CAZA GOLD CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Years ended December 31, 2015 and 2014

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CAZA GOLD CORP.

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

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

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

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

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

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

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2016

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CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Stated in Canadian dollars)

	Notes		December 31, 2015		2014
ASSETS					
Current Assets					
Cash		**$**	**364,756**	$	3,087,528
Receivables and prepaids	11		**39,932**		159,279
Total Current Assets			**404,688**		3,246,807
Non-Current Assets					
Mineral property interests	7 and 11		**9,668,501**		7,219,529
Equipment	8		**56,351**		3,647
Total Non-Current Assets			**9,724,852**		7,223,176
Total Assets		**$**	**10,129,540**	$	10,469,983
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	11	**$**	**599,015**	$	644,445
Shareholders' Equity					
Share capital	10(b)		**21,851,953**		21,782,282
Reserve for share-based payments			**1,407,299**		1,497,285
Deficit			**(13,728,727)**		(13,454,029)
Total Shareholders' Equity			**9,530,525**		9,825,538
Total Liabilities and Shareholders' Equity		**$**	**10,129,540**	$	10,469,983

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ Michael Humphries
Director

/s/ James Defer
Director

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

	Notes	Years ended December 31, 2015	2014
Expenses:			
Accounting and audit		**$ 80,031**	$ 76,088
Amortization		**10,481**	5,035
Employee and director remuneration	11	**259,539**	317,080
Legal	11	**37,437**	82,241
Office and sundry	11	**94,638**	107,562
Property investigation	11 and 12	**32,642**	15,666
Regulatory		**49,605**	62,927
Shareholder relations		**5,480**	783
Share-based payments	10(c) and 11	**146,356**	144,512
Loss before the undernoted		**(716,209)**	(811,894)
Foreign exchange gain (loss)		**266,213**	(33,485)
Interest income		**5,667**	3,046
Interest and finance charges	9	**-**	(88,742)
Fair value change on derivative asset	6	**-**	(115,088)
(Write-off) recovery of receivables and value-added tax	11	**(117,676)**	228,660
Gain on debt settlement	10(b) and 11	**51,118**	119,854
Gain on settlement of demand loans	9	**-**	11,704
Write-off of equipment	8	**(153)**	-
Write-off of mineral property interests, net of settlement		**-**	(126,298)
Net loss and comprehensive loss for the year		**$ (511,040)**	$ (812,243)
Basic and diluted loss per share		**$ -**	$ (0.02)
Weighted average number of common shares outstanding		**139,795,166**	42,396,283

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Shareholders' Equity

(Stated in Canadian dollars)

	Notes	Share Capital Number of Shares	Share Capital Amount	Reserve for Share-Based Payments	Deficit	Total
Balance, December 31, 2013		40,659,805	$ 17,773,987	$ 1,223,041	$ (13,434,103)	$ 5,562,925
Private placement, net of share issue costs	10(b)(ii)	88,160,000	3,450,440	881,600	-	4,332,040
Property acquisition	7(a)	7,249,300	296,598	-	-	296,598
Conversion of convertible promissory notes	9(b)	800,000	113,677	-	-	113,677
Shares-for-debt settlement	10(b)(ii)	1,874,500	149,960	-	-	149,960
Redemption of shareholders rights plan	10(f)	-	(2,380)	-	-	(2,380)
Share-based payments		-	-	144,512	-	144,512
Expiry of stock options		-	-	(792,317)	792,317	-
Warrants issued upon conversion of debt		-	-	40,449	-	40,449
Net loss for the year		-	-	-	(812,243)	(812,243)
Balance, December 31, 2014		138,743,605	21,782,282	1,497,285	(13,454,029)	9,825,538
Shares-for-debt settlement	10(b)(i)	2,558,400	69,671	-	-	69,671
Share-based payments		-	-	146,356	-	146,356
Expiry of stock options		-	-	(236,342)	236,342	-
Net loss for the year		-	-	-	(511,040)	(511,040)
Balance, December 31, 2015		141,302,005	$ 21,851,953	$ 1,407,299	$ (13,728,727)	$ 9,530,525

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Years ended December 31,	
	2015	2014
Cash provided from (used by):		
Operations:		
Loss for the year	**$ (511,040)**	$ (812,243)
Items not involving cash:		
Amortization	**10,481**	5,035
Effective interest, net paid	**-**	21,031
Unrealized foreign exchange gain	**(343,923)**	(159,412)
Share-based payments	**146,356**	144,512
Fair value change on derivative asset	**-**	115,088
Gain on debt settlement	**(51,118)**	(119,854)
Gain on settlement of demand loans	**-**	(11,704)
Write-off (recovery) of receivables and value-added tax	**117,676**	(228,660)
Write-off of equipment	**154**	-
Write-off of mineral property interests, net of settlement	**-**	126,298
	(631,414)	(919,909)
Changes in non-cash working capital items:		
Receivables and prepaids	**1,671**	(81,324)
Accounts payable and accrued liabilities	**267,930**	(174,670)
Cash used by operating activities	**(361,813)**	(1,175,903)
Financing:		
Proceeds from demand loans	**-**	658,260
Repayment of demand loans	**-**	(862,863)
Financing costs	**-**	(9,327)
Issuance of common shares and warrants, net of share issue costs	**-**	4,332,040
Redemption of shareholders' rights plan	**-**	(2,380)
Cash provided from financing activities	**-**	4,115,730
Investing:		
Mineral property interests, net of recoveries	**(2,641,543)**	(1,597,469)
Equipment	**(63,339)**	-
Cash used by investing activities	**(2,704,882)**	(1,597,469)
Unrealized foreign exchange gain on cash held in foreign currency	**343,923**	159,412
(Decrease) increase in cash	**(2,722,772)**	1,501,770
Cash, beginning of year	**3,087,528**	1,585,758
Cash, end of year	**$ 364,756**	$ 3,087,528

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Stated in Canadian dollars)

	Notes		Years ended December 31, 2015		2014
Non-cash financing and investing activities:					
Accrual for mineral property interests		**$**	**133,423**	$	346,977
Issuance of common shares for:					
Mineral property interests	7(a), 10(b)(ii)		**-**		296,598
Debt settlement	10(b), 11		**69,671**		149,960
Convertible promissory note	9		**-**		113,677
Fair values from the expiration of:					
Stock options			**236,342**		792,317
Interest paid			**-**		61,067
Income taxes paid			**-**		-

Refer to the accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Caza Gold Corp. (the "Company") was incorporated on November 15, 2007 under the laws of British Columbia, Canada. The address of the Company's registered office is #1040 – 999 West Hastings Street, Vancouver, BC, Canada, V6C 2W2 and its principal place of business is #301 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8.

The Company is in the mineral exploration business and has not yet determined whether its properties contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has no operating revenues, has incurred significant net losses of approximately $511,000 for the year ended December 31, 2015 (2014 - $812,200), and has a deficit of approximately $13.7 million as at December 31, 2015 (2014 - $13.5 million). Furthermore, the Company has a working capital deficiency of approximately $194,300 (2014 – working capital of $2.6 million). These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management would need to raise the necessary capital to meet its planned business objectives. There can be no assurance that management's plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on April 26, 2016.

