RADIUS GOLD INC.

FINANCIAL REVIEW

Fiscal Year Ended December 31, 2015

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the shareholders of Radius Gold Inc.

We have audited the accompanying consolidated financial statements of Radius Gold Inc. and its subsidiaries, 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 each of the years in the three-year period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB), 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 and the standards of the Public Company Accounting Oversight Board (United States). 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 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 Radius Gold Inc. and its subsidiaries as at December 31, 2015 and 2014, and its financial performance and cash flows for each of the years in the three-year period ended December 31, 2015, in accordance with International Financial Reporting Standards, as issued by the IASB.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants

Vancouver, Canada
April 29, 2016

RADIUS GOLD INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at:		December 31, 2015		December 31, 2014
ASSETS				
Current assets				
Cash and cash equivalents (Note 5)	$	151,861	$	1,238,372
Available-for-sale investments (Note 6)		4,252,417		5,561,555
Receivables (Note 7)		784,764		878,718
Due from related party (Note 15)		8,224		-
Prepaid expenses and deposits (Note 15)		59,653		72,277
Total current assets		5,256,919		7,750,922
Non-current assets				
Long-term deposits (Note 15)		123,597		143,464
Property and equipment (Note 8)		78,166		114,271
Mineral and royalty interests (Note 10)		1,259,506		563,391
Investment in associates (Note 9)		369,829		473,001
Total non-current assets		1,831,098		1,294,127
TOTAL ASSETS	**$**	**7,088,017**	$	9,045,049
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 15)	$	106,407	$	121,590
Shareholders' equity				
Share capital (Note 12)		56,592,613		56,592,613
Other equity reserve		6,636,658		6,636,658
Deficit		(56,382,369)		(54,506,920)
Accumulated other comprehensive income		134,708		201,108
Total shareholders' equity		6,981,610		8,923,459
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**7,088,017**	$	9,045,049

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON APRIL 29, 2016 BY:

"Simon Ridgway", Director
Simon Ridgway

"William Katzin", Director
William Katzin

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

RADIUS GOLD INC.
CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS
For the years ended December 31, 2015, 2014 and 2013
(Expressed in Canadian Dollars)

	2015	2014	2013
Royalty Revenue (Note 10)	$ 1,098,912	$ -	$ -
Exploration expenditures	532,313	1,354,815	1,039,309
Write-down of exploration and evaluation assets (Note 10)	587,211	86,753	171,815
	1,119,524	1,441,568	1,211,124
General and administrative expenses			
Amortization	37,393	45,338	47,738
Consulting fees (Note 15)	-	-	28,000
Legal and audit fees	205,117	76,025	99,698
Management fees (Note 15)	102,000	102,000	79,500
Office and miscellaneous (Note 15)	182,218	197,982	143,875
Property investigations (Note 15)	56,849	147,638	101,009
Salaries and benefits (Note 15)	140,041	108,828	248,635
Shareholder communications (Note 15)	28,897	19,948	34,792
Transfer agent and regulatory fees (Note 15)	31,099	14,396	18,302
Travel and accommodation (Note 15)	19,056	46,407	42,507
	802,670	758,562	844,056
Loss before other (expenses)/income	(823,282)	(2,200,130)	(2,055,180)
Other income (expenses)			
Share of post-tax losses of associates (Note 9)	(243,000)	(57,000)	(493,318)
Gain on dilution in associated company (Note 9)	85,743	-	-
Gain on loan conversion (Note 10)	180,000	-	-
Foreign currency exchange gain (loss)	95,660	(4,410)	4,007
Gain on disposal of property and equipment	14,720	-	-
Gain (loss) on sale of available-for-sale investments (Note 6)	(29,787)	1,289,708	81,217
Impairment on available-for-sale investments (Note 6)	(1,642,154)	(441,320)	(5,934,443)
Gain from mineral property option agreements (Note 10)	60,661	-	98,590
Investment income	17,293	43,245	22,141
Recovery (write-off) of receivables, net (Note 10)	408,697	-	(10,777)
Net loss for the year	**$ (1,875,449)**	**$ (1,369,907)**	**$ (8,287,763)**
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains (losses) on available-for-sale investments (Note 6)	(66,400)	(923,403)	517,005
Total comprehensive loss	**$ (1,941,849)**	**$ (2,293,310)**	**$ (7,770,758)**
Basic and diluted loss per share	$(0.02)	$(0.02)	$(0.10)
Weighted average number of common shares outstanding	86,675,617	86,675,617	86,675,617

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

RADIUS GOLD INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2015, 2014 and 2013
(Expressed in Canadian Dollars)

	Number of common shares		Share capital		Other equity reserve		Accumulated other comprehensive income		Accumulated deficit		Total
Balance, December 31, 2012	86,675,617	$	56,592,613	$	6,636,658	$	607,506	$	(44,849,250)	$	18,987,527
Loss for the year	-		-		-		-		(8,287,763)		(8,287,763)
Available-for-sale investments	-		-		-		517,005		-		517,005
Balance, December 31, 2013	86,675,617		56,592,613		6,636,658		1,124,511		(53,137,013)		11,216,769
Loss for the year	-		-		-		-		(1,369,907)		(1,369,907)
Available-for-sale investments	-		-		-		(923,403)		-		(923,403)
Balance, December 31, 2014	86,675,617		56,592,613		6,636,658		201,108		(54,506,920)		8,923,459
Loss for the year	-		-		-		-		(1,875,449)		(1,875,449)
Available-for-sale investments	-		-		-		(66,400)		-		(66,400)
Balance, December 31, 2015	**86,675,617**	**$**	**56,592,613**	**$**	**6,636,658**	**$**	**134,708**	**$**	**(56,382,369)**	**$**	**6,981,610**

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

RADIUS GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015, 2014 and 2013
(Expressed in Canadian Dollars)

	2015	2014	2013
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net loss for the year	$ (1,875,449)	$ (1,369,907)	$ (8,287,763)
Items not involving cash:			
Amortization	37,393	45,338	47,738
Gain from mineral property option agreements	(60,661)	-	(98,590)
Gain from disposal of property and equipment	(14,720)	-	-
Write off receivables	14,358	-	10,777
Write off of exploration and evaluation costs	587,211	86,753	171,815
Investment income	-	-	(22,141)
Impairment of available-for-sale investments	1,642,154	441,320	5,934,443
Loss (gain) on sale of available-for-sale investments	29,787	(1,289,708)	(81,217)
Gain on loan conversion	(180,000)	-	-
Share of post-tax losses of associates	243,000	57,000	493,318
Gain on dilution in associated company	(85,743)	-	-
	337,330	(2,029,204)	(1,831,620)
Changes in non-cash working capital items:			
Receivables	(742,146)	(3,999)	3,857
Prepaid expenses and deposits	12,624	71,704	(10,903)
Long-term deposits	19,867	(8,841)	-
Due from related parties	(8,224)	33,817	83,130
Accounts payable and accrued liabilities	(15,184)	18,531	(152,242)
Cash used in operating activities	(395,733)	(1,917,992)	(1,907,778)
INVESTING ACTIVITIES			
Proceeds from loan repayment and interest payment	521,742	-	-
Purchase of marketable securities and investments	(366,200)	-	-
Loan advanced	-	(800,000)	-
Investment in associates	(54,085)	(830,000)	-
Expenditures on exploration and evaluation asset acquisition costs	(1,283,326)	(118,775)	(171,815)
Investment income	-	-	22,141
Proceeds from mineral property option agreements	60,661	-	49,295
Proceeds from sale of available-for-sale investments	416,998	3,350,858	2,575,812
Proceeds from disposition of property and equipment	14,720	-	-
Purchase of property and equipment	(1,288)	(6,507)	(1,234)
Cash provided by (used for) investing activities	(690,778)	1,595,576	2,474,199
(Decrease)/increase in cash and cash equivalents	**(1,086,511)**	**(322,416)**	**566,421**
Cash and cash equivalents, beginning of year	1,238,372	1,560,788	994,367
Cash and cash equivalents, end of year	**$ 151,861**	**$ 1,238,372**	**$ 1,560,788**

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

1. CORPORATE INFORMATION

Radius Gold Inc. (the "Company") was formed by the amalgamation of Radius Explorations Ltd. and PilaGold Inc. effective on July 1, 2004.

The Company is domiciled in Vancouver, Canada and is engaged in acquisition and exploration of mineral properties or investment in companies which hold mineral property interests. The address of the Company's head office is 650 – 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

In April 2015, the Company received approval from its shareholders and the TSX Venture Exchange (the "TSXV") for the change of its business from that of a mineral exploration issuer to an investment issuer. Effective April 30, 2015, the Company's shares commenced trading on the TSXV as a Tier 1 Investment Issuer. There were no changes in the Company's management, board of directors, trading symbol or CUSIP number as a result of the change in business.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated 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").

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, as modified by any revaluation of available-for-sale financial assets.

The consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Nature of Operations

These financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. A wholly owned subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation. Subsidiaries are deconsolidated from the date control ceases.

Details of the Company's principal subsidiaries at December 31, 2015 are as follows:

Name	Place of Incorporation	Interest %	Principal Activity
Minerales Sierra Pacifico S.A.	Guatemala	100%	Exploration company
Radius Gold (U.S.) Inc.	Nevada, USA	100%	Exploration company
Geometales Del Norte-Geonorte	Mexico	100%	Exploration company
Radius (Cayman) Inc	Cayman Islands	100%	Investment Holding company

b) Revenue Recognition

Royalty revenue is measured at fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement. For royalty interests, revenue recognition generally occurs in the month of production from the royalty property.

Royalty revenue may be subject to adjustment upon final settlement of estimated metal prices, weights, and assays. Adjustments recorded upon final settlement are offset against revenue when incurred. Variations between the estimated price recorded upon production and the actual final price set upon final settlement are caused by changes in market commodity prices, and result in an embedded derivative in the receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included as a component of royalty revenue. Given the small difference between current and future gold prices, the value of the embedded derivative is nominal and not recorded for the year ended December 31, 2015.

c) Investment in Associates

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost. The Company's share of post-acquisition profits and losses is recognized in the consolidated statement of profit or loss and other comprehensive income, except that losses in excess of the Company's investment in the associate are not recognized unless there is an obligation to fund those losses.

Profits and losses arising on transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Such adjustments to the carrying amount are charged to operations as a gain or loss on dilution in the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

d) Foreign Currency Translation

The functional and presentation currency of the Company and its principal subsidiaries is the Canadian dollar. Transactions denominated in a currency other than an entity's functional currency are translated as follows: unsettled monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the date of the statement of financial position and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

e) Cash and Cash Equivalents

Cash and cash equivalents includes cash at banks and on hand, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change of value.

f) Mineral and Royalty Interests

Exploration and evaluation assets

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares issued on acquisition, at the earlier of the date the counterparty's performance is complete or the share issuance date. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be capitalized. On transfer to development properties, capitalized exploration and evaluation assets are assessed for impairment.

Options are exercisable entirely at the discretion of the optionee and amounts received from optionees in connection with option agreements are credited against the capitalized acquisition costs classified as exploration and evaluation assets on the statement of financial position and amounts received in excess are credited to gain from exploration and evaluation asset option agreements on the statement of profit or loss and other comprehensive income.

Where the Company has entered into option agreements to acquire interests in exploration and evaluation assets that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the Company's option. Option payments are recorded as exploration and evaluation costs when the payments are made or received and the share issuances are recorded as exploration and evaluation costs using the fair market value of the Company's common shares at the earlier of the date the counterparty's performance is complete or the share issuance date.

The Company is in the process of exploring and developing its exploration and evaluation assets and has not yet determined the amount of reserves available. Management reviews the carrying value of exploration and evaluation assets on a periodic basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company will test the asset for impairment based upon a variety of factors, including current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the asset or from the sale of the asset. Amounts shown for exploration and evaluation assets represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals would be when the actual environmental disturbance occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

f) Mineral Interests and Royalties – (cont'd)

Royalties

Royalty interests consist of acquired royalties in producing and exploration and evaluation stage properties. Royalty interests are recorded at cost and capitalized as tangible assets. They are subsequently measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Producing properties are those that have generated revenue from steady-state operations for the Company. Exploration and evaluation stage properties represent early stage exploration properties that are speculative and are expected to require more than two years to generate revenue, if ever, or are currently not active.

