	$0.20	September 22, 2020
4,063,332		

*Expired unexercised subsequent to December 31, 2015

RESERVES

Stock options reserve

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

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

11. SHARE CAPITAL (CONTINUED)

Warrants reserve

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

Foreign exchange reserve

The foreign exchange reserve recognizes the foreign exchange differences resulting from translation of group entities to the presentation currency that have a different functional currency than the presentation currency.

12. INCOME TAX

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2015	December 31, 2014
Loss before income taxes	$ (4,178,798)	$ (3,430,779)
Statutory tax rate	26.0%	26.0%
Expected tax recovery	(1,086,487)	(892,003)
Non-deductible expenses and other	177,562	345,843
Temporary differences	(328,817)	65,112
Impact of foreign exchange	22,117	(87,733)
Impact of tax rate changes	-	(358,418)
Change in valuation allowance	1,215,625	927,199
	$ -	**$ -**

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized and that can be carried forward indefinitely.

	December 31, 2015	December 31, 2014
Non-capital losses – Canada	$ 4,202,721	$ 3,365,494
Non-capital losses – United States	1,418,473	647,268
Equipment tax pools – United States	(4,886)	(7,445)
Exploration and evaluation assets – Canada	196,032	196,032
Exploration and evaluation assets – United States	6,260,765	3,187,565
Share issuance costs	60,553	69,263
	$ 12,133,658	**$ 7,458,177**

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

12. INCOME TAX (CONTINUED)

The tax pools relating to these deductible temporary difference expire as follows:

	Canadian non-capital losses	Canadian resource pools	United States tax losses	United States resource pools	United States equipment pools	Share issue costs
2030	$ 100,712	$ -	$ -	$ -	$ -	$ -
2031	220,625	-	-	-	-	-
2032	586,968	-	-	-	-	-
2033	717,523	-	117,916	-	-	-
2034	1,566,222	-	1,300,557	-	-	-
2035	1,010,671	-	-	-	-	-
No expiry	-	196,032	-	7,857,612	4,886	60,553
	$ 4,202,721	**$ 196,032**	**$ 1,418,473**	**$7,857,612**	**$ 4,886**	**$60,553**

13. RELATED PARTY TRANSACTIONS AND BALANCES

a) RELATED PARTY BALANCES

As at December 31, 2015, an amount of $657,090 (2014 – $976,966) was owed to related parties. These amounts are unsecured, non-interest bearing and has no fixed terms of repayment.

b) RELATED PARTY TRANSACTIONS

The Company incurred the following transactions with companies that are controlled or managed by directors of the Company:

	For the year ended	
	December 31, 2015	**December 31, 2014**
Exploration and evaluation expenditures	$ 22,584	$ 103,400
Consulting fees (i)	-	72,370
Management fees (i)	445,085	383,394
Administration fees (i)	30,224	-
	$ 497,893	**$ 559,164**

Key management compensation:

	For the year ended	
	December 31, 2015	**December 31, 2014**
Share based payments	$ 216,637	$ 263,238
Administration fees (i)	-	6,700
Consulting fees (i)	23,021	72,370
Management fees (i)	445,085	383,394
	$ 684,743	**$ 725,702**

(i) These expenses are included in general and administrative expenses in the statement of comprehensive loss.

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

14. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties. The Company's assets and liabilities are geographically segmented as follows:

	Canada	United States	Total
December 31, 2015			
Exploration and evaluation assets	$ –	$ 2,141,367	$ 2,141,367
Property, plant and equipment	–	16,044,416	16,044,416
Other assets	294,222	512,529	806,751
Liabilities	(1,395,261)	(16,613,177)	(18,008,438)
	$ (1,101,039)	**$ 2,085,135**	**$ 984,096**
December 31, 2014			
Exploration and evaluation assets	$ –	$ 3,312,404	$ 3,312,404
Equipment	–	14,084	14,084
Other assets	63,599	–	63,599
Liabilities	(1,385,343)	(407,039)	(1,792,382)
	$ (1,321,744)	**$ 2,919,449**	**$ 1,597,705**

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the evaluation and exploration of its mineral exploration properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of share capital as well as cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company is not subject to any externally imposed capital requirements. There were no changes during the year to management's approach to capital management. The Company's investment policy is to invest its excess cash in highly liquid investments that are readily convertible into cash with maturities of three months or less from the original date of acquisition or when it is needed, selected with regards to the expected timing of expenditures from continuing operations.

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

16. Financial Instruments

a) Fair value

The carrying values of cash, accounts payable and due to related parties, convertible debentures derivative liabilities and amounts owing on asset acquisition approximate their fair values due to the relatively short period to maturity of those financial instruments. Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3: Inputs that are not based on observable market data.

As at December 31, 2015 and 2014, the financial instruments recorded at fair value on the statement of financial position is cash which is measured using Level 1 and derivative liability using level 3 of the fair value hierarchy

b) Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2015	December 31, 2014
Fair value through profit and loss:		
Cash	$ 167,231	$ 7,492

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2015	December 31, 2014
Non-derivative financial liabilities:		
Trade payables	$ 994,560	$ 609,416
Convertible debentures	59,572	-
Amounts owing on asset acquisition	6,821,404	-
Due to related parties	657,090	976,966
	8,532,626	1,586,382
Derivative liability	46,500	-
	$ 8,579,126	$ 1,586,382

c) Financial risk management

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. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies.

16. FINANCIAL INSTRUMENTS (CONT'D)

c) 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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

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's debt is subject to a fixed interest rate; therefore, it does not expose to interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The foreign currency risk for the Company is low as the foreign currencies held are in the functional currency of the entities.

Commodity Risk

Commodity risk is the risk that the value of future cash flows and profits will fluctuate based on the prices of commodities. The Company is exposed to changes in the price of commodities. Changes in the price of commodities will impact the Company's ability to obtain financing to explore its mineral properties.

As at December 31, 2015, the Company has no contracts or agreements in place to mitigate these price risks.

(Expressed in Canadian Dollars) Years ended December 31, 2015 and 2014

17. DISCONTINUED OPERATIONS

During the year ending December 31, 2014, due to persistent challenges in attempting to create a viable and sustainable mining operation at Aura, the Company made the decision to abandon the Aura Mine Project (Note 8).

The results of the discontinued operations for the year ended December 31, 2014 is presented as follows:

		December 31, 2014
Revenue	$	44,005
Cost of goods sold		(27,438)
Gross profit (loss)		16,567
Operating expenses		(104,021)
Reversal of foreign exchange reserve		12,684
Loss from discontinued operations		(74,770)
Carrying value of net assets disposed		(270,949)
Loss from discontinued operations	**$**	**(345,719)**

18. SUBSEQUENT EVENTS

a) The Company closed a non-brokered private placement for 7,200,000 units at $0.05 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at $0.10 for a two year term.

b) Subsequent to December 31, 2015, 5,883,165 warrants and 160,000 stock options expired unexercised (Note 11)