2. Basis of Presentation (continued)

(c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional currency and presentation currency:

The functional and presentation currencies of the Company are the Canadian dollar. Amounts recorded in a foreign currency are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- non-monetary assets and liabilities at historical exchange rates, unless such items are carried at fair value, in which case they are translated at the exchange rate in effect on the consolidated statement of financial position date; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in profit or loss in the period in which they occur.

(e) Critical accounting estimates:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of derivative assets, stock options granted, and warrants issued as finders' fees and from conversion of convertible loans; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

The Company applies judgment in assessing the functional currency of each entity consolidated in these financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

The Company applies judgment in assessing whether material uncertainties exist that would cast significant doubt as to whether the Company could continue as a going concern.

2. Basis of Presentation (continued)

(e) Critical accounting estimates: (continued)

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

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

(f) New accounting standards and recent pronouncements:

(i) The following standard has become effective during the current year:

Annual Improvements 2010-2012 Cycle

Makes amendments to the following standards:

- IFRS 2 — Amends the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition"
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(ii) The standard listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company is currently assessing the impact of the standard on the consolidated financial statements.

The following standard will become effective in future periods:

IFRS 9 *Financial Instruments:*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015. The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.

- *Classification and measurement of financial liabilities:*

  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity’s own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*

  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

IFRS 9 *Financial Instruments:* (continued)

- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Applicable to the Company's annual periods beginning January 1, 2018.

IFRS 16 *Leases:*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

Applicable to the Company's annual period beginning January 1, 2019.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods 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, Minera Caza S.A. de C.V., Minera Canarc de Mexico S.A. de C.V. and Nicaza S.A.

All significant intercompany transactions and balances have been eliminated.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or had rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(b) Financial instruments:

(i) Financial assets:

The Company classifies its financial assets in the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity ("HTM") and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at FVTPL

Financial assets at FVTPL include a derivative financial asset, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. Loans and receivables are carried at amortized cost less any impairment.

Held to maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. HTM investments are initially recognized on their trade-date at fair value, and subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(i) Financial assets: (continued)

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS financial assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at each reporting date and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss.

(ii) Financial liabilities:

The Company classifies its financial liabilities in the following categories: FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include derivative financial liabilities, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(iii) Fair value hierarchy:

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(iv) Impairment of financial assets:

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is “significant” or “prolonged” based on indicators such as significant adverse changes in the market, economic or legal environment.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(v) Derecognition of financial assets and liabilities:

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized in profit or loss.

(c) Impairment of non-financial assets:

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.

3. Significant Accounting Policies (continued)

(c) Impairment of non-financial assets: (continued)

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purposes of impairment testing, mineral property interests are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Mineral property interests:

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

3. Significant Accounting Policies (continued)

(d) Mineral property interests: (continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to profit or loss.

(e) Equipment:

Equipment is recorded at cost less accumulated amortization. The Company calculates amortization using the declining balance method at rates varying from 10% to 30% annually.

(f) Convertible instruments:

The proceeds received on the issuance of the Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible debt option reserve" within shareholders' equity.

If the convertible debt has a conversion feature that permits only the Company to demand conversion, then there is no equity component, and instead a derivative asset is recognized and measured at fair value. The allocation between the debt and derivative asset components is first allocated based on the fair value of the derivative, with the residual assigned to debt. The derivative asset is subsequently measured at fair value with changes in fair value recognized in profit and loss.

(g) Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to share capital based on the fair value of the common shares with any residual value then allocated to warrants.

(h) Non-monetary transactions:

Common shares issued for consideration other than cash are valued at their fair value at the date of issuance.

3. Significant Accounting Policies (continued)

(i) Share-based payments:

The Company has a stock option plan that is described in Note 10(c). Share-based payments to employees are measured on the grant date using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from the reserve for share-based payments to deficit.

(j) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

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

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

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

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred. The Company does not have any significant environmental rehabilitation liabilities.

3. Significant Accounting Policies (continued)

(k) Loss per share:

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted loss per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per common share presented is the same as basic loss per common share as the effect of outstanding share options and warrants would be anti-dilutive.

(l) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(m) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

4. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company has not yet determined whether its mineral properties contain reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from operations. The Company's primary sources of funds are from debt capital and the issuance of share capital.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses on all exploration projects and overhead to manage its costs, commitments and exploration activities.

The Company has in the past invested its excess capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the period.

Although the Company has raised funds in the past from the issuance of debt instruments and share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

As at December 31, 2015, the Company was not subject to any externally imposed capital requirements.

5. Financial Instruments and Management of Financial Risk

The Company has classified its cash as FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are as follows.

5. Financial Instruments and Management of Financial Risk (continued)

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

Management has reviewed the items comprising the accounts receivable balance, and determined that all accounts are collectible; accordingly, there has been no allowance for doubtful accounts recorded.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at December 31, 2015, the Company had a working capital deficiency of $194,300 (2014 – working capital of $2.6 million). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2016.

Accounts payable and accrued liabilities are due in less than 90 days.

(c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars, mineral property interests which are in Nicaragua and were previously in Mexico, and a portion of its operations are in Nicaragua and were in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar, Nicaraguan Cordoba and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company’s functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar, Nicaraguan Cordoba and Mexican peso.

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk: (continued)

(i) Foreign currency risk: (continued)

At December 31, 2015 and 2014, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars			
	Held in			Total
	United States Dollars	Mexican Pesos	Nicaraguan Cordoba	
Cash	$ 107,884	$ -	$ 1,356	$ 109,240
Receivables and prepaids	-	-	1,117	1,117
Accounts payable and accrued liabilities	(113,888)	(277,012)	(29,189)	(420,089)
Net financial assets (liabilities), December 31, 2015	(6,004)	(277,012)	(26,716)	(309,732)
Cash	2,792,668	11,281	43,589	2,847,538
Receivables and prepaids	-	51,769	1,255	53,024
Accounts payable and accrued liabilities	(57,680)	(308,735)	(19,513)	(385,928)
Net financial assets (liabilities), December 31, 2014	$ 2,734,988	$ (245,685)	$ 25,331	$ 2,514,634

Based upon the above net exposure as at December 31, 2015 and assuming all other variables remain constant, a 15% (2014 – 10%) depreciation or appreciation of the Canadian dollar relative to the United States dollar, Nicaraguan Cordoba and the Mexican peso could result in a decrease/increase of approximately $46,500 (2014 - $251,500) in the Company’s net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end. The Company’s debt obligations owed for demand loans and convertible promissory notes, if any, bear fixed interest rates.

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk: (continued)

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company's financial instruments which fluctuate with market prices include derivative asset, if any, which is recognized when the market price of the Company's common shares is less than the conversion price of the convertible promissory notes (Note 6) and derivative liability, if any, which is payable in common shares of the Company (Note 9(a)).