Producing royalty interests are recorded at cost and capitalized in accordance with IAS 16, Property, Plant and Equipment. Producing royalty interests are depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available estimates of proven and probable reserves specifically associated with the properties. Management relies on information available to it under contracts with the operators and/or public disclosures for information on proven and probable reserves and resources from the operators of the producing royalty interest.

Royalty interests for exploration and evaluation assets, such as the Company's Bayovar 12 Project Royalty, are recorded at cost and capitalized in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*. Acquisition costs of exploration and evaluation royalty interests are capitalized and are not depleted until such time as revenue-generating activities begin.

g) Property, Equipment and Amortization

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land, which is not amortized.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, that are recognized net within other income in profit or loss.

Amortization

Amortization is recognized in profit or loss and property and equipment is amortized over their estimated useful lives using the following methods:

Leasehold improvements	7 – 8 years straight-line
Trucks	4 – 8 years straight-line
Computer equipment	25% - 50% declining balance
Field equipment	30% declining balance
Furniture and equipment	20% declining balance
Geophysical equipment	20% declining balance

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

h) Earnings / Loss per Share

Basic income/loss per share is calculated by dividing the net income/loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the potential dilution of securities that could share in earnings of an entity.

For the years ended December 31, 2015, 2014 and 2013, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 4,775,000 (2014: 4,775,000; 2013: 4,915,000) were not included in the computation of earnings/loss per share, because their effect was anti-dilutive. As such, basic and diluted earnings and losses per share are the same for the periods presented.

i) Income Taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in net loss/income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for those taxable temporary differences arising on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "Unit"), and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The fair value of the Unit's components sold is measured using the residual value approach.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

k) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of profit or loss and other comprehensive income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of profit or loss and other comprehensive income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of profit or loss and other comprehensive income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model or the fair value of the shares granted.

All equity-settled share-based payments are reflected in other equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

l) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities may include restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

At December 31, 2015, exploration and evaluation rehabilitation costs were not considered significant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

l) Provisions – (cont'd)

Other Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

m) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

n) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transactions costs. Gains or losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's loans and receivables comprise receivables, due from related parties, deposits and cash and cash equivalents in the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

n) Financial Instruments – (cont'd)

Available-For-Sale Investments

Non-derivative financial assets not included in the other categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. Any subsequent increase in the fair value of available-for-sale investments are recorded through other comprehensive income. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive income to profit or loss.

Financial Assets at Fair Value Through Profit or Loss

Derivative investments, such as warrants and receivables related to agreements with provisional pricing mechanisms, are classified as fair value through profit and loss and are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are recognized as other income (expenses) in the statement of income and comprehensive income (loss).

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise accounts payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period of repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense, in this context, includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within forty-five days of recognition.

The Company has made the following designations of its financial instruments:

Cash and cash equivalent	Loans and receivables
Investments in available-for-sale investments	Available-for-sale financial assets
Receivables [(1)]	Fair value through profit or loss
Amounts due from related parties	Loans and receivables
Deposits	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

(1) The receivable amount for the year ended December 31, 2014 included an amount of $800,000 that was designated as loans and receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

o) Adoption of New and Amended IFRS Pronouncements

Effective January 1, 2015, the Company adopted the following revised standards that were issued by the IASB.

IFRS 7 Financial Instrument: Disclosure

Applies to additional disclosures required on transition from IAS 39 to IFRS 9. The effective date of IFRS 7 is January 1, 2015. This new standard had no material impact on these consolidated financial statements.

p) Standards, Amendments and Interpretations Not Yet Effective

The following new standards have been issued by the IASB but are not yet effective:

IFRS 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective for annual periods starting on or after January 1, 2018, with earlier application permitted. The Company is in the process of evaluating the impact of the new standard.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of evaluating the impact of the new standard.

Amendments to IAS 1, Presentation of Financial Statements

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company is in the process of evaluating the impact of these amendments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) Where the Company holds the largest shareholding in an investment and has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. The Company can exercise significant influence over Rackla Metals Inc. (“Rackla”) and Medgold Resources Corp (“Medgold”);

b) The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less that its original cost at each reporting period;

c) The functional currency for each of the Company’s subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment;

d) The application of the Company’s accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

   If, after exploration and evaluation assets is capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the year the new information becomes available; and

e) The determination of when receivables are impaired requires significant judgment as to their collectability.

The key estimate applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) The Company is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

b) The Company accounts for royalty revenue on an accrual basis which requires forecasting of gold prices and use of preliminary assay and weight results to estimate revenue prior to final settlement.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company does not hold any deposits with maturities of greater than three months from the date of acquisition. Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

6. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are recorded at fair value. As of December 31, 2015, available-for-sale investments consisted of 2,590,000 (2014: 2,826,394) common shares of B2Gold Corp. ("B2Gold"), 2,838,406 (2014: 1,007,406) common shares of Focus Ventures Ltd. ("Focus"), and 6,000,000 (2014: Nil) common shares of Southern Silver Exploration Corp. ("Southern Silver"), all of which are public companies.

During the year ended December 31, 2015, the Company completed the following transactions:

i) Received 6,000,000 common shares of Southern Silver with a fair value of $480,000, of which $300,000 satisfied part of a loan repaid by Southern Silver and $180,000 was recorded as a fair value gain (Note 9).

ii) Purchased 1,831,000 units of a Focus private placement at a cost of $366,200. Each unit consists of one common share of Focus and one full share purchase warrant, each full warrant entitling the Company to purchase one additional common share of Focus at $0.265 until June 2, 2017. If the closing price of Focus' shares exceeds $0.40 for a period of 10 consecutive trading days, Focus may accelerate the expiry of the warrants by giving notice in writing to the Company, and in such case, the warrants will expire on the 30th day after the date on which such notice is given. The Focus share purchase warrants are not tradable on an exchange.

iii) Sold 236,394 common shares of B2Gold for net proceeds of $416,997 and recorded a loss on sale of available-for-sale investments of $29,787.

During the year ended December 31, 2014, the Company completed the following transactions:

i) Purchased 5,000,000 common shares and 5,000,000 share purchase warrants in Medgold by way of a private placement at a cost of $500,000, with such instruments being classified as available-for-sale investments upon initial recognition. Each Medgold warrant entitled the Company to purchase an additional common share exercisable for two years at a price of $0.15. The Medgold share purchase warrants are not tradable on an exchange.

ii) Sold 1,057,000 common shares of B2Gold for proceeds of $3,350,858 and recorded a gain on sale of available-for-sale investments of $1,289,708.

During the year ended December 31, 2013, the Company completed the following transaction:

i) Sold all of its 34,589 common shares of Fortuna Silver Mines Inc. ("Fortuna") for proceeds of $153,998.

Subsequent to the year ended December 31, 2015, the Company has sold 2,290,000 common shares of B2Gold for net proceeds of $4.69 million, and 1,666,500 common shares of Southern Silver for net proceeds of $173,000.

During the year ended December 31, 2014, the Company determined that the decline in value of Medgold shares was significant and, accordingly, recorded an impairment of $300,000. Also during the year ended December 31, 2014, the exercise price for 3,000,000 of the Medgold warrants was reduced from $0.15 to $0.11 per share, for the one tranche, and the Company exercised the 3,000,000 warrants on November 4, 2014 at a cost of $330,000. As a result of the Company's holding in Medgold increasing from 14.4% to 19.1% upon the exercise of these warrants , the Company is able to exercise significant influence over Medgold and the investment in Medgold was reclassified as an investment in associate (Note 9).

(Expressed in Canadian Dollars)

6. AVAILABLE-FOR-SALE INVESTMENTS – (cont'd)

The Company originally received 4,815,894 B2Gold shares on August 10, 2012, pursuant to the disposal of a mineral property. The Company is entitled to sell a maximum of 10% of the original number of B2Gold shares within any 30-day period without encumbrance. If the Company wishes to exceed this limitation, there may be a delay of up to 15 days before the selling of the shares can be completed. During the year ended December 31, 2015, an impairment charge of $1,297,363 (2014: $141,320; 2013: $5,863,925) was charged against the B2Gold shares due the fair value of the shares being less than the adjusted cost base.

During the year ended December 31, 2015, an impairment charge of $164,790 (2014: $Nil; 2013: $70,518) was charged against the Focus shares due the fair value of the shares being less than the adjusted cost base.

As at December 31, 2015, the fair value based on quoted market prices of the available-for-sale investments was $4,252,417 (December 31, 2014: $5,561,555). An unrealized loss of $66,400 was recorded in other comprehensive income during the year ended December 31, 2015 (2014: $923,403; 2013: unrealized gain of $517,005). The unrealized loss of $66,400 for the current year related to Focus shares (2014: $30,222; unrealized gain of 2013: $110,814).

The fair value of quoted securities is based on published market prices.

	B2Gold	Focus	Southern Silver	Medgold[3]	Fortuna	Rackla[1][2]	Total
Balance, December 31, 2012	$16,236,783	$ 181,333	$ -	$ -	$ 96,172	$ 35,878	$16,550,166
Acquisition of shares	-	-	-	-	49,295	-	49,295
Disposition of shares	(2,344,150)	-	-	-	(150,445)	-	(2,494,595)
Impairment adjustment	(5,863,925)	(70,518)	-	-	-	-	(5,934,443)
Net change in fair value recorded in other comprehensive income	437,091	110,814	-	-	4,978	(35,878)	517,005
Balance, December 31, 2013	8,465,799	221,629	-	-	-	-	8,687,428
Acquisition of shares	-	-	-	500,000	-	-	500,000
Disposition of shares	(2,061,150)	-	-	-	-	-	(2,061,150)
Impairment adjustment	(141,320)	-	-	(300,000)	-	-	(441,320)
Reclassification as investment in associate (Note 9)	-	-	-	(200,000)	-	-	(200,000)
Net change in fair value recorded in other comprehensive income	(893,181)	(30,222)	-	-	-	-	(923,403)
Balance, December 31, 2014	5,370,148	191,407	-	-	-	-	5,561,555
Acquisition of shares	-	366,200	480,000	-	-	-	846,200
Disposition of shares	(446,784)	-	-	-	-	-	(446,784)
Impairment adjustment (Note 9)	(1,297,364)	(164,790)	(180,000)	-	-	-	(1,642,154)
Net change in fair value recorded in other comprehensive income	-	(66,400)	-	-	-	-	(66,400)
Balance, December 31, 2015	**$ 3,626,000**	**$ 326,417**	**$ 300,000**	**$ -**	**$ -**	**$ -**	**$ 4,252,417**

(1) The Company's holding of 7,175,700 tradable Rackla warrants expired during the year ended December 31, 2013.

(2) The Company also holds 2,973,275 free trading common shares of Rackla with a fair value of $163,530 as of December 31, 2015 but they are recorded as an investment in associate (Note 9).

(3) The Company holds 8,040,000 free trading common shares of Medgold with a fair value of $562,800 as of December 31, 2015 but the investment was reclassified from an available-for-sale investment to an investment in associate during the year ended December 31, 2014 (Note 9).

(Expressed in Canadian Dollars)

7. RECEIVABLES

	December 31, 2015	December 31, 2014
Royalty revenue	$ 743,682	$ -
Loan receivable	-	800,000
Sales taxes	35,465	43,102
Interest receivable	-	8,241
Other receivables	5,617	27,375
	$ 784,764	**$ 878,718**

8. PROPERTY AND EQUIPMENT

	Leasehold improvements	Trucks	Computer equipment	Furniture and equipment	Geophysical equipment	Field equipment	Total
Cost							
Balance, December 31, 2013	$ 59,004	$ 215,638	$ 249,319	$ 62,656	$ 83,594	$ 2,480	$ 672,691
Additions	3,758	-	2,749	-	-	-	6,507
Balance, December 31, 2014	62,762	215,638	252,068	62,656	83,594	2,480	679,198
Additions	-	-	-	-	1,288	-	1,288
Balance, December 31, 2015	**$ 62,762**	**$ 215,638**	**$ 252,068**	**$ 62,656**	**$ 84,882**	**$ 2,480**	**$ 680,486**
Accumulated amortization							
Balance, December 31, 2013	$ 30,767	$ 185,582	$ 206,704	$ 36,675	$ 58,104	$ 1,757	$ 519,589
Charge for period	5,300	10,655	15,674	8,394	5,098	217	45,338
Balance, December 31, 2014	36,067	196,237	222,378	45,069	63,202	1,974	564,927
Charge for period	6,300	12,443	9,707	4,584	4,207	152	37,393
Balance, December 31, 2015	**$ 42,367**	**$ 208,680**	**$ 232,085**	**$ 49,653**	**$ 67,409**	**$ 2,126**	**$ 602,320**
Carrying amounts							
At December 31, 2014	$ 26,695	$ 19,401	$ 29,690	$ 17,587	$ 20,392	$ 506	$ 114,271
At December 31, 2015	**$ 20,395**	**$ 6,958**	**$ 19,983**	**$ 13,003**	**$ 17,473**	**$ 354**	**$ 78,166**

(Expressed in Canadian Dollars)

9. INVESTMENT IN ASSOCIATES

Medgold

As at December 31, 2015, the Company held 8,040,000 (December 31, 2014: 8,000,000) common shares of Medgold, representing 15.5% of Medgold's outstanding common shares. Of these shares held, 40,000 were purchased in the market during the year ended December 31, 2015 for a net purchase price of $4,085.

On November 4, 2014, the Company acquired 3,000,000 common shares of Medgold by way of exercising 3,000,000 share purchase warrants at a cost of $330,000, bringing the Company's total holdings in Medgold at that time to 8,000,000 common shares, representing an increase from 14.4% to 19.1% of Medgold's outstanding common shares. Upon this transaction, Medgold met the definition of an associate and therefore reclassified its holdings in Medgold from an available-for-sale investment to investment in associate and has been equity accounted for in these consolidated financial statements.

During the year ended December 31, 2015, the Company's shareholdings in Medgold decreased from 19.1% to 15.5% as a result of an increase in the issued capital of Medgold while still being able to exercise significant influence over Medgold. As a result, the Company recorded a gain on dilution of $85,743 for the current year.

As at December 31, 2015, the Company held 2,000,000 (December 31, 2014: 2,000,000) share purchase warrants to purchase common shares of Medgold. Each Medgold warrant entitles the Company to purchase an additional common share exercisable until February 4, 2017 at a price of $0.15. The Medgold share purchase warrants are not tradable on an exchange.

The following table shows the continuity of the Company's interest in Medgold for the period from November 4, 2014 to December 31, 2015:

Available-for-sale investment reclassified as investment in associate	$	200,000
Increase in investment		330,000
Less: share of losses in associate		(57,000)
Balance, December 31, 2014		473,000
Increase in investment		4,085
Less share of losses in associate		(193,000)
Gain on dilution		85,743
Balance, December 31, 2015	**$**	**369,828**

The Company's share of losses in Medgold during the years presented is only for the period from November 4, 2014 to December 31, 2015.

The financial statement balances of Medgold are as follows:

	December 31, 2015	December 31, 2014
Total current assets	$ 254,480	$ 543,200
Total assets	1,089,109	1,407,082
Total liabilities	548,625	766,309
Net loss	1,182,037	2,048,113

At December 31, 2015, the fair value of the 8,040,000 common shares of Medgold was $562,800.

(Expressed in Canadian Dollars)

9. INVESTMENT IN ASSOCIATES – (cont'd)

Rackla

On October 1, 2015, Rackla completed a consolidation of its issued shares outstanding on a one new for five old basis. As a result, the Company's holding of 9,866,376 common shares in Rackla as of that date was reduced to 1,973,275. During the year ended December 31, 2015, the Company acquired an additional 1,000,000 post-consolidation common shares and 1,000,000 share purchase warrants of Rackla by way of a private placement at a cost of $50,000. Each share purchase warrant entitles the Company to purchase an additional post-consolidation common share of Rackla until October 18, 2017 at a price of $0.05. The Rackla share purchase warrants are not tradable on an exchange.

As at December 31, 2015, the Company's holding of 2,973,275 (December 31, 2014: 1,973,275) post-consolidation common shares of Rackla, represented 19.7% of Rackla's outstanding common shares.

Rackla meets the definition of an associate and has been equity accounted for in the consolidated financial statements.

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2013 to December 31, 2015:

Balance, December 31, 2012	$	493,319
Less: share of losses in associate		(493,318)
Balance, December 31, 2013		1
Less: share of losses in associate		-
Balance, December 31, 2014		1
Increase in investment		50,000
Less: share of losses in associate		(50,000)
Balance, December 31, 2015	**$**	**1**

Prior to the year ended December 31, 2015 the Company's share of losses in Rackla exceeded its interest and therefore the Company discontinued recognizing its share of further losses. During the year ended December 31, 2015, with the additional 1,000,000 common shares being purchased at a cost of $50,000, the Company has recognized $31,800 as its share of losses in Rackla for the current year and $18,200 of its share of losses from a prior period. The cumulative unrecognized share of losses for the associate is $548,782.

The financial statement balances of Rackla are as follows:

		December 31, 2015		**December 31, 2014**		**December 31, 2013**
Total current assets	$	83,887	$	59,064	$	173,069
Total assets		231,419		209,044		1,221,037
Total liabilities		41,760		102,550		36,543
Net loss		161,835		1,081,000		4,373,259

At December 31, 2015, the fair value of the 2,973,275 common shares of Rackla was $163,530 (2014: $147,996).

(Expressed in Canadian Dollars)

10. MINERAL INTERESTS AND ROYALTIES

Acquisition costs	Peru	Guatemala	United States	Mexico	Total
Balance, December 31, 2013	$ -	$ 531,369	$ -	$ -	$ 531,369
Additions - cash	-	-	118,775	-	118,775
Write-off acquisition costs	-	-	(86,753)	-	(86,753)
Balance, December 31, 2014	-	531,369	32,022	-	563,391
Additions - cash	1,259,505	-	-	23,821	1,283,326
Write-off acquisition costs	-	(531,368)	(32,022)	(23,821)	(587,211)
Balance, December 31, 2015	**$ 1,259,505**	**$ 1**	**$ -**	**$ -**	**$ 1,259,506**

Guatemala

i) Tambor Project

In August 2012, the Company sold its interest in its subsidiary, Exploraciones Mineras de Guatemala S.A., which holds the Tambor gold project, to KCA, giving KCA a 100% interest in the project. As consideration, KCA agreed to repay approximately US$400,000 owing to the Company (US$100,000 paid upon signing and approximately US$300,000 to be paid once KCA commenced shipment of gold produced from the property). KCA also agreed to make payments to the Company, upon commercial product ion, based on the then price of gold and the number of ounces produced from the property.

In 2012 and 2013, due to the uncertainty at that time of receiving future production payments from KCA, the Company wrote-off receivable balances totaling $440,505 and had not recognized a contingent gain on potential royalty payments. As a result of commercial production having commenced in December 2014, KCA paid to the Company during the year ended December 31, 2015, US$341,063 as settlement for the outstanding receivable balance, and the Company recorded a recovery of $423,055. For the year ended December 31, 2015, the Company has recognized $1,098,912 in royalty income, of which $436,293 was received during the year ended December 31, 2015 and the balance recorded as a receivable from KCA. Subsequent to the year end, further payments totaling $178,789 have been received from KCA.

ii) Southeast Guatemala Ag-Au Epithermal Fields (formerly called Banderas)

The Company's 100% owned land holdings in southeast Guatemala as at December 31, 2015 consist of 34 concessions (three exploitation applications, 30 exploration applications, and one reconnaissance application) filed with the Guatemala Ministry of Energy and Mines covering a total of 230,489 hectares. The three exploitation applications were filed in order to convert one previously granted exploration licence to exploitation; until the exploitation licences are granted, the granted exploration licence remains in place. Due to the Company only performing care and maintenance activities on this property since 2013 and the uncertainty regarding when or if exploration activities will resume, an impairment charge of $531,367 was recorded during the year ended December 31, 2015, bringing the property's carrying balance to $1.

iii) Regional Exploration

During 2015, 2014 and 2013, the Company conducted property investigation work on other prospective properties.

Peru

Bayovar 12 Project Royalty

In April 2015, the Company purchased from Focus a production royalty equivalent to 2% of Focus's 70% interest in future phosphate production from the Bayovar 12 project located in the Sechura district of northern Peru. The purchase price for the royalty was $1,259,505 (US$1,000,000). Should the Company decide at any time in the future to sell the royalty, Focus will retain a first right of refusal. The Company and Focus have two common directors.

10. MINERAL INTERESTS AND ROYALTIES – (cont'd)

Mexico

i) Tlacolula Property

The Company owns a 100% interest in the Tlacolula Property which consists of one granted exploration concession covering 12,642 hectares.

By an agreement signed in September 2009 and subsequently amended in December 2012 and then again on November 10, 2014, the Company granted to Fortuna the option to earn a 60% interest in the Tlacolula Property by spending US$2 million on exploration of the Property and making staged payments totaling US$300,000 cash and US$250,000 in common stock no later than January 31, 2017 and according to the following schedule:

a) US$20,000 cash and US$20,000 cash equivalent in shares upon regulatory approval (received);
b) US$30,000 cash and US$30,000 cash equivalent in shares by the first year anniversary (received);
c) US$50,000 cash and US$50,000 cash equivalent in shares by the second year anniversary (received);
d) US$50,000 cash and US$50,000 cash equivalent in shares by the third year anniversary (received);
e) US$50,000 cash within ten days after TSXV approval of the November 10, 2014 amending agreement (received $60,661 January 2015);
f) incurring US$2 million on exploration of the Property within 12 months of receipt of a drill permit, such work to include at 1,500 metres of drilling; and
g) US$100,000 cash and US$100,000 cash equivalent in shares within 90 days of completion of the 1,500 metres of drilling.

The Company and Fortuna have two common directors.

ii) Margarita Silver Project

In March 2015, the Company acquired an option to earn a 100% interest in the Margarita Silver Project located in the State of Chihuahua, Mexico. The Project consisted of two mining exploration licenses comprising a total of 125 hectares. The Company could have earned the 100% interest in the project by making cash payments to the property owners, two private Mexico corporations, totalling US$3,000,000 over a period of five years following issuance of a drill permit for the Project, of which a cash payment of $23,821 (US$20,000) was made upon execution of the agreement. If the option was exercised by the Company, the property owners would have been entitled to a 0.5% NSR royalty and the Company could have re-purchased the royalty at any time for US$500,000. Subsequent to the year-end, the Company decided to terminate the agreement and acquisition costs totaling $23,821 were written off as at December 31, 2015.

iii) Cerro Las Minitas Property

In November 2014, the Company loaned $800,000 to Southern Silver in order to fund Southern Silver's final option payment to acquire the Cerro Las Minitas mineral claims in Mexico. In consideration of the loan, Southern Silver granted to the Company an exclusive option for 120 days to settle the terms of a business arrangement for the Company to acquire either a direct or indirect interest in the Cerro Las Minitas claims, whereby the Company would participate in the continued exploration and development of the property. Security for the loan consisted of an option to earn a 100% interest in the Cerro Las Minitas claims.

At the election of the Company, the loan could be converted into common shares of Southern Silver at a rate of $0.05 per share. The loan was repayable on demand, provided that the Company shall not demand payment for a period of one year, and interest was payable annually at 8% per annum.

During the year ended December 31, 2015, the Company decided to not pursue obtaining an interest in the Cerro Las Minitas claims and on March 17, 2015 the Company elected to have $300,000 of the hybrid instrument converted to 6,000,000 common shares of Southern Silver, and the remaining loan principal balance of $500,000 plus $21,742 in interest was paid to the Company in full satisfaction of the repayment of the loan. On conversion of the hybrid instrument, a fair value gain of $180,000 was recognized on the Southern Silver shares held.

10. MINERAL INTERESTS AND ROYALTIES – (cont'd)

Mexico – (cont'd)

iv) Santa Brigida Property

In February 2013, the Company was granted by a private exploration company (the "Optionor") the option to acquire a 100% interest in the Santa Brigida property which consists of eight contiguous concessions covering 10,802 hectares located approximately 80 km ENE of the City of Guanajuato in Mexico. In order to exercise the option, the Company had to complete the following:

a) Pay US$160,000 to the Optionor to cover outstanding underlying property payments (paid);
b) Complete a 3,000 metre drill program ("Drill Program") on the property within 12 months of the issuance of a drill permit; and
c) Within 90 days of completing the Drill Program, pay US$700,000 to the Optionor.

During the year ended December 31, 2013, management decided to terminate the Company's option on the property and as a result, wrote-off the acquisition costs of $171,815.