6. Derivative Asset

Balance, December 31, 2013	$	74,639
Less: Unrealized loss from derivative asset		(74,639)
Balance, December 31, 2014 and 2015	$	-

In 2013, the Company recognized a derivative asset from the convertible promissory notes given the convertible promissory notes were convertible at the sole option of the Company (Note 9(b)). The market price of the common share was $0.10 as at December 31, 2013 which is less than the conversion price of $0.15, resulting in the recognition of a derivative asset. The fair value of the derivative asset was reduced by the liability attributable to the fair value of the warrants in the underlying units.

The convertible promissory notes were converted into units by the Company on March 11, 2014 on which date the market price of its common shares was $0.16, resulting in the derecognition of the derivative asset; each unit was converted into one common share and one warrant. Upon conversion, the fair value of the net derivative asset ($74,639) was de-recognized, and the value of the warrant arising from exercise of the unit was recorded in reserves ($40,449), with the net change recognized in profit and loss ($115,088).

(Stated in Canadian dollars)

7. Mineral Property Interests

	Year ended December 31, 2015		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2014	$ 1,720,319	$ 479	$ 1,720,798
Acquisition or staking	(28,833)	49,457	20,624
Balance, December 31, 2015	1,691,486	49,936	1,741,422
Deferred Exploration Expenditures:			
Balance, December 31, 2014	5,405,352	93,379	5,498,731
Advances	394	-	394
Aerial, photo and mapping	7,613	17,483	25,096
Assays and surveys	31,243	12,904	44,147
Camp and field supplies	6,213	3,933	10,146
Community and social	150,348	93,960	244,308
Drilling	184,740	191,322	376,062
Equipment and systems	356	187	543
Geology	212,197	144,794	356,991
Geophysics	129,632	-	129,632
Salaries and local labour	628,625	206,935	835,560
Sundry	57,280	9,560	66,840
Surface taxes	20,962	139,838	160,800
Transportation and travel	112,195	65,634	177,829
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Mineral Property Interests:			
December 31, 2014	$ 7,125,671	$ 93,858	$ 7,219,529
December 31, 2015	$ 8,638,636	$ 1,029,865	$ 9,668,501

(Stated in Canadian dollars)

7. Mineral Property Interests (continued)

	Year ended December 31, 2014		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2013	$ 1,071,573	$ -	$ 1,071,573
Option payment	300,536	-	300,536
Funds paid in trust	348,210	-	348,210
Staking	-	479	479
Balance, December 31, 2014	1,720,319	479	1,720,798
Deferred Exploration Expenditures:			
Balance, December 31, 2013	4,045,411	48,680	4,094,091
Advances	(2,044)	-	(2,044)
Aerial, photo and mapping	2,225	(141)	2,084
Assays and surveys	9,993	15,223	25,216
Camp and field supplies	8,948	-	8,948
Community and social	211,500	-	211,500
Drilling	245,356	4,790	250,146
Equipment and systems	263	-	263
Environmental	1,946	-	1,946
Geochemistry	26,704	-	26,704
Geology	36,323	-	36,323
Geophysics	12,985	-	12,985
Roads and access	9,191	-	9,191
Salaries and remuneration	510,391	34,754	545,145
Sundry	37,348		37,348
Surface taxes	110,380	(10,145)	100,235
Transportation and travel	138,432	218	138,650
Balance, December 31, 2014	5,405,352	93,379	5,498,731
Mineral Property Interests:			
December 31, 2013	$ 5,116,984	$ 48,680	$ 5,165,664
December 31, 2014	$ 7,125,671	$ 93,858	$ 7,219,529

7. Mineral Property Interests (continued)

(a) Los Andes property (Nicaragua):

In December 2010, as amended in January 2011, the Company entered into a property option agreement with Inversiones Ecologicas S.A. ("Inecosa") to acquire a 100% interest in the Los Andes property by making US$1.17 million in cash payments, issuing 500,000 common shares and spending US$2.97 million on exploration over a 4 year period. The Company also agreed to issue 50,000 common shares for the staking of additional properties to Inecosa in January 2011, and thereafter the Company shall issue that number of common shares equal to 0.53 multiplied by the number of hectares staked in the area of mutual interest as defined, subject to regulatory approvals. Inecosa retains a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US$1 million and to acquire the remaining 1% NSR by paying an additional US$2 million.

In April 2012, a shareholder who owns a 40% interest in Inecosa became a senior officer of the Company (Note 11).

The Company paid US$300,000 in December 2013, and issued 189,300 common shares at a fair value of $0.075 in February 2014.

In connection with the loan agreement and security interest referred to in Note 9(a), Inecosa acknowledged the security interest granted in favour of Polygon Mining Opportunity Master Fund ("Polygon") pursuant to an acknowledgement dated July 31, 2014 and had made certain covenants in favor of Polygon thereunder. In December 2014, Polygon released and discharged its security interests against the Company.

In December 2014, the Company entered into a Purchase Agreement with Inecosa, which amended and superseded the prior property option agreement, to acquire a 100% interest in the Los Andes property. The Company issued 7.06 million common shares to Inecosa at a fair value of $0.04 per share and paid US$300,000 "in trust" to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them.

7. Mineral Property Interests (continued)

(b) Title to mineral property interests:

The Company has investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(c) Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

(d) Environmental matters:

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

(Stated in Canadian dollars)

8. Equipment

	Vehicles	Field Equipment	Office Equipment	Total
Cost:				
Balance, December 31, 2013	$ -	$ 5,515	$ 20,370	$ 25,885
Adjustments	-	-	-	-
Balance, December 31, 2014	-	5,515	20,370	25,885
Add: Acquisitions	57,497	-	5,842	63,339
Less: Write-offs	-	(5,515)	(12,450)	(17,965)
Balance, December 31, 2015	57,497	-	13,762	71,259
Accumulated amortization:				
Balance, December 31, 2013	-	3,899	13,304	17,203
Add: Amortization	-	737	4,298	5,035
Balance, December 31, 2014	-	4,636	17,602	22,238
Add: Amortization	6,959	304	3,218	10,481
Less: Write offs	-	(4,940)	(12,871)	(17,811)
Balance, December 31, 2015	6,959	-	7,949	14,908
Net book value:				
Balance, December 31, 2014	$ -	$ 879	$ 2,768	$ 3,647
Balance, December 31, 2015	$ 50,538	$ -	$ 5,813	$ 56,351

(Stated in Canadian dollars)

9. Loans

	Demand Notes Payable	Convertible Promissory Notes
Balance, December 31, 2013	$ 204,603	$ 118,203
Proceeds from loan	658,260	-
Loan issuance costs	(9,327)	-
Obligation to issue loan bonus in common shares	(118,486)	-
Interest accrual	88,742	4,183
Interest paid	(69,615)	(8,709)
Foreign exchange	35,461	-
Loan balance on settlement date, December 30, 2014	789,638	113,677
Conversion of convertible promissory notes	-	(113,677)
Cash repayment amount	(896,420)	-
Gain (loss) on settlement	(106,782)	-
Gain on forgiveness of obligation to issue loan bonus in common shares	118,486	-
Net Gain on Settlement in 2014	$ 11,704	$ -

(a) Promissory Note:

In July 2013, the Company entered into a loan agreement with Polygon under which the Company borrowed $200,000 at an interest rate of 12% per annum, compounded and payable quarterly. The loan and any accrued interest were repayable upon the earlier of January 22, 2015 or written demand for repayment after November 19, 2013. In connection with the loan, Polygon was granted a security interest in the Company’s present and after-acquired personal property as well as a negative pledge over all of the Company’s assets. In December 2014, the Company repaid the principal plus interest, and Polygon released and discharged its security interests against the Company.