Idaho - USA

i) Blue Hill Gold Property

In 2014, the Company entered into an agreement with Otis Gold Corp ("Otis") for the right to acquire a 70% interest in the Blue Hill Gold Property, subject to a 2.5% net smelter return royalty, which consists of 36 federal lode mining claims located on federal land comprising 295 hectares and one Idaho State lease comprising 33 hectares in the Cassia County, Idaho. The option could be exercised by making cash payments to Otis totaling US$525,000 (US$30,000 paid) and incurring exploration expenditures on the property totaling US$5,000,000, over a period of four years. During the year ended December 31, 2015, the Company decided to terminate the agreement and acquisition costs totaling $32,022 were written off.

ii) Mineral Property

In 2014, the Company entered into an agreement with Merrill Palmer to lease a 100% interest in the Mineral Property which consists of a series of federal mining claims in the Mineral Mining District, Washington County, Idaho. The lease of 100% of the Mineral Property (subject to a 3.0% net smelter return royalty) was for up to 99 years which the Company could keep in good standing by making annual advance royalty payments to Mr. Palmer of US$50,000 for the first year (paid) and increasing US$10,000 each subsequent year, for a total of US$1,100,000 over the first ten years. Also during 2014, the Company staked an additional 47 claims at a cost of $32,174, which claims were registered in the name of Mr. Palmer and added as part of the Mineral Property. During the year ended December 31, 2015, the Company decided to terminate the lease, and relinquished all rights to the leased and staked claims. As at December 31, 2014, all acquisition costs totaling $86,753 were written off.

Portugal

Medgold Strategic Alliance

On January 8, 2014, the Company entered into a strategic alliance agreement with Medgold whereby the Company had the right to option one of Medgold's properties in Portugal. For a period of eighteen months, the Company had the right to select one of the Medgold's Portuguese properties in which the Company would be granted the option to earn a 51% interest by spending $3,000,000 on exploration and development of that property. During the year ended December 31, 2015, the Company's right to option one of Medgold's properties expired.

(Expressed in Canadian Dollars)

10. MINERAL INTERESTS AND ROYALTIES – (cont'd)

Nicaragua

Joint Venture Properties

In 2012, B2Gold and the Company entered into a joint venture agreement with respect to each of the Company's San Jose and B2Gold's La Magnolia properties in Nicaragua to jointly explore the properties with B2Gold and the Company owning 60% and 40%, respectively, of the rights and obligations of each joint venture. In 2013, an agreement was reached whereby the Company would sell to B2Gold its 40% interest in the San Jose and La Magnolia properties in consideration of a 2% NSR royalty on each property, and B2Gold would have the right to purchase one-half of each royalty for US$1,000,000. The Company and B2Gold then decided in 2014 to relinquish the La Magnolia concession. Formal agreements to sell the San Jose property to B2Gold were signed in October 2014 and the transaction was completed during the year ended December 31, 2015.

11. COMMITMENTS

The Company has entered into operating lease agreements for its office premises. The Company also rents space to other companies related by common directors and officers on a month to month basis, the amounts of which are netted against rental expense; however, there are no commitments from these companies and thus the amounts presented below are the gross commitments. The annual commitments under the leases are as follows:

2016	$	209,921
2017		190,608
2018		190,608
2019		190,608
	$	**781,745**

For the year ended December 31, 2015, the Company received a total of $218,796 (2014: $211,473; 2013: $247,294) from those companies it rents space to.

12. SHARE CAPITAL AND RESERVES

a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

Fiscal 2015, 2014 and 2013

There was no share capital activity during the years ended December 31, 2015, 2014 and 2013.

b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2013 to December 31, 2015:

	Number of warrants	**Weighted average exercise price**
Balance, December 31, 2012	9,335,001	$0.43
Expired	(9,335,001)	$0.43
Balance, December 31, 2013, 2014 and 2015	**-**	**-**

As at December 31, 2015, no share purchase warrants were outstanding.

(Expressed in Canadian Dollars)

13. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has a formal stock option plan in accordance with the policies of the TSX Venture Exchange ("TSX-V") under which it is authorized to grant options up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is not less than the closing market price of the Company's stock on the trading day prior to the date of grant. Options granted to investor relations personnel vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

The following is a summary of changes in options for the year ended December 31, 2015:

				During the year				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited / expired**	**Closing balance**	**Vested and exercisable**
Jan 08, 2010	Jan 07, 2020	$0.29	1,570,000	-	-	-	1,570,000	1,570,000
May 26, 2010	May 25, 2020	$0.36	100,000	-	-	-	100,000	100,000
Sep 24, 2010	Sep 23, 2020	$0.69	820,000	-	-	-	820,000	820,000
Jul 27, 2011	Jul 26, 2021	$0.81	150,000	-	-	-	150,000	150,000
Dec 13, 2012	Dec 12, 2022	$0.20	2,135,000	-	-	-	2,135,000	2,135,000
			4,775,000	**-**	**-**	**-**	**4,775,000**	**4,775,000**
		Weighted average exercise price	$0.34	-	-	-	$0.34	$0.34

The following is a summary of changes in options for the year ended December 31, 2014:

				During the year				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited / expired**	**Closing balance**	**Vested and exercisable**
Jan 08, 2010	Jan 07, 2020	$0.29	1,570,000	-	-	-	1,570,000	1,570,000
May 26, 2010	May 25, 2020	$0.36	100,000	-	-	-	100,000	100,000
Sep 24, 2010	Sep 23, 2020	$0.69	820,000	-	-	-	820,000	820,000
Jul 27, 2011	Jul 26, 2021	$0.81	290,000	-	-	(140,000)	150,000	150,000
Dec 13, 2012	Dec 12, 2022	$0.20	2,135,000	-	-	-	2,135,000	2,135,000
			4,915,000	**-**	**-**	**(140,000)**	**4,775,000**	**4,775,000**
		Weighted average exercise price	$0.35	-	-	$0.81	$0.34	$0.34

The following is a summary of changes in options for the year ended December 31, 2013:

				During the year				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited / expired**	**Closing balance**	**Vested and exercisable**
May 06, 2008	May 05, 2013	$0.26	575,000	-	-	(575,000)	-	-
Jan 08, 2010	Jan 07, 2020	$0.29	1,570,000	-	-	-	1,570,000	1,570,000
May 26, 2010	May 25, 2020	$0.36	100,000	-	-	-	100,000	100,000
Sep 24, 2010	Sep 23, 2020	$0.69	820,000	-	-	-	820,000	820,000
Jul 27, 2011	Jul 26, 2021	$0.81	290,000	-	-	-	290,000	290,000
Dec 13, 2012	Dec 12, 2022	$0.20	2,255,000	-	-	(120,000)	2,135,000	2,135,000
			5,610,000	**-**	**-**	**(695,000)**	**4,915,000**	**4,915,000**
		Weighted average exercise price	$0.34	-	-	$0.25	$0.35	$0.35

There were no options exercised during the years ended December 31, 2015, 2014 and 2013.

13. SHARE-BASED PAYMENTS – (cont'd)

b) Fair Value of Options Issued During the Year

There were no options granted during the years ended December 31, 2015, 2014 and 2013.

The weighted average remaining contractual life of the options outstanding at December 31, 2015 is 5.51 years.

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

c) Expenses Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions recognized during the years ended December 31, 2015, 2014 and 2013 as part of share-based compensation expense.

As of December 31, 2015, 2014, and 2013 there was no amount of total unrecognized compensation cost related to unvested share-based compensation awards.

d) Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized during the years ended December 31, 2015, 2014, and 2013.

(Expressed in Canadian Dollars)

14. INCOME TAXES

Taxation in the Company and its subsidiaries' operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Income (loss) before income taxes	$ (1,875,449)	$ (1,369,907)	$ (8,287,763)
Tax charge/(recovery) based on the statutory rate of 26% (2014: 26%; 2013: 25.75%)	(488,000)	(356,000)	(2,134,000)
Non-deductible expenses	210,000	72,000	277,000
Different tax rates in other jurisdictions	(70,000)	41,000	91,000
Non-taxable portion of capital gains	229,000	(110,000)	892,000
Reduction in statutory rate	-	-	(82,000)
Initial recognition exemption and other	241,000	(131,000)	8,000
Changes in unrecognized deferred tax assets	(122,000)	484,000	948,000
Total income tax expense / (recovery)	**$ -**	**$ -**	**$ -**

Effective January 1, 2015, the Canadian Federal corporate tax rate and provincial tax rate remained at 15% and 11% respectively.

The tax rates represent the federal statutory rate applicable for the 2015 taxation year, 0% for Cayman Islands, 30.0% for Mexico, 5.0% for Guatemala and 30.0% for Nicaragua.

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	December 31, 2015	December 31, 2014
Loss carry forwards	$ 1,402,000	$ 1,393,000
Property and equipment	82,000	128,000
Mineral properties	548,000	774,000
Available-for-sale investments	738,000	574,000
Investment in Associates	130,000	109,000
Other deductible temporary differences	123,000	167,000
Unrecognized tax assets	(3,023,000)	(3,145,000)
	$ -	**$ -**

As at December 31, 2015, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years.

Non-capital Canadian tax losses expiring as follows:

Year of expiry	Taxable losses
2027	$ 597,000
2028	$ 653,000
2030	$ 832,000
2032	$ 1,091,000
2033	$ 864,000
2034	$ 1,009,000
Total	**$ 5,046,000**

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the year ended December 31, 2015, 2014 and 2013 consist of directors, officers and companies with common directors as follows:

Related Party	Nature of Transactions
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
Fortuna	Shared general and administrative expenses
Focus	Investment and shared general and administrative expenses
Medgold (Associate)	Investment and shared general and administrative expenses
Rackla (Associate)	Investment

In addition to related party transactions disclosed elsewhere in the consolidated financial statements, the Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the years ended December 31, 2015, 2014, and 2013:

	2015	2014	2013
Expenses:			
Salaries and benefits	$ 23,420	$ 14,578	$ 15,969
Mineral property costs:			
Salaries and benefits	2,471	5,306	42,354
	$ 25,891	**$ 19,884**	**$ 58,323**

Effective July 1, 2012, the Company reimburses Gold Group, a company controlled by the Chief Executive Officer of the Company, for shared administrative costs and other business related expenses paid by Gold Group on behalf of the Company. During the years ended December 31, 2015, 2014 and 2013, the Company reimbursed Gold Group the following:

	2015	2014	2013
General and administrative expenses:			
Consulting fees	$ -	$ -	$ 3,000
Office and miscellaneous	40,396	44,274	46,305
Shareholder communications	3,019	8,719	3,963
Property investigations	1,587	-	31,260
Salaries and benefits	124,043	94,860	246,469
Transfer agent and regulatory fees	2,763	3,749	3,110
Travel and accommodation	13,471	17,494	17,304
	$ 185,279	**$ 169,096**	**$ 351,411**
Exploration expenditures	**$ -**	**$ -**	**$ 59,333**

Salary and benefits costs for the years ended December 31, 2015 and 2014 include those for the Chief Financial Officer and Corporate Secretary (2013: Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary).

These transactions are in the normal course of operations and are measured at the fair value of the services rendered.

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS – (cont'd)

Prepaid expenses and deposits include an amount of $7,084 (2014: $Nil) paid to Gold Group for shared office and administrative services.

Long-term deposits include an amount of $60,000 (2014: $60,000) paid to Gold Group as a deposit on the shared office and administrative services agreement that became effective July 1, 2012.

Due from related parties of $8,224 (2014: $Nil) is an amount due from a company which has a common director with the Company and arose from shared administrative costs. This amount was unsecured, non-interest bearing and due on demand.

Accounts payable and accrued liabilities include $21,913 payable to Gold Group for shared administrative costs (2014: $34,297) and $8,925 to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees (2014: $ Nil).

During the year ended December 31, 2015, the follow transactions also occurred:

i) The Company acquired 40,000 common shares in Medgold on the open market at a cost of $4,085 (Note 9);

ii) The Company acquired 1,831,000 common shares and 1,831,000 share purchase warrants in Focus by way of a private placement that closed on May 26, 2015 at a cost of $366,200 (Note 6).

iii) The Company acquired 1,000,000 common shares and 1,000,000 share purchase warrants in Rackla by way of a private placement that closed on October 19, 2015 at a cost of $50,000 (Note 9). (2014: acquired 5,000,000 common shares and 5,000,000 share purchase warrants in Medgold by way of the private placement that closed in February 2014 at a cost of $500,000 and acquired 3,000,000 additional common shares of the Company by exercising 3,000,000 of the warrants at a cost of $330,000).

<u>Key management compensation</u>

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

		2015		2014		2013
Management fees	$	102,000	$	102,000	$	79,500
Salaries, benefits and fees		34,375		27,527		119,743
	$	**136,375**	**$**	**129,527**	**$**	**199,243**

Total share-based payments to directors not included in the above table during the years ended December 31, 2015, 2014 and 2013 was $Nil.

16. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to mineral exploration except for a royalty interest in a gold producing property. Due to the geographic and political diversity, the Company's exploration operations are decentralized whereby exploration managers are responsible for business results and regional corporate offices provide support to the exploration programs in addressing local and regional issues. The Company's operations are therefore segmented on a district basis. The Company's assets were located in Canada, Peru, Guatemala, Nicaragua, Mexico and Caymans. Details of identifiable assets by geographic segments are as follows:

(Expressed in Canadian Dollars)

16. SEGMENTED INFORMATION – (cont'd)

Year ended December 31, 2015	Canada	USA	Guatemala	Peru	Mexico	Other	Consolidated
Royalty income	$ -	$ -	$ 1,098,912	$ -	$ -	$ -	$ 1,098,912
Exploration expenditures	-	39,630	99,311	-	383,004	10,368	532,313
Exploration and evaluation assets written off	-	32,022	531,368	-	23,821	-	587,211
Loss on sale of available-for-sale investments	(29,787)	-	-	-	-	-	(29,787)
Investment income	17,293	-	-	-	-	-	17,293
Amortization	22,598	-	14,795	-	-	-	37,393
Net income (loss)	(1,489,907)	(71,652)	58,684	-	(356,863)	(15,711)	(1,875,449)
Capital expenditures*	1,288	-	-	1,259,505	23,821	-	1,284,614

Year ended December 31, 2014	Canada	USA	Guatemala	Mexico	Other	Consolidated
Exploration expenditures	$ -	$ 946,313	$ 177,774	$ 218,046	$ 12,682	$ 1,354,815
Exploration and evaluation assets written off	-	86,753	-	-	-	86,753
Gain on sale of available-for-sale investments	1,289,708	-	-	-	-	1,289,708
Investment income	43,245	-	-	-	-	43,245
Amortization	26,573	-	13,319	-	5,446	45,338
Net income/(loss)	94,343	(946,313)	(340,337)	(192,661)	15,061	(1,369,907)
Capital expenditures*	6,507	118,775	-	-	-	125,282

Year ended December 31, 2013	Canada	Guatemala	Mexico	Other	Consolidated
Exploration expenditures	$ -	$ 478,760	$ 702,283	$ 30,081	$ 1,211,124
Exploration and evaluation assets written off	-	-	171,815	-	171,815
Gain on sale of available-for-sale investments	81,217	-	-	-	81,217
Investment income	22,141	-	-	-	22,141
Amortization	34,298	12,758	-	682	47,738
Net loss	(6,901,127)	(641,786)	(681,204)	(63,646)	(8,287,763)
Capital expenditures*	-	1,234	171,815	-	173,049

*Capital expenditures consists of additions of property and equipment and exploration and evaluation assets

As at December 31, 2015	Canada	Guatemala	Peru	Mexico	Other	Consolidated
Total current assets	$ 4,338,675	$ 755,962	$ -	$ 29,537	$ 132,745	$ 5,256,919
Total non-current assets	565,041	6,552	1,259,505	-	-	1,831,098
Total assets	**$ 4,903,716**	**$ 762,514**	**$ 1,259,505**	**$ 29,537**	**$ 132,745**	**$ 7,088,017**
Total liabilities	**$ 96,353**	**$ 567**	**$ -**	**$ 4,718**	**$ -**	**$ 106,407**

As at December 31, 2014	Canada	USA	Guatemala	Mexico	Other	Consolidated
Total current assets	$ 7,430,559	$ -	$ 12,298	$ 33,908	$ 274,157	$ 7,750,922
Total non-current assets	709,801	32,022	552,717	-	(413)	1,294,127
Total assets	**$ 8,140,360**	**$ 32,022**	**$ 565,015**	**$ 33,908**	**$ 273,744**	**$ 9,045,049**
Total liabilities	**$ 111,963**	**$ -**	**$ 2,933**	**$ 5,486**	**$ 1,208**	**$ 121,590**

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at December 31, 2015 and 2014, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2015				**December 31, 2014**			
	US Dollar	**Mexican Peso**	**Guatemala Quetzal**	**Nicaragua Cordoba**	**US Dollar**	**Mexican Peso**	**Guatemala Quetzal**	**Nicaragua Cordoba**
	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)
Cash	$ 93,498	$ 1,290	$ 411	$ 1,045	$ 97,995	$ 1,254	$ 99	$ 680
Receivables	743,682	27,592	2,261	-	-	32,243	4,526	4,008
Current liabilities	(19,141)	(4,718)	(567)	(4,769)	(5,533)	(4,650)	(2,933)	(1,208)
	$ 818,039	**$ 24,164**	**$ 2,105**	**$ (3,724)**	**$ 92,462**	**$ 28,847**	**$ 1,692**	**$ 3,480**

Based on the above net exposures at December 31, 2015, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately an $84,000 (2014: $12,600) increase or decrease in profit or loss, respectively.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – (cont'd)

a) Market Risk – (cont'd)

Commodity Price Risk

The Company's royalty revenue is derived from a royalty interest that is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of gold discovered. Gold prices have historically fluctuated widely. Consequently, the economic viability of the Company's royalty interest cannot be accurately predicted and may be adversely affected by fluctuations in gold prices. The Company has not engaged in any hedging activities.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited as it holds no assets or liabilities subject to variable rates of interest.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The available-for-sale investments held in B2Gold, Focus, and Southern Silver are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would result in an approximate $425,000 decrease in equity.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, available-for-sale investments and receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents or available-for-sale investments that are invested in asset based commercial paper. For advances and other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value.

c) 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's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2015, the Company had working capital of $5.15 million (December 31, 2014: $7.63 million) available to apply against short-term business requirements. All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Management considers that due to their short-term nature the carrying amounts of financial assets and financial liabilities, which include cash, due from related parties, advances and other receivables, deposits, accounts payables and accrued liabilities, and due to related parties are assumed to approximate their fair values.

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – (cont'd)

The fair value investments in associates are detailed in the following table:

	December 31, 2015 Book value	December 31, 2015 Fair value
Financial assets		
Shares held in Rackla and recorded as investment in associate (Note 9)	$ 1	$ 163,530
Shares held in Medgold and recorded as investment in associate (Note 9)	$ 369,828	$ 562,800

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

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 for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale investments for B2Gold, Focus, and Southern Silver are based on quoted prices and are therefore considered to be Level 1. The embedded derivative on royalty income receivables is derived from gold prices and therefore considered to be Level 2.

There were no transfers between Levels in the year.

18. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to advance its mineral properties and to acquire new investments. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support its business activities. Other than the Company's royalty interest on the Tambor Project, the properties in which the Company currently holds an interest in are in the exploration stage; as such the Company may be dependent on external financing to fund its activities. In order to carry out planned investments, exploration and possible mineral property acquisitions and to pay for general administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and investments, and seek to acquire an interest in additional properties and investments if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash and cash equivalents, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the year ended December 31, 2015. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements and do not have exposure to asset-backed commercial paper or similar products. The Company expects its current capital resources to be sufficient to carry out its planned exploration programs and operating costs for the next twelve months.

19. CHANGE IN PRESENTATION

The Company has reclassified certain prior period expenses to conform to the current year presentation of expenses.

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year End Report – December 31, 2015

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the fiscal year ended December 31, 2015. The following information, prepared as of April 29, 2016, should be read in conjunction with the December 31, 2015 consolidated financial statements. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise indicated.

The Company's public filings, including its most recent unaudited and audited financial statements can be reviewed on the SEDAR website (www.sedar.com).

Forward Looking Information

This MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation ("Forward-looking Statements"). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this MD&A include, without limitation, statements relating to:

- the Company's planned exploration activities for its mineral properties;
- the Company's continued receipt of royalty payments from the Tambor Project;
- the intended use of proceeds received from past and possible future financing activities;
- the sufficiency of the Company's cash position and its ability to raise, if needed, equity capital or access debt facilities; and
- maturities of the Company's financial liabilities or other contractual commitments.

Often, but not always, these Forward-looking Statements can be identified by the use of words such as "anticipates", "believes", "plans", "estimates", "expects", "forecasts", "scheduled", "targets", "possible", "strategy", "potential", "intends", "advance", "goal", "objective", "projects", "budget", "calculates" or statements that events, "will", "may", "could" or "should" occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- risks associated with mineral exploration activities, and investing in companies which conduct mineral exploration and development activities;
- due diligence investigations on potential investments not identifying all relevant facts;
- inability to dispose of illiquid securities;
- continued receipt of royalty payments from the Tambor Project;
- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters and local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions.

as well as those factors referred to in the “Risks and Uncertainties” section in this MD&A.

Forward-looking Statements contained in this MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company’s properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matter;
- permitting, exploration and/or development activities proceeding on a basis consistent with the Company’s current expectations;
- royalty payments from the Tambor Project will continue to be received;
- due diligence investigations on potential investments will reveal all relevant facts;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

Business of the Company

The Company has been exploring for gold in Latin America for over a decade which has resulted in the discovery of several gold deposits in Central America. Following the sale of its Trebol and El Pavon projects in Nicaragua to B2Gold Corp. (“B2Gold”), the Company established a strong treasury which includes shares of B2Gold. Management has been conducting an ongoing review of exploration projects and/or distressed junior companies that may be available for acquisition or joint venture with the aim of expanding the geographic and commodity focus of the Company.

Royalty Income

Commercial production at the Tambor Project, Guatemala commenced in December 2014, and the Company is now receiving royalty payments from the project owner. As of December 31, 2015, the Company recognized net royalty income of $1,098,912, of which $615,082 has been received to date. For further details on this revenue source for the Company, see "*Royalty Interests – Guatemala-Tambor Project Royalty*" below.

Change of Business

In light of the current state of the mineral exploration and mining sectors and given the expertise and skill sets of the directors and officers, management and the Board of the Company determined that more flexibility in the way the Company is allowed to put its capital to work would be in the best interests of its shareholders.

For those reasons, the Company completed effective April 30, 2015 a change of business (the "Change of Business") from a Tier 2 Mining Issuer to a Tier 1 Investment Issuer in accordance with the rules and policies of the TSX Venture Exchange ("TSXV"). For further details regarding the Change of Business, please see the Company's Management Proxy Circular dated March 20, 2015 and the Company's Investment Policy on SEDAR at www.sedar.com.

There have been no changes in the Company's management or Board members as a result of the Change of Business. The Company remains solely involved in the resource sector and is not seeking to become solely a royalty company or investment fund. The Change of Business has simply given the Company more flexibility to apply its working capital to a wider range of projects within the resource sector.

A summary of the Company's investments, royalties and properties is provided below:

Investments

Subsequent to December 31, 2015, in order to capitalize on the current rebounding markets, the Company decided to sell the majority of its remaining B2Gold and a portion of its shares in Southern Silver Exploration Corp. The Company's current investments consist of common shares in the following publicly-traded resource companies:

B2Gold Corp. ("B2Gold") 300,000 shares - approximately 0.03% of issued. Current market value: $771,000	B2Gold is a Vancouver based gold producer with four operating mines (two in Nicaragua, one in the Philippines and one in Namibia) and a strong portfolio of development and exploration assets in Nicaragua, Mali, Burkina Faso and Colombia.

Focus Ventures Ltd. ("Focus") 2,838,406 shares – approximately 2.4% of issued. Current market value: $241,200 Plus: warrants to purchase an additional 1,831,000 shares	Focus is a Canadian-listed exploration company developing the Bayovar 12 sedimentary phosphate resource in northern Peru.