9. Loans (continued)

(a) Promissory Note: (continued)

In August 2014, the Company entered into a loan agreement with Polygon under which the Company borrowed US$600,000 at an interest rate of 12% per annum, compounded and payable each calendar quarter. The loan and any accrued interest were repayable upon the earlier of February 8, 2016 or written demand for repayment after August 8, 2015. In connection with the loan, Polygon was granted a security interest in the Company's present and after-acquired personal property including the property option agreement under which the Company has a contractual right to acquire a 100% interest in the Los Andes property (Note 7(a)). Polygon also had a negative pledge over all of the Company's assets pursuant to the loan agreement. In December 2014, the Company repaid the principal plus interest, with Polygon waiving any make-whole interest from early redemption of the loan and the issuance of bonus shares. Polygon also released and discharged its security interests in the Company's present and after-acquired personal property and its negative pledge over the Company's assets.

(b) Convertible Promissory Notes:

In August 2013, the Company arranged convertible promissory notes for $121,058 of which $35,000 were from certain current and former directors. The convertible notes bore an interest rate of 12% per annum compounded annually and payable every second quarter, and would mature on February 7, 2015. The principal and accrued interest can be converted, at the sole option of the Company, into units of the Company with the principal at $0.15 per unit for the first year and at $0.30 per unit for the remaining 6 months, and accrued interest at market price per unit. Each unit was comprised of one common share and one common share purchase warrant; each warrant is exercisable to acquire one common share at $0.30 per share until August 7, 2016. A finder's fee of $4,000 was paid on the debt financing. In February 2014, the Company paid interest of $7,260. Then on March 11, 2014 the Company converted the promissory notes into 800,000 units and paid interest of $1,450.

As the convertible promissory notes are compound financial instruments which are convertible at the Company's sole discretion into units, the instrument contains both a liability and a derivative asset. The liability, net of issue costs, was accreted using the effective interest rate method over the term of the convertible promissory notes. Note 6 provides further details.

10. Share Capital

(a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued:

(i) On April 14, 2015, the Company issued 1.25 million common shares at a fair value of $0.03 per share which were issuable to a senior officer pursuant an employment agreement. Then on November 17, 2015, the Company issued 1.31 million common shares at a fair value of $0.03 per share to the same senior officer for his remuneration.

(ii) On February 3, 2014, the Company issued 189,300 common shares which were issuable for the Los Andes property and the staking of additional properties, at a fair value of $0.075 per share (Note 7(a)).

On March 11, 2014, the Company converted the convertible promissory notes into 800,000 units, with each unit comprised of one common share and one share purchase warrant (Note (9)(b)).

On August 25, 2014, the Company issued 1.87 million common shares at a fair value of $0.08 to current and former senior officers pursuant to shares-for-debt settlements for $149,960.

On December 30, 2014, the Company issued 7.06 million common shares to Inecosa at a fair value of $0.04 per share pursuant to a Purchase Agreement to acquire a 100% interest in the Los Andes property (Note 7(b)).

Also on December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.05 until December 30, 2019; Polygon is a control person and related party, as defined, to the Company and had a 78.9% interest in the Company at that time. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

(Stated in Canadian dollars)

10. Share Capital (continued)

(c) Stock option plan:

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX Venture Exchange at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

The continuity of stock options for the year ended December 31, 2015 and 2014 is as follows:

	2015		2014	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of period	2,819,003	$0.33	1,677,971	$1.03
Granted	3,415,000	$0.08	2,815,000	$0.14
Forfeited	(23,667)	$1.01	(965,300)	$0.47
Expired	(285,334)	$1.07	(708,668)	$1.02
Outstanding balance, end of period	5,925,002	$0.15	2,819,003	$0.33
Exercise price range	$0.08 - $1.13		$0.08 - $1.26	

The following table summarizes information about stock options outstanding and exercisable at December 31, 2015:

	Options Outstanding			Options Exercisable		
Exercise Prices	Number Outstanding at Dec 31, 2015	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Dec 31, 2015	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
$1.125	175,001	0.48	$1.125	175,001	0.48	$1.125
$0.78	155,001	1.33	$0.78	155,001	1.33	$0.78
$0.15	1,680,000	3.23	$0.15	1,344,000	3.23	$0.15
$0.08	500,000	3.73	$0.08	300,000	3.73	$0.08
$0.08	3,415,000	4.51	$0.08	683,000	4.51	$0.08
	5,925,002	3.88	$0.15	2,657,002	3.32	$0.23

(Stated in Canadian dollars)

10. Share Capital (continued)

(c) Stock option plan: (continued)

During the year ended December 31, 2015, the Company recognized share-based payments of $146,356 (2014 - $144,512) based on the fair value of stock options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants as follows:

	2015	2014
Directors (excludes directors who are officers)	$ 17,429	$ 19,470
Officers (includes directors who are officers)	113,913	104,313
Employees	6,112	10,481
Consultants	8,902	10,248
	$ 146,356	$ 144,512

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	2015	2014
Number of stock options granted	3,415,000	2,815,000
Fair value of stock options granted	$0.05	$0.09
Market price of shares on grant date	$0.06	$0.13
Pre-vest forfeiture rate	15.88%	10.57%
Risk-free interest rate	0.55%	1.31%
Expected dividend yield	0%	0%
Expected stock price volatility	139.73%	121.62%
Expected option life in years	3	3

Expected stock price volatility is based on the historical price volatility of the Company's common shares.

On March 24, 2014, the Company granted stock options to purchase up to 2.32 million common shares at an exercise price of $0.15 until March 24, 2019. Stock options for 2.16 million common shares are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

(Stated in Canadian dollars)

10. Share Capital (continued)

(c) Stock option plan: (continued)

On September 25, 2014, the Company granted stock options to purchase up to 500,000 common shares at an exercise price of $0.08 until September 25, 2019. These stock options are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

On July 3, 2015, the Company granted stock options to purchase up to 3.4 million common shares at an exercise price of $0.08 until July 3, 2020. These stock options are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

(d) Warrants:

At December 31, 2015, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2014	Issued	Exercised	Expired	Outstanding at December 31, 2015
$0.24	December 13, 2016	20,833,333	-	-	-	20,833,333
$0.30	August 7, 2016 [(1)]	800,000	-	-	-	800,000
$0.05	December 30, 2019 [(2)]	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	-	109,793,333

(1) Arose from conversion of convertible promissory note (Note 6). Fair value of $40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

(2) On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

(Stated in Canadian dollars)

10. Share Capital (continued)

(d) Warrants: (continued)

At December 31, 2014, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2013	Issued	Exercised	Expired	Outstanding at December 31, 2014
$0.60	December 28, 2014	380,834	-	-	(380,834)	-
$0.24	December 13, 2016	20,833,333	-	-	-	20,833,333
$0.30	August 7, 2016 (1)	-	800,000	-	-	800,000
$0.05	December 30, 2019 (2)	-	88,160,000	-	-	88,160,000
		21,214,167	88,960,000	-	(380,834)	109,793,333

(1) Arose from conversion of convertible promissory note (Note 6). Fair value of $40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

(2) On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

On March 11, 2014, the Company converted the convertible promissory notes into 800,000 units, with each unit comprised of one common share and one share purchase warrant (Note (9)(b)).