Medgold Resources Corp. ("Medgold") 8,040,000 shares – approximately 15.5% of issued. Current market value: $964,800 Plus: warrants to purchase an additional 2,000,000 shares	Medgold is a European-focused TSXV listed gold exploration and development company, focussing on the orogenic gold provinces of northwest Iberia and the under-explored provinces of southern Europe.
Rackla Metals Inc. ("Rackla") 2,973,275 shares – approximately 19.7% of issued. Current market value: $237,800 Plus: warrants to purchase an additional 1,000,000 shares	Rackla is a mineral exploration company with a portfolio of mineral claims in the Yukon Territory.
Southern Silver Exploration Corp. ("Southern Silver") 4,333,500 shares – approximately 6.5% of issued. Current market value: $585,000	Southern Silver is engaged in the acquisition, exploration and development of high-grade precious / base metals properties within North America.

Royalty Interests

Guatemala – Tambor Project Royalty

In 2012, the Company sold its interest in its subsidiary, Exploraciones Mineras de Guatemala S.A., which holds the Tambor gold project in Guatemala, to Kappes, Cassiday & Associates ("KCA"), giving KCA a 100% interest in the project. In consideration therefor, KCA agreed to repay approximately US$400,000 owing to the Company (US$100,000 paid in 2012 and the balance to be paid once KCA has commenced shipment of gold produced from the property). Also upon commercial production, KCA is required to make quarterly royalty payments to the Company.

Commercial production commenced in December 2014 and accordingly, in January 2015, KCA paid to the Company US$341,063 as settlement for the outstanding receivable balance. Royalty payments are based on the current price of gold at the time and the number of ounces of gold produced as follows:

Gold Price (US$)	Per Ounce of Gold
Below $1,200	$100
$1,201 - $1,300	$125
$1,301 - $1,400	$150
$1,401 - $1,500	$200
$1,501 and greater	$250

up to a maximum of US$10.0 million. After the US$10.0 million has been paid and cumulative gold production from the Tambor Project has exceeded 100,000 ounces, the cash payments will be based on the then price of gold and the number of ounces of gold produced as follows:

Gold Price (US$)	Per Ounce of Gold
Below $1,500	$25
$1,501 - $1,750	$35

$1,751 - $2,000	$40
$2,001 and greater	$50

Royalty payments to the Company commenced during the third quarter of 2015. As of December 31, 2015, the Company has recognized net royalty income of $1,098,912 of which $615,082 has been received to-date.

Management has been advised by Kappes Cassiday and Associates, the owners of the Tambor mine, that Tambor is currently producing at about 220 tonnes per day of dry ore feed to the mill which is operating at about 85% monthly availability. Throughput is about 5,700 tonne per month at an average grade of about 8.0 g/t gold. Recoveries have been below target but recent changes and ongoing optimization work are expected to bring the recoveries up to greater than 75% in due course.

Peru – Bayovar 12 Project Royalty

On April 15, 2015, the Company purchased from Focus a production royalty, equivalent to a 2% net smelter return, on Focus's 70% interest in future phosphate production from the Bayovar 12 project located in the Sechura district of northern Peru. The purchase price for the royalty was US$1.0 million. Focus had the right until April 15, 2016 to buy back one-half of the royalty for US$1.0 million, but did not elect to make such purchase. Should the Company decide at any time in the future to sell the royalty, Focus will retain a first right of refusal. The Company and Focus are related parties.

Nicaragua – San Jose Royalty

In 2012, the Company sold its Trebol and Pavon properties to B2Gold in consideration of 4,815,894 common shares of B2Gold with a fair value at that time of $16,662,993. In addition, B2Gold agreed to make contingent payments (the "Contingent Payments") to the Company of US$10 per ounce of gold on 40% of any proven and probable mineral reserves in excess of 500,000 ounces which may in the future be outlined at Trebol (on a 100% basis). Also in 2012, B2Gold and the Company entered into joint venture agreements on a 60% - 40% basis with respect to the Company's San Jose and B2Gold's La Magnolia properties in Nicaragua.

In late 2014, B2Gold decided to relinquish its interest in the Trebol property and therefore the Company's right to receive any Contingent Payments has terminated.

In 2013, an agreement was reached whereby the Company would sell to B2Gold its 40% interest in the San Jose and La Magnolia properties in consideration of a 2% NSR royalty on each property, and B2Gold would have the right to purchase one-half of each royalty for US$1.0 million. The Company and B2Gold have since decided to relinquish the La Magnolia concession. Formal agreements were signed by the companies in October 2014, and the closing of the San Jose sale, and the royalty grant to the Company, took place on June 30, 2015.

<u>2015 Investments</u>

Rackla

On October 1, 2015, Rackla effected a 1:5 consolidation of its shares, and on October 19, 2015, completed a private placement of units at $0.05 per unit. The Company purchased 1,000,000 of the units at a cost of $50,000. Each unit consists of one post-consolidation common share of Rackla and one share purchase warrant entitling the Company to purchase one additional post-consolidation common share of Rackla at $0.05 until October 18, 2017. The Rackla share purchase warrants are not tradable on an exchange. The Company and Rackla are related parties.

Focus

In June 2015, the Company purchased 1,831,000 units of a Focus private placement at a cost of $366,200. Each unit consists of one common share of Focus and one share purchase warrant entitling the Company to purchase one additional common share of Focus at $0.265 until June 2, 2017. If the closing price of Focus' shares exceeds $0.40 for a period of 10 consecutive trading days, Focus may accelerate the expiry of the warrants by giving notice in writing to the Company, and in such case, the warrants will expire on the 30th day after the date on which such notice is given. The Focus share purchase warrants are not tradable on an exchange.

Southern Silver

Pursuant to a loan transaction with Southern Silver described below, in March 2015 the Company acquired an interest in Southern Silver which owns the Cerro Las Minitas property located about 70 kilometres to the northeast of the city of Durango in Durango State, Mexico. The property comprises 19 concessions covering approximately 13,700 hectares, and lies within heart of the Faja de Plata (Belt of Silver) of north central Mexico. The belt is one of the most significant silver producing regions in the world.

Management of the Company, after reviewing the past three years' historical drill results provided by Southern Silver, feels that this property has the potential to host a significant silver deposit. In November 2014, the Company advanced $800,000 to Southern Silver in order to fund Southern Silver's final option payment to acquire the Cerro Las Minitas mineral claims in Mexico. The secured loan granted the Company the exclusive right to conduct an in-depth review of the mineral claims and the exploration data, so that the Company could decide, by March 13, 2015, whether the Company wished to negotiate an agreement to acquire from Southern Silver either a direct or indirect interest in the Cerro Las Minitas claims.

Management of the Company decided to not pursue acquiring such an interest, and elected to convert $300,000 of the loan into common shares of Southern Silver. Accordingly, on March 19, 2015, the Company acquired 6,000,000 shares of Southern Silver and was repaid the balance of the loan of $500,000, plus interest, in cash.

<u>Property Interests</u>

Mexico - Tlacolula Property

The Company discovered silver mineralization in 2005 following a regional stream geochemical survey in various areas of the state of Oaxaca. An initial trenching program on the Tlacolula property defined a broad low grade silver/gold anomaly associated with opaline silica, indicating a high level system. In late 2009, the Company optioned the Tlacolula silver project to Fortuna Silver Mines Inc. (TSX-FVI) ("Fortuna") and the option agreement was amended in December 2012 and in November 2014. The 12,642 hectare property is located 14 kilometres east-southeast of the city of Oaxaca and 30 kilometres northeast of Fortuna's 100%-owned San Jose silver-gold mine.

Pursuant to the option agreement as amended, Fortuna has the right until January 2017 to earn a 60% interest in the Tlacolula project by spending US$2.0 million on exploration, which includes a commitment to drill 1,500 metres within 12 months of issuance of a drill permit for the project. To date, the Company has received US$200,000 in cash and 34,589 shares of Fortuna., and to complete the option payments, Fortuna must pay to the Company US$100,000 in cash and US$100,000 worth of shares in Fortuna within 90 days of completion of the 1,500 metre drill program. Fortuna has not yet received a drill permit. The Company and Fortuna are related parties.

Guatemala - Southeast Guatemala Ag-Au Epithermal Fields

As a result of continued uncertainty surrounding the granting of both exploration and exploitation concessions in Guatemala, and a general increase in the level of anti-mining activism in many parts of the country, the Company ceased its ongoing exploration activities in the country in the third quarter of 2013 though care and maintenance of the properties continue. Management will reassess the Company's plans for this country on a regular basis and exploration activities may be ramped back up if the mining investment climate improves.

Mexico – Margarita Project

In March 2015, the Company acquired an option to earn a 100% interest in the Margarita Silver Project located in the State of Chihuahua, Mexico. The Project consists of two mining exploration licenses comprising a total of 125 hectares located approximately 115 kilometres NW of the historic silver mining city of Parral, Chihuahua, in the Mexican Silver Belt, one of the most productive silver camps in the world.

The Margarita project - a low sulfidation vein with strong gold/silver numbers - represents an attractive exploration target. However the available land position was small and the Company had hoped to acquire some of the neighbouring properties to consolidate a larger package of concessions, which the Company was unable to do. The Company's geologists were also unable to get permission from the surface land owner to access the property, despite several attempts to negotiate an agreement with the owner.

Management has decided to relinquish its option, and has returned the property to the concession owners. The Company's entry fee into the project was low and very little was spent as a result of the lack of access.

Idaho – Blue Hill Gold Property

In July 2014, the Company entered into an agreement whereby Otis Gold Corp. ("Otis") granted to the Company the option to acquire a 70% interest in the Blue Hill Property which consists of 36 federal lode mining claims located on federal land (comprising 295 hectares), and one Idaho State lease (comprising 33 hectares) in southeastern Idaho, 24 kilometres south of the town of Oakley and 4 kilometres north of the Utah border.

The option was exercisable by making cash payments to Otis totaling US$525,000 and incurring exploration expenditures on the property totaling US$5.0 million, over a period of four years.

In the fall 2014, the Company, completed five diamond drill holes totalling 1,308 metres. The drill program was designed to test geophysical resistivity anomalies in the Paleozoic basement rocks to the historically known surface mineralization, which is hosted by Cenozoic-aged volcanic rocks. The geophysical resistivity anomalies were interpreted as possibly representing subvertical structural zones that could correspond to feeder systems to the surface mineralization. Drill holes BHC14-01, 02, and 03 were drilled through two separate resistivity anomalies, and did not encounter any structural feature, mineralization, or alteration zone related to a deep feeder system. Drill holes BHC14-04 and 05 tested interpreted structural corridors for near-surface mineralization.

Although the near-surface mineralized intervals intercepted were consistent with historical drilling results in the same area, the drill program did not meet the Company's primary objective of identifying feeder structures. Post-mineral faulting may have offset the near-surface mineralization from its underlying feeders, or the hydrothermal plumbing system may not have passed through the Paleozoic strata where drill-tested. The Company decided in May 2015 that any further work to follow up on these results was not warranted and therefore relinquished its option on the Blue Hill Property.

Idaho – Mineral Property

The Company had an agreement with prospector, Merrill Palmer, to lease a 100% interest in the Mineral Property which consists of a series of federal mining claims in the historic Mineral Mining District, Washington County, Idaho. The lease of 100% of the Mineral Property was for up to 99 years which the Company could keep in good standing by making annual advance royalty payments to Mr. Palmer of US$50,000 for the first year and increasing US$10,000 each subsequent year, for a total of US$1.1 million over the first ten years. In February 2015, after review of the Company's first pass geological evaluation of the property, the Company decided to drop the lease.

Outlook

Into 2016, the Company continues to conduct its property investigations, more recently focused in Nevada and Mexico, using a low cost and effective method of field testing targets that are generated by its geologists through desktop research and through submittals.

Qualified Person: David Clark, M.Sc., P.Geo., a member of the Association of Professional Engineers and Geoscientists of British Columbia, is the Company's Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this MD&A. The technical information regarding the Cerro Las Minitas property was provided to the Company by Southern Silver, and has not been independently verified by the Company.

Selected Annual Information

The following table sets forth selected annual financial information of the Company for, and as at, the end of each of the last three financial years ending December 31, 2015, 2014, and 2013:

	2015 ($)	2014 ($)	2013 ($)
Royalty income	1,098,912	-	-
Investment and other income	17,293	43,245	22,141
Exploration expenditures	532,313	1,354,815	1,039,309
Net loss for the year			
Total	(1,875,449)	(1,369,907)	(8,287,763)
Basic & fully diluted per share	(0.02)	(0.02)	(0.10)
Total assets	7,088,017	9,045,049	11,319,828
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

The Company recorded royalty income in the 2015 fiscal year as a result of the previously held Tambor Project going into production in December 2014. The net loss for the 2013 fiscal year was significantly impacted by an impairment charge on available-for-sale investments of $5.9 million. Prior to the 2013 fiscal year, the Company received B2Gold shares from the sale of mineral properties to B2Gold which significantly increased total assets. Total assets have decreased from the 2013 fiscal year onward as cash from the sale of B2Gold shares have been used for operations. In addition, the market price of B2Gold shares has declined since 2012, thus leading to a lower available-for-sale investments carrying value.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2015:

Quarter ended	**Dec. 31, 2015 ($)**	**Sep. 30, 2015 ($)**	**June 30, 2015 ($)**	**Mar. 31, 2015 ($)**	**Dec. 31, 2014 ($)**	**Sep. 30, 2014 ($)**	**June 30, 2014 ($)**	**Mar. 31, 2014 ($)**
Royalty income, net	343,350	267,729	487,833	-	-	-	-	-
Investment and other income	18	34	412	16,829	16,115	11,227	11,985	3,918
Exploration expenditures	129,728	85,723	189,627	127,235	524,667	519,535	212,066	98,547
Net income (loss)	(842,842)	(1,287,262)	58,318	196,337	(1,005,167)	(1,000,792)	(355,242)	991,294
Basic and diluted income (loss) per share	(0.01)	(0.02)	0.00	0.00	(0.01)	(0.01)	(0.00)	0.01

The net losses for the quarters ended December 31, 2015, September 30, 2015, December 31, 2014, and September 30, 2014 were all impacted by impairment charges against available-for-sale investments with the most significant being $1,243,199 in the quarter ended September 30, 2015. The quarter ended June 30, 2015 had net income due to a royalty income accrual of $487,833. The quarter ended March 31, 2015 included a net income due to a recovery of a previously written off receivable of $423,055 related to the Tambor Project, and a gain of $180,000 resulting from the receipt of Southern Silver shares as partial settlement of a loan. The quarter ended March 31, 2014 had a net income due to a gain on sale of available-for-sale investments of $1,289,708.

Results of Operations

Quarter ended December 31, 2015

The quarter ended December 31, 2015 had a net loss of $842,842 compared to $1,005,167 for the quarter ended December 31, 2014, a decrease of $162,325. Although the current quarter included net royalty income of $343,350 relating to the Tambor Project, the current quarter recorded a net loss due to a write-down of $555,189 on exploration and evaluation assets and an impairment charge of $370,691 on available-for-sale investments. The Company was not earning royalty income during the comparative quarter but did record an impairment charge of $141,320 on available-for-sale investments and a write-down of $86,753 on exploration and evaluation assets during that quarter. The current quarter also recorded its share of post-tax losses of associated companies totaling $128,000 compared to $57,000 in the comparative quarter. Partially offsetting the share of post-tax losses of associated companies during the current quarter was an $85,743 gain on dilution in associated company. There was no such gain in the comparative quarter. Exploration expenditures in the current quarter totaled $129,728 compared to $524,667 in the comparative quarter, a decrease of $394,939.

General and administrative expenses for the quarter ended December 31, 2015 were $154,952 compared to $208,591 for the comparative quarter, a decrease of $53,639. Notable changes in 2015 compared to the 2014 quarter were decreases of $13,347 in travel and accommodation, $12,586 in shareholder communications, $11,681 in property investigations, and $10,064 in salaries and benefits. The shareholder communications and salaries and benefits costs were higher in the comparative quarter due to additional activities in preparation of the Change of Business that took effect during the current year. Travel and accommodation and property investigation costs were less in the current quarter as more of these costs were related to exploration activities compared to the comparative quarter.

Year ended December 31, 2015

The year ended December 31, 2015 had a net loss of $1,875,449 compared to $1,369,907 for the year ended December 31, 2014, an increase of $505,542. Similar to the quarterly comparison, the current year net loss was significantly impacted by an impairment charge of $1,642,154 on available-for-sale investments, compared to

$441,320 for the comparative year. The current year net loss was partially offset by royalty income of $1,098,912 from the Tambor Project, a $423,055 recovery on a previously written off receivable and a $180,000 gain on a loan conversion, whereas the comparative year reported a gain of $1,289,708 from the sale of B2Gold shares. The current year also recorded its share of post-tax losses of associated companies totaling $243,000 compared to $57,000 being charged in the comparative year. Exploration expenditures in the current year totaled $532,313 compared to $1,354,815 in the comparative year, a decrease of $822,502. Exploration costs were higher in the comparative year as the Company carried out more exploration programs during that period.

General and administrative expenses for the year ended December 31, 2015 were $802,670 compared to $758,562 for the year ended December 31, 2014, an increase of $44,108. Notable cost increases were $129,092 in legal and audit fees, $31,213 in salaries and benefits, and $16,703 in transfer agent and regulatory fees. Similar to the quarterly comparison, all of these increases were primarily due to the additional activities associated with the Change of Business that took effect during the second quarter of the current year. Notable cost decreases in the current year related to property investigation, travel and accommodation, and office and miscellaneous costs. Property and investigation costs were lower by $90,789 and travel and accommodation by $27,351 as more activities were exploration related during the current year. Office and miscellaneous costs were $15,764 lower due to a reduction in the Company's portion of office lease costs.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the year ended December 31, 2015 is as follows:

Mexico - A total of $383,004 was incurred on exploration, property investigation, and miscellaneous administrative costs. The Company also recorded $23,821 in acquisition costs relating to the first option payment made on the Margarita Project which was then written-off upon the termination of the option agreement.

Guatemala – A total of $99,311 was incurred on property investigation and care and maintenance related costs.

United States – A total of $39,630 was incurred on property investigation and exploration related costs.

Nicaragua – A total of $10,368 was incurred on care and maintenance related costs.

Further details regarding exploration expenditures for the years ended December 31, 2015 and 2014 are provided in the schedules at the end of this MD&A.

Liquidity and Capital Resources

The Company's cash decreased from approximately $1.24 million at December 31, 2014 to $151,861 at December 31, 2015. As at December 31, 2015, working capital was $5.15 million compared to $7.63 million at December 31, 2014. Included in working capital is the value of the Company's investment in B2Gold common shares which as at December 31, 2015, consisted of 2.59 million shares and had a fair value of $3.6 million. During the year ended December 31, 2015, the Company sold 236,394 B2Gold shares for net proceeds of $416,997. Subsequent to December 31, 2015, the Company sold an additional 2,290,000 B2Gold shares for net proceeds of $4.69 million.

In addition to the B2Gold shares, the Company currently holds as part of its available-for-sale investments 2,838,406 common shares of Focus Ventures Ltd. ("Focus"), of which 1,831,000 of these Focus shares were acquired during the current year at a cost of $366,200, as well as 6,000,000 common shares of Southern Silver which were received during the current year as partial settlement of a loan to Southern Silver. Subsequent to December 31, 2015, the Company sold 1,666,500shares of Southern Silver for net proceeds of $173,000.

As at December 31, 2015, the carrying amount for all available-for-sale investments was $4.3 million compared to $5.6 million as at December 31, 2014. As at December 31, 2015 the Company also had 2,973,275 common shares in Rackla and 8,040,000 common shares in Medgold with fair values as at December 31, 2015 of $163,530 and $562,800, respectively. The investments in Rackla and Medgold are being accounted for as investments in associates, using the equity method, since the Company may be able to exercise significant influence on the investments. During the year ended December 31, 2015, the Company acquired 1,000,000 common shares and 1,000,000 share purchase warrants of Rackla by way of a private placement at a cost of $50,000. The Company also currently holds 2,000,000 Medgold warrants and although these and the Rackla warrants are transferable, they are not traded on an exchange.

Since 2012, the Company has relied mostly on selling B2Gold shares to provide working capital for operations. However, the Company has started to accrue royalty income during the current year from production at the previously held Tambor Project. Net royalty revenue totaling $1,098,912 has been accrued for the year ended December 31, 2015. To date, the Company has received $615,082 with the balance being a receivable. The Company intends to use anticipated royalty income payments in addition to proceeds from sales of its equity investments to fund its exploration programs, investment opportunities, and general working capital requirements.

The Company expects its current capital resources to be sufficient to carry out its planned exploration programs and operating costs for the next twelve months.

Commitment

The Company has entered into operating lease agreements for its office premises. The Company also shares space with other companies related by common directors and officers on a month to month basis, and the amounts such companies contribute to the lease costs are netted against the Company's lease expense. There are, however, no commitments from these companies and thus the amounts presented below are the Company's gross commitments. Expected lease payments due by period as at December 31, 2015 are as follows:

Less than 1 year	$	209,921
1 – 3 years		381,216
4 – 5 years		190,608
After 5 years		-
Total	**$**	**781,745**

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to advance its mineral properties and to acquire new investments. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support its business activities. Other than the Company's royalty interest on the Tambor Project, the properties in which the Company currently holds an interest in are in the exploration stage; as such the Company may be dependent on external financing to fund its activities. In order to carry out planned investments, exploration and possible mineral property acquisitions and to pay for general administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and investments, and seek to acquire an interest in additional properties and investments if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash and cash equivalents, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the year ended December 31, 2015. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

Financial Instruments and Risk Management

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This section describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the accompanying financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at December 31, 2015 and 2014, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2015				December 31, 2014			
	US Dollar	**Mexican Peso**	**Guatemala Quetzal**	**Nicaragua Cordoba**	**US Dollar**	**Mexican Peso**	**Guatemala Quetzal**	**Nicaragua Cordoba**
	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)
Cash	$ 93,498	$ 1,290	$ 411	$ 1,045	$ 97,995	$ 1,254	$ 99	$ 680
Receivables	743,682	27,592	2,261	-	-	32,243	4,526	4,008
Current liabilities	(19,141)	(4,718)	(567)	(4,769)	(5,533)	(4,650)	(2,933)	(1,208)
	$ 818,039	**$ 24,164**	**$ 2,105**	**$ (3,724)**	**$ 92,462**	**$ 28,847**	**$ 1,692**	**$ 3,480**

Based on the above net exposures at December 31, 2015, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately an $84,000 (2014: $12,600) increase or decrease in profit or loss, respectively.

Commodity Price Risk

The Company's royalty revenue is derived from a royalty interest and is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of gold discovered. Gold prices have historically fluctuated widely. Consequently, the economic viability of the Company's royalty interest cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices. The Company has not engaged in any hedging activities.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited as it holds no assets or liabilities subject to variable rates of interest.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The available-for-sale investments held in B2Gold, Focus, and Southern Silver are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would approximately result in a $425,000 decrease in equity.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, available-for-sale investments and receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents or available-for-sale investments that are invested in asset based commercial paper. For advances and other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value.

c) 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's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company believes that these sources will be sufficient to cover the known requirements at this time.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Management considers that due to their short-term nature the carrying amounts of financial assets and financial liabilities, which include cash, due from related parties, advances and other receivables, deposits, accounts payables and accrued liabilities, and due to related parties are assumed to approximate their fair values.

The fair value investments in associates are detailed in the following table:

		December 31, 2015 Book value		**December 31, 2015 Fair value**
Financial assets				
Shares held in Rackla and recorded as investment in associate	$	1	$	163,530
Shares held in Medgold and recorded as investment in associate	$	369,828	$	562,800

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

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 for the asset or liability that are not based on observable market data (unobservable inputs).

The values of the B2Gold, Focus, and Southern Silver available-for-sale investments are based on quoted prices and are therefore considered to be Level 1. The embedded derivative on royalty income receivables is derived from gold prices and therefore considered to be Level 2.

There were no transfers between Levels in the period.

Related Party Transactions

The Company's related parties with transactions during the years ended December 31, 2015 and 2014 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
Fortuna	Shared general and administrative expenses
Focus	Investment and shared general and administrative expenses
Medgold (Associate)	Investment and shared general and administrative expenses
Rackla (Associate)	Investment

The Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the periods ended December 31, 2015 and 2014:

	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014
Expenses:				
Salaries and benefits	$ 4,080	$ 6,056	$ 23,420	$ 14,578
Mineral property costs:				
Salaries and benefits	1,562	-	2,471	5,306
	$ 5,642	**$ 6,056**	**$ 25,891**	**$ 19,884**

During the periods ended December 31, 2015 and 2014, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014
General and administrative expenses:				
Office and miscellaneous	$ 12,346	$ 8,776	$ 40,396	$ 44,274
Shareholder communications	-	7,530	3,019	8,719
Property investigations	-	-	1,587	-
Salaries and benefits	23,918	32,513	124,043	94,860
Transfer agent and regulatory fees	-	-	2,763	3,749
Travel and accommodation	2,518	5,813	13,471	17,494
	$ 38,782	**$ 54,632**	**$ 185,279**	**$ 169,096**

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salary and benefits costs for the periods ended December 31, 2015 and 2014 include those for the Chief Financial Officer and Corporate Secretary. These transactions are in the normal course of operations and are measured at the fair value of the services rendered.