On December 30, 2014, the Company closed a private placement for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.05 until December 30, 2019 (Note (10)(b)(ii)).

(e) Common shares reserved for issuance at December 31, 2015:

	Number of Shares
Stock options (Note 10(c))	5,925,002
Warrants (Note 10(d))	109,793,333
Common shares reserved for issuance	115,718,335

10. Share Capital (continued)

(f) Shareholder rights plan:

On June 12, 2012, the shareholders of the Company approved a shareholder rights plan (the "Plan"). The Plan was intended to ensure that any entity seeking to acquire control of the Company made an offer that represented fair value to all shareholders and provided the board of directors with sufficient time to assess and evaluate the offer, to permit competing bids to emerge, and, as appropriate, to explore and develop alternatives to maximize value for shareholders. Under the Plan, each shareholder at the time of the Plan's adoption was issued one Right for each common share of the Company held. Each Right entitled the registered holder thereof, except for certain "Acquiring Persons" (as defined in the Plan), to purchase from treasury one common share at a 50% discount to the prevailing market price, subject to certain adjustments intended to prevent dilution. The Rights were exercisable after the occurrence of specified events set out in the Plan generally related to when a person, together with affiliated or associated persons, acquires, or makes a take-over bid to acquire, beneficial ownership of 20% or more of the outstanding common shares of the Company. The Rights expire in three years. The Company had authority to terminate or abandon the Plan if its Board of Directors determines such cancellation was in the best interest of the Company.

In December 2014, the Company resolved to redeem all of the Rights issued and outstanding under the Company's Plan and otherwise effectively abandon the Plan. The Plan provided that the Company's Board may elect to redeem all, but not less than all, of the Rights at a redemption price of $0.0003 per Right (the "Redemption Price") and/or terminate the Plan. The Company had no obligation to make any payment to any person in the event the aggregate amount owing to such person as a result of the redemption of Rights is less than $15 (ownership of less than 50,000 shares). The effective date of the redemption was the close of business on December 2, 2014 (the "Redemption Date") as of which date the only right of qualifying holders of Rights was to receive the Redemption Price. The Company accrued $2,380 in redemption commitments owed to shareholders as at December 31, 2014 which was paid in 2015.

(Stated in Canadian dollars)

11. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with related parties:

	Years ended December 31,		Net balance receivable (payable) as at December 31,	
	2015	2014	2015	2014
Key management compensation:				
Executive salaries and remuneration [1]	$ 590,702	$ 482,493	$ (73,998)	$ (83,992)
Directors fees [2]	44,330	43,563	(116,525)	(80,196)
Share-based payments	131,342	123,783	-	-
	$ 766,374	$ 649,839	$ (190,523)	$ (164,188)
Mineral property expenditures incurred to Inecosa [3]:				
Acquisition costs:				
Funds in trust pending title transfer	$ -	$ 348,210		
Number of common shares issued	-	7,249,300		
Exploration expenditures incurred	$ -	$ 412,151		
Legal fees incurred to a law firm in which a director of the Company is a partner [4]	$ 52,636	$ 83,101	$ (11,503)	$ (20,298)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) [5]	$ (447)	$ (460)	$ 7,481	$ 48,650
Gain of debt settlement [6]	$ 51,118	$ 119,854		
Write-off of receivables [5]	$ 41,874	$ -		

(1) Includes key management compensation which is included in mineral property interests and property investigation.

(2) A portion of Directors fees are accrued.

(Stated in Canadian dollars)

11. Related Party Transactions (continued)

(3) A 40% shareholder of Inecosa became a senior officer of the Company in April 2012. Exploration expenditures include those related to mineral property interests and property investigations. (Notes 7(a) and 12).

(4) Includes legal fees which are included in finance charges and share issuance expenses.

(5) The company is Aztec Metals Corp. which shares a common director.

(6) The Company entered into a mutual release agreement with a former director in August 2014 and a settlement agreement with a law firm in which a senior officer is a partner in December 2014, resulting in the recognition of gain from debt settlement.

Pursuant to an employment agreement, a portion of a senior officer's remuneration is payable in common shares of the Company (Note 10(b)(i)).

The above related party transactions are incurred in the normal course of business.

Transactions with Polygon are provided in Notes 9(a) and 10(b)(ii). Convertible promissory notes with certain related parties are provided in Note 9(b). Shares-for-debt settlement with a senior officer is provided in Note 10.

12. Property Investigation

	Years ended December 31, 2015	Years ended December 31, 2014
Property Investigation:		
Equipment and systems	$ 3,354	$ -
Geology	9,145	-
Mapping and surveys	9,938	981
Office and sundry	217	472
Transportation and travel	9,988	14,213
	$ 32,642	$ 15,666

(Stated in Canadian dollars)

13. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada, Mexico and Nicaragua, as follows:

	December 31, 2015			December 31, 2014			
	Canada	Nicaragua	Total	Canada	Mexico	Nicaragua	Total
Mineral property interests	$ -	$ 9,668,501	$ 9,668,501	$ -	$ -	$ 7,219,529	$ 7,219,529
Equipment	1,331	55,020	56,351	1,902	1,745	-	3,647

14. Deferred Income Taxes

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2015	2014
Loss for the year	$ (511,110)	$ (812,243)
Canadian statutory tax rate	26.0%	26.0%
Income tax benefit computed at statutory rates	(132,863)	(211,183)
Foreign tax rates different from statutory rates	83,730	(6,154)
Items non-deductible for income tax purposes	38,052	37,573
Effect of change in tax rate	-	-
Change in timing differences	232,169	30,171
Unused tax losses and tax offsets not recognized in tax asset	430,892	189,519
Impact of foreign exchange on tax assets and liabilities	(651,980)	(39,926)
	$ -	$ -

Effective January 1, 2013, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 11% for a total Canadian statutory tax rate of 26%.

In 2009, the Mexican government approved tax reform that includes a 2% increase in the income tax rate in Mexico from 28% to 30% for a three-year period starting in 2010.