Prepaid expenses and deposits include an amount of $7,084 (2014: $Nil) paid to Gold Group for shared office and administrative services.

Long-term deposits as of December 31, 2015 include an amount of $60,000 (2014: $60,000) paid to Gold Group as a deposit on the shared office and administrative services agreement that became effective July 1, 2012.

Amounts due from related parties as of December 31, 2015 consists of $8,224 (2014: $Nil) due from Medgold, a company with a common director with the Company. The amount owing from Medgold arose from shared administrative costs. This amount was unsecured, non-interest bearing and are due on demand.

Accounts payable and accrued liabilities include $21,913 (2014: $34,297) payable to Gold Group for shared administrative costs and $8,925 (2014: $Nil) to Mill Street for management fees and expense reimbursement.

During the years ended December 31, 2015 and 2014, the following transactions also occurred:

i) The Company acquired 40,000 common shares in Medgold on the open market at a cost of $4,085;

ii) The Company acquired 1,831,000 common shares and 1,831,000 share purchase warrants in Focus by way of a private placement that closed on May 26, 2015 at a cost of $366,200.

iii) The Company acquired 1,000,000 common shares and 1,000,000 share purchase warrants in Rackla by way of a private placement that closed on October 19, 2015 at a cost of $50,000. (2014: acquired 5,000,000 common shares and 5,000,000 share purchase warrants in Medgold by way of the private placement that closed in February 2014 at a cost of $500,000 and acquired 3,000,000 additional common shares of the Company by exercising 3,000,000 of the warrants at a cost of $330,000).

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	Three months ended December 31, 2015	Three months ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Management fees	$ 25,500	$ 25,500	$ 102,000	$ 102,000
Salaries, benefits and fees	8,708	8,135	34,375	27,527
	$ 34,208	**$ 33,635**	**$ 136,375**	**$ 129,527**

There were no share-based payments to directors not included in the above table during the periods ended December 31, 2015 and 2014.

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position and Outstanding Options

As at April 29, 2016, the Company's outstanding share position is 86,675,617 common shares and the following incentive stock options are outstanding:

STOCK OPTIONS

Number of options	Exercise price	Expiry date
1,570,000	$0.29	January 7, 2020
100,000	$0.36	May 25, 2020
820,000	$0.69	September 23, 2020
150,000	$0.81	July 26, 2021
2,135,000	$0.20	December 12, 2022
4,775,000		

<u>Significant Investments Accounted For By the Equity Method</u>

Medgold

As at December 31, 2015, the Company held 8,040,000 (December 31, 2014: 8,000,000) common shares of Medgold, representing 15.5% of Medgold's outstanding common shares. Of these shares held, 40,000 were purchased in the market during the year ended December 31, 2015 for a net purchase price of $4,085.

On November 4, 2014, the Company acquired 3,000,000 common shares of Medgold by way of exercising 3,000,000 share purchase warrants at a cost of $330,000, bringing the Company's total holdings in Medgold at that time to 8,000,000 common shares, representing an increase from 14.4% to 19.1% of Medgold's outstanding common shares. Upon this transaction, Medgold met the definition of an associate and therefore reclassified its holdings in Medgold from an available-for-sale investment to investment in associate and has been equity accounted for in the consolidated financial statements.

During the year ended December 31, 2015, the Company's shareholdings in Medgold decreased from 19.1% to 15.5% as a result of an increase in the issued capital of Medgold while still being able to exercise significant influence over Medgold.. As a result, the Company recorded a gain on dilution of $85,743 for the current year.

As at December 31, 2015, the Company held 2,000,000 (December 31, 2014: 2,000,000) share purchase warrants to purchase common shares of Medgold. Each Medgold warrant entitles the Company to purchase an additional common share exercisable until February 4, 2017 at a price of $0.15. The Medgold share purchase warrants are not tradable on an exchange.

The following table shows the continuity of the Company's interest in Medgold for the period from November 4, 2014 to December 31, 2015:

Available-for-sale investment reclassified as investment in associate	$	200,000
Increase in investment		330,000
Less: share of losses in associate		(57,000)
Balance, December 31, 2014		473,000
Increase in investment		4,085
Less share of losses in associate		(193,000)
Gain on dilution		85,743
Balance, December 31, 2015	**$**	**369,828**

The Company's share of losses in Medgold during the years presented is only for the period from November 4, 2014 to December 31, 2015.

The financial statement balances of Medgold are as follows:

		December 31, 2015		**December 31, 2014**
Total current assets	$	254,480	$	543,200
Total assets		1,089,109		1,407,082
Total liabilities		548,625		766,309
Net loss		1,182,037		2,048,113

At December 31, 2015, the fair value of the 8,040,000 common shares of Medgold was $562,800.

Rackla

On October 1, 2015, Rackla completed a consolidation of its issued shares outstanding on a one new for five old basis. As a result, the Company's holding of 9,866,376 common shares in Rackla as of that date was reduced to 1,973,275. During the year ended December 31, 2015, the Company acquired an additional 1,000,000 post-consolidation common shares and 1,000,000 share purchase warrants of Rackla by way of a private placement at a cost of $50,000. Each share purchase warrant entitles the Company to purchase an additional post-consolidation common share of Rackla until October 18, 2017 at a price of $0.05. The Rackla share purchase warrants are not tradable on an exchange.

As at December 31, 2015, the Company's holding of 2,973,275 (December 31, 2014: 1,973,275) post-consolidation common shares of Rackla, represented 19.7% of Rackla's outstanding common shares.

Rackla meets the definition of an associate and has been equity accounted for in the consolidated financial statements.

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2013 to December 31, 2015:

Balance, December 31, 2012	$	493,319
Less: share of losses in associate		(493,318)
Balance, December 31, 2013		1
Less: share of losses in associate		-
Balance, December 31, 2014		1
Increase in investment		50,000
Less: share of losses in associate		(50,000)
Balance, December 31, 2015	**$**	**1**

Prior to the year ended December 31, 2015 the Company's share of losses in Rackla exceeded its interest and therefore the Company discontinued recognizing its share of further losses. During the year ended December 31, 2015, with the additional 1,000,000 common shares being purchased at a cost of $50,000, the Company has recognized $31,800 as its share of losses in Rackla for the current year and $18,200 of its share of losses from a prior period. The cumulative unrecognized share of losses for the associate is $548,782.

The financial statement balances of Rackla are as follows:

		December 31, 2015		**December 31, 2014**		**December 31, 2013**
Total current assets	$	83,887	$	59,064	$	173,069
Total assets		231,419		209,044		1,221,037
Total liabilities		41,760		102,550		36,543
Net loss		161,835		1,081,000		4,373,259

At December 31, 2015, the fair value of the 2,973,275 common shares of Rackla was $163,530 (2014: $147,996).

Future Changes in Accounting Policies

The following new standard has been issued by the IASB but is not yet effective:

IFRS 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective for annual periods starting on or after January 1, 2018, with earlier application permitted. The Company is in the process of evaluating the impact of the new standard.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of evaluating the impact of the new standard.

Amendments to IAS 1, Presentation of Financial Statements

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company is in the process of evaluating the impact of these amendments.

Risks and Uncertainties

Competition

The Company faces competition from other capital providers, all of which compete with it for investment opportunities. These competitors may limit the Company’s opportunities to acquire interests in investments that are attractive to the Company. The Company may be required to invest otherwise than in accordance with its Investment Policy and strategy in order to meet its investment objectives. If the Company is required to invest other than in accordance with its Investment Policy and strategy, its ability to achieve its desired rates of return on its investments may be adversely affected.

Inability to dispose of illiquid securities

There is a possibility that the Company will be unable to dispose of illiquid securities held in its portfolio and if the Company is unable to dispose of some or all of its investments at the appropriate time, a return on such investment may not be realized.

Due diligence

The due diligence process undertaken by the Company in connection with investments that it makes or wishes to make may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Mineral property exploration and mining

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

If the Company does not satisfactorily complete its contribution requirements to any joint ventures it may be a party to, the Company's interest in a joint venture can be diluted to a point where all interest in the joint venture is forfeited.

Joint venture funding

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

Commodity price

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party. The Company's royalty revenue is derived from a royalty interest that is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of gold discovered. Gold prices have historically fluctuated widely. Consequently, the economic viability of the Company's royalty interest cannot be accurately predicted and may be adversely affected by fluctuations in gold prices.

Financing and share price fluctuation

The Company has no source of operating cash flow and has no assurance that additional funding will be available to it when needed for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues or the value of the Company's available-for-sale investments and corresponding effect on the Company's financial position.

Political, regulatory and currency

The Company's mineral property interests are located in emerging nations. Properties in emerging nations may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its exploration and care and maintenance expenditures in US dollars, Guatemalan quetzals, Nicaraguan córdobas, and Mexican pesos. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the US dollar, Guatemalan quetzal, or Mexican peso could have an adverse impact on the amount of exploration conducted.

Insurance

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and social

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are fairly significant in some of the Company's areas of operations. Violence, kidnapping, theft and other criminal activities could disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

Mineral Properties Expenditure Detail (see following pages)

Mineral Properties Expenditure Detail

RADIUS GOLD INC.
CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES
For the year ended December 31, 2015
(Expressed in Canadian Dollars)

	USA		Guatemala		Nicaragua	Mexico	
	General Exploration	Mineral Concessions	General Exploration	Mineral Concessions	General Exploration	General Exploration	Total
Camp, food and supplies	$ -	$ 3,144	$ -	$ -	$ -	$ 2,066	$ 5,210
Environment	-	7,835	-	2,097	-	-	9,932
Exploration administration	704	-	7,106	7,758	1,639	3,628	20,835
Geochemistry	823	-	772	-	-	24,057	25,652
Geological consulting	1,149	-	21,897	-	-	232,065	255,111
Legal and accounting	-	-	5,513	-	2,243	9,290	17,046
Licenses, rights and taxes	-	12,353	-	-	-	-	12,353
Public relations	-	-	-	3,462	-	-	3,462
Rent and utilities	-	-	9,338	-	-	-	9,338
Salaries and wages	8,580	3,303	33,997	-	6,486	37,975	90,341
Travel and accommodation	515	1,224	7,371	-	-	73,923	83,033
	$ 11,771	**$ 27,859**	**$ 85,994**	**$ 13,317**	**$ 10,368**	**$ 383,004**	**$ 532,313**

RADIUS GOLD INC.
CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES
For the year ended December 31, 2014
(Expressed in Canadian Dollars)

	USA		Guatemala		Nicaragua	Mexico	
	General Exploration	Mineral Properties	General Exploration	Mineral Properties	General Exploration	General Exploration	Total
Camp, food and supplies	$ 132	$ 18,692	$ 6,305	$ -	$ -	$ 7,856	$ 32,985
Drilling	-	559,662	-	-	-	-	559,662
Environment	-	-	-	16,943	-	-	16,943
Exploration administration	-	366	6,393	523	3,408	1,452	12,142
Geochemistry	593	37,348	3,587	-	-	33,563	75,091
Geological consulting	8,792	108,147	60,335	-	-	121,203	298,477
Legal and accounting	-	-	7,459	1,371	2,334	9,590	20,754
Licenses, rights and taxes	-	8,197	-	1,401	-	-	9,598
Maintenance	-	-	2,992	-	-	-	2,992
Medical expenses	-	-	5,707	-	-	-	5,707
Public relations	-	-	1,369	-	-	-	1,369
Rent and utilities	-	3,645	13,552	6,725	1,408	-	25,330
Salaries and wages	-	128,765	27,504	-	5,532	9,775	181,881
Telephone and communications	-	2,368	-	-	-	761	3,129
Travel and accommodation	4,210	55,091	15,608	-	-	33,846	108,755
	$ 24,032	**$ 922,281**	**$ 150,811**	**$ 26,963**	**$ 12,682**	**$ 218,046**	**$ 1,354,815**