(Stated in Canadian dollars)

14. Deferred Income Taxes (continued)

(b) The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income liabilities at December 31, 2015 and 2014 are presented below:

	December 31, 2015	December 31, 2014
Deferred tax assets		
Non-capital losses carried forward	$1,265,291	$ 635,485
Deferred tax liabilities		
Book value over tax value of equipment	(346)	(691)
Book value over tax value of mineral property interests	(1,264,945)	(634,794)
Deferred tax liabilities	(1,265,291)	(635,485)
Net deferred tax assets	$ -	$ -

(c) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2015	December 31, 2014
Non-capital losses	$ 12,631,969	$ 14,664,967
Share issue costs	152,503	280,073
Unrecognized deferred tax assets	$ 12,784,472	$ 14,945,040

(Stated in Canadian dollars)

14. Deferred Income Taxes (continued)

(c) (continued)

The Company's unrecognized unused non-capital losses have the following expiry dates:

	Canada	Mexico	Nicaragua	**Total**
2017	$ -	$ 347,127	$ -	$ 347,127
2018	-	555,819	-	555,819
2019	-	371,119	-	371,119
2020	-	511,981	-	511,981
2021	-	2,793,589	-	2,793,589
2022	-	973,764	-	973,764
2023	-	3,019,071	-	3,019,071
2024	-	117,842	50,172	168,014
2025	-	297,725	79,717	377,442
2026	-	-	-	-
2027	27,623	-	-	27,623
2028	278,062	-	-	278,062
2029	467,363	-	-	467,363
2030	1,305,702	-	-	1,305,702
2031	1,593,807	-	-	1,593,807
2032	1,015,019	-	-	1,015,019
2033	2,654,999	-	-	2,654,999
2034	512,051	-	-	512,051
2035	234,749	-	-	234,749
	$ 8,089,375	$ 8,988,037	$ 129,889	$ 17,207,301

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DIRECTORS	Michael Humphries Brian Arkell Michael Adams James Defer Stewart Lockwood Philip Yee
OFFICERS	Brian Arkell ~ Chief Executive Officer and President Marco Montecinos ~ Vice-President, Exploration Philip Yee ~ Chief Financial Officer Stewart Lockwood ~ Secretary
REGISTRAR AND TRANSFER AGENT	Computershare Investor Services Inc. 3rd Floor, 510 Burrard Street Vancouver, BC, Canada, V6C 3B9
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SOLICITORS	Vector Corporate Finance Lawyers #1040 – 999 West Hastings Street Vancouver, BC, Canada, V6C 2W2

CAZA GOLD CORP.

Fourth Quarter Report

Management Discussion and Analysis

(stated in Canadian dollars)

Years ended December 31, 2015 and 2014

CAZA GOLD CORP.

(the "**Company**")

Fourth Quarter Report

Management's Discussion and Analysis
For the Year ended December 31, 2015
(expressed in Canadian dollars)

CAUTION – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 or "forward-looking information" under Canadian securities legislation. These forward-looking statements or information may include statements regarding perceived merit of properties, exploration results and budgets, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be "forward-looking statements or information".

Forward-looking statements are based on a number of material assumptions, which could prove to be significantly incorrect, including our ability to achieve production at any of the Company's mineral exploration and development properties, estimated capital costs, operating costs, production and economic returns, estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying the Company's resource estimates, our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable assumptions that all necessary permits and governmental approvals will be obtained assumptions made in the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits, our expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties and our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

We caution you that such "forward looking statements or information" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include, without limitation, fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding, currency fluctuations, risks related to market events and general economic conditions, uncertainty related to the Company's ability to meet production levels and observe operating costs estimates mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production risks related to governmental regulation and permits, including environmental regulation uncertainty related to the Company's history of losses, increased competition in the mining industry, uncertainty as to the Company's ability to acquire additional commercially mineable mineral rights, operational and environmental risks and hazards associated with mining and processing, risks related to increases in demand for equipment, skilled labour and services needed for exploration and development of mineral properties, and related cost increases and risks related to the third parties on which the Company depends for its exploration and development activities, and other risk factors, as discussed in the Company's filings with Canadian securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements or information, except as may be required by law.

1.0 Preliminary Information

The following Management's Discussion and Analysis ("MD&A") of Caza Gold Corp. (the "Company") should be read in conjunction with the accompanying audited consolidated statement of financial position as at December 31, 2015 and 2014 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information, all of which are available at the SEDAR website at www.sedar.com.

Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of April 26, 2016 unless otherwise indicated.

Brian Arkell, MSc. Geology, SME Registered, Fellow AusIMM, President and Chief Executive Officer of the Company, is the Qualified Person who reviewed and approved any technical contents of this MD&A.

1.1 Background

The Company was incorporated on November 15, 2007 under the laws of British Columbia and is engaged in the evaluation, acquisition, exploration, development and exploitation of precious metal and base metal properties in Latin America.

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves in its mineral properties, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permits and upon future profitable production or proceeds from the disposition thereof. Such exploration and development, if any, activities normally take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company's control. The sales value of any mineralization discovered and developed by the Company is largely dependent upon factors beyond the Company's control such as the market prices of the metals produced. Item 1.17 provides details of risk factors.

1.2 Overall Performance

Mineral Property Interests:

The Company signed a purchase agreement in December 2014 to acquire a 100% interest in the Los Andes property in Nicaragua in which title to the concessions were transferred to the Company in November 2015.

Los Andes Property (Nicaragua)

In December 2010, as amended in January 2011, the Company entered into a property option agreement with Inversiones Ecologicas S.A. ("Inecosa") to acquire a 100% interest in the Los Andes property by making US$1.17 million in cash payments, issuing 500,000 common shares and spending US$2.97 million on exploration over a 4 year period. The Company also agreed to issue 50,000 common shares for the staking of additional properties to Inecosa in January 2011, and thereafter the Company shall issue that number of common shares equal to 0.53 multiplied by the number of hectares staked in the area of mutual interest as defined, subject to regulatory approvals. Inecosa retains a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US$1 million and to acquire the remaining 1% NSR by paying an additional US$2 million.

In April 2012, a shareholder who has a 40% interest in Inecosa became a senior officer of the Company.

On February 3, 2014, the Company issued 189,300 common shares which were issuable for the Los Andes property and the staking of additional properties, at a value of $0.075 per share.

In December 2014, the Company entered into a Purchase Agreement with Inecosa, which amended and superseded the prior property option agreement, to acquire a 100% interest in the Los Andes property. The Company issued 7.06 million common shares to Inecosa at a fair value of $0.04 per share and paid US$300,000 "in trust" to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them.

The Los Andes property covers 5,338.23 Ha of titled claims.

In 2014, the Company initiated exploration drilling at the San Francisco and Quisaltepe targets. The San Francisco drilling program completed 3 holes totaling 557 meters and three holes were completed in the Quisaltepe zone for a total of 785 meters. Drilling at San Francisco intersected a number of mineralized quartz-carbonate veins with highly anomalous gold values. The Company believed the drilling encountered the upper portion of a low sulfidation vein system, and further work was planned on this target. At Quisaltepe, all drill holes intersected strong silica and clay alteration, strong iron oxidation with sulfide at depth, along with anomalous gold, silver, and trace elements. The Company's geologists interpreted the results to indicate the drill holes penetrated the outer edges of a large high sulfidation system.

In 2015, the Company completed additional exploration drilling at the San Francisco target as well as a second nearby target, Esperanza. Two holes totaling 746 meters were completed at San Francisco and two holes totaling 599 meters at Esperanza. At San Francisco, the targeted vein was not intersected, likely due to a change in orientation of the vein. At Esperanza, both holes drilled through silicified rock on surface and into unaltered andesite volcanic rocks. There were no significant results. The Company does not plan to pursue further work at San Francisco at this time, and future exploration efforts would be subject to financing.

The Company has completed detailed mapping and sampling at the Pedregal Target in 2015. The detailed mapping covered an area of 10 square kilometers, and further delineated areas of silicification and argillization noted in earlier surveys. A series of andesitic volcanic rocks exhibit features typical of high sulfidation system, including silicification, argillic and advanced argillic alteration. Surface mapping and sampling have outlined a large area along a 2.5 km trend with anomalous gold, silver, copper and trace elements, coincident with the alteration. Gold values up to 1.8 g/t Au along with silver values up to 197 g/t Ag have been collected in rock samples within this area of alteration. In October 2015, five shallow diamond drill holes were completed for a total of 1,161 meters. The drill holes intersected strong argillic and silica alteration with anomalous values of silver and copper. The geochemistry and alteration suggest that the area is outboard of the main hydrothermal system and future drilling should target areas to the east, subject to financing.

The Company has identified a number of other targets along the 11 km long Los Andes structural corridor. These targets have been identified by a combination of mapping and sampling, and show hydrothermal alteration as well as anomalous geochemistry. Further work is needed to fully delineate these prospects, subject to financing.

In April 2015, a high resolution helicopter-borne magnetic and radiometric survey covering some 55 square kilometers over the main Los Andes area was completed. The survey totals approximately 550 line kilometers at 100 meter spacing flown at a 50 meter altitude. Review of the initial results has identified a number of anomalous areas and has enhanced the structural model of the Los Andes trend. A magnetic high is centered over the Quisaltepe area, interpreted as a large, buried intrusive body. At least four other magnetic highs, likely intrusive bodies, associated with alteration and surface geochemical anomalies, were identified as follow-up prospects. Five large areas of interpreted as magnetite destruction were evident in the data along with three potassium radiometric anomalies.

Piedra Iman Property (Nicaragua)

The Company's Piedra Iman project covers a large alteration zone identifying a porphyry copper-gold system. In June 2013, the Company entered into a letter agreement with B2Gold Corp. ("B2Gold") whereby B2Gold can earn an initial 60% interest in the Company's Piedra Iman copper-gold exploration project by spending US$2.5 million on exploration over 4 years. B2Gold can earn up to a 75% interest by financing and completing a technical report and feasibility study on the project. Title (which is derived from the property option agreement with Inecosa) has been received for 7,947.27 Ha. The Company has issued shares for these properties, and has no further obligation to Inecosa in such respect.

In May 2014, B2Gold terminated its letter of intent to enter into a joint venture with the Company on the Piedra Iman property.

The Company has completed the planned fieldwork for 2015 at Piedra Iman which included detailed mapping on the main target area, along with reconnaissance exploration within the peripheral regions. The detailed mapping suggests a porphyry copper-gold-molybdenum system. The main mineralization is in a copper-gold porphyry system centered on multiple quartz diorite to diorite intrusives. This main porphyry system is in turn cut by a later granitic intrusive containing copper-molybdenum-gold. Potassic and sericitic alteration are present with chalcopyrite, bornite, and pyrite. Molybdenite was identified in the later granitic intrusive.

The Company is currently compiling and assessing the data on Piedra Iman and is planning to do follow-up work in 2016, subject to financing.

Other Nicaragua Properties

The Company continues to evaluate its additional gold and copper properties in Nicaragua. The Company currently has title to approximately 71,029.13 Ha (outside of the Los Andes property), all of which is derived from the property option agreement with Inecosa. During 2014, the Company performed only reconnaissance and concession maintenance work on these holdings.

Polygon Mining Opportunity Master Fund:

In July 2013, the Company entered into a loan agreement with Polygon Mining Opportunity Master Fund ("Polygon"), a fund managed by Polygon Global Partners, under which the Company borrowed $200,000 at an interest rate of 12% per annum, compounded and payable quarterly. The loan and any accrued interest were repayable upon the earlier of January 22, 2015 or written demand for repayment after November 19, 2013. In connection with the loan, Polygon was granted a security interest in the Company's present and after-acquired personal property as well as a negative pledge over all of the Company's assets. In December 2014, the Company repaid the principal along with any interest, and Polygon released and discharged its security interests against the Company.

In October 2013, the Company entered into an Investment Agreement (the "IA") with Polygon, the consummation of which was subject to satisfaction of a number of conditions precedent including shareholder and regulatory approvals. Under the terms of the IA, Polygon agreed to invest $2.5 million to acquire 51.2% of the common shares of the Company on a post-consolidation basis at that time. At the Company's special general meeting held in December 2013, the Company's shareholders approved the investment and the creation of a new control person, share consolidation on the basis of three (3) old common shares for one (1) new common share, and the appointment of two nominees of Polygon to the Board of Directors of the Company. The Company closed the private placement with Polygon for 20.8 million units at $0.12 per unit for gross proceeds of $2.5 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.24 until December 13, 2016.

In August 2014, the Company entered into a loan agreement with Polygon under which the Company borrowed US$600,000 at an interest rate of 12% per annum, compounded and payable each calendar quarter. The loan and any accrued interest were repayable upon the earlier of February 8, 2016 or written demand for repayment after August 8, 2015. As a bonus for the loan, the Company was to issue common shares to Polygon, subject to applicable approvals. The number of common shares was equal to 18% of the principal amount of the loan divided by the market price of the Company's common share on the date of the notice of the Company's next shareholders' meeting subject to a minimum price of $0.08 per common share if required by the TSX Venture Exchange. In connection with the loan, Polygon was granted a security interest in the Company's present and after-acquired personal property including the property option agreement under which the Company has a contractual right to acquire a 100% interest in the Los Andes property at that time. Inecosa provided acknowledgement of Polygon's security interest. Polygon also had a negative pledge over all of the Company's assets pursuant to the loan agreement. In December 2014, the Company repaid the principal plus interest, with Polygon waiving make-whole interest from early redemption of the loan and the issuance of bonus shares. Polygon also released and discharged its security interests in the Company's present and after-acquired personal property and its negative pledge over the Company's assets.

On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.05 until December 30, 2019; Polygon is a control person and related party, as defined, to the Company and had a 78.9% interest in the Company at that time (calculated before the exercise of any warrants held by Polygon).

Other:

In April 2015, the Company issued 1.25 million common shares a value of $0.03 per share which were issuable to a senior officer pursuant an employment agreement.

In June 2015, the Company completed its Annual General Meeting and all resolutions were approved. Messrs. Mike Humphries, Mike Adams, Jim Defer, Stewart Lockwood and Philip Yee were re-elected to the Board of Directors for the ensuing year, and Mr. Brian Arkell, President and CEO of the Company, was elected to the Board of Directors. Disinterested shareholders voted in favor for the compensation of US$100,000 per annum payable in common shares of the Company, pursuant to the Consultant Agreement with Mr. Brian Arkell for his provision of President and CEO services to the Company. In addition, shareholders voted in favor of the Company's rolling stock option plan.

In July 2015, the Company granted stock options to purchase up to 3,415,000 common shares at an exercise price of $0.08 until July 3, 2020. These stock options are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

In November 2015, the Company issued 1.31 million common shares at a fair value of $0.05 per share which were issuable to a senior officer pursuant to an employment agreement.

(Stated in Canadian dollars)

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

	Years Ended December 31,		
	2015	2014	2013
Total revenues	$ -	$ -	$ -
Loss before discontinued operations and extraordinary items:			
(i) Total	$ (511,040)	$ (812,243)	$ (3,511,098)
(ii) Basic per share	$ -	$ (0.02)	$ (0.17)
(iii) Diluted per share	$ -	$ (0.02)	$ (0.17)
Net loss:			
(i) Total	$ (511,040)	$ (812,243)	$ (3,511,098)
(ii) Basic per share	$ -	$ (0.02)	$ (0.17)
(iii) Diluted per share	$ -	$ (0.02)	$ (0.17)
Total assets	$ 10,129,540	$ 10,469,983	$ 6,912,698
Total long-term liabilities	$ -	$ -	$ -
Dividends per share	$ -	$ -	$ -

1.4 Results of Operations

Fourth Quarter of Fiscal 2015 – Year ended December 31, 2015 compared with December 31, 2014

The Company realized a net loss of $511,000 for the year ended December 31, 2015, which result was significantly influenced by the appreciation of the United States dollar relative to the Canadian dollar resulting in the foreign exchange gain of $266,200, in contrast to a net loss of $812,200 in fiscal 2014; operating losses were incurred for both comparable periods. The Company continues its efforts to reduce its discretionary expenses due to ongoing weakness and volatility in the capital markets for junior exploration companies. Net losses were impacted by different functional expense items.

The Company has no sources of operating revenues. Operating losses continue to be incurred for ongoing activities of the Company to explore its mineral property interests, specifically its interest in the Los Andes property and its other regional interests in Nicaragua.

In 2014, the Company engaged the services of an external regional accounting firm in Nicaragua to provide accounting and tax compliance as the Company advanced further exploration efforts for its Nicaraguan projects. The Company also engaged external tax auditors in Mexico to assist in tax matters regarding value added tax recoveries and payroll tax liabilities, resulting in the offset of IVA receivables which were written off in prior years against employee income tax withholdings payable to Mexican tax authorities, most of which were resolved in 2014. The Company continued its reliance on the external Nicaraguan accounting firm for the Company's ongoing financial reporting and accounting and tax compliance and jurisdictional legal representation in fiscal 2015, and for external accounting and reporting support in Mexico for the first half of the year. The volume of transactional events increased significantly in Nicaragua in 2015 from the Company's direct employment of local labourers and its exploration activities, resulting in increased external accounting support which subsided in the fourth quarter of 2015 as the Company completed its exploration activities. In 2015, the Company also engaged tax advisors to clarify tax issues affecting Nicaraguan exploration properties which were transferred from Inecosa to the Company's wholly owned Nicaraguan subsidiary.

Amortization is higher from the acquisition of additional equipment in Nicaragua to support exploration activities in fiscal 2015.

Employee remuneration was lower in 2015 than 2014. Employee remuneration directly related to mineral exploration projects was allocated to those specific projects rather than to operations, in which the Company has active exploration programs for the Los Andes project and its other regional projects in Nicaragua in 2015, and such expenses were also allocated to property investigation and project generation efforts as warranted. In the first quarter of 2015, exploration activities were focused on geophysics and detailed mapping and sampling; in the second quarter preliminary work for drilling which was mobilized in early July 2015; in the third quarter for drilling programs in San Francisco and Pedregral and reconnaissance exploration and detailed mapping at Piedra Iman; and in the fourth quarter exploration activities subsided. The closure of the Company's Mexico office reduced employee remuneration in fiscal 2015.

Legal fees were significantly lower in 2015 than in 2014. In 2014, legal fees were higher due to legal services for conversion of convertible promissory notes, granting of stock options, appointment of a new director to the Board, DTC eligibility, draft option agreement for the Piedra Iman property, and severance issues with a senior officer and Mexico personnel. In 2015, legal services were mainly for assistance to the Company's continuous disclosure obligations, shares for debt settlement with a senior officer, granting of stock options, and the transfer of title concessions of mineral property interests from Inecosa to the Company. No legal services were rendered in the fourth quarter of fiscal 2015 as the Company reduced its level of corporate finance activity to preserve its limited cash resources and remaining working capital.

Office and sundry were lower in 2015 than in 2014. The cost reduction from the withdrawal from Mexico due to the write-off of all Mexican mineral property interests in 2013 and which was continued into 2014 due to ongoing Mexican compliance issues most of which were resolved by the end of fiscal 2014 was partially offset by the establishment of the Company's operating presence in Nicaragua to support exploration programs for its Nicaraguan mineral property interests. Office and sundry and rent reflect the ongoing minimalistic expenditures for ancillary office support facilities as the Company continued to reduce discretionary administrative operating expenses. Certain charges on outstanding invoices recorded in the third quarter of 2014 were settled in fourth quarter of 2014. In 2015 the Company initiated coverage for general and Nicaraguan liability insurance to mitigate any exploration risks associated with its reconnaissance, sampling and drilling and ancillary activities in Nicaragua.

There were no concerted efforts expended on property investigation and project generation in 2014 as the primary focus was the exploration and drilling programs for the Los Andes property and a planned airborne geophysics survey in the area. Property investigation activities for 2015 involve mostly mapping of Nicaraguan regional areas to better interpret and supplement the geological data for its existing mineral property interests which ended in the fourth quarter.

Regulatory expenses were lower in 2015 than in 2014 due to the lower regulatory fees and transfer agent fees from the cancellation of the shareholders rights plan in December 2014. Regulatory expenses were higher in the second quarter of 2015 due to the Company's annual general meeting held in June 2015 which required disinterested shareholder approval for partial compensation of a senior officer's remuneration which are payable in common shares of the Company.

For both 2015 and 2014, the Company had no active shareholders relations programs given the reduction in the percentage of common shares in the public float as Polygon increased its percentage interest in the Company to 78.9% at that time upon the closing of the private placement in December 2014. Such expenses in 2015 were incurred in seeking equity financings or pursuing mergers/acquisition opportunities.

Share-based payments are for the granting and vesting of stock options. In March 2014, the Company granted 2.3 million stock options of which 155,000 stock options were fully vested and the remaining stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every six months thereafter. In September 2014, the Company granted 500,000 stock options in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter. In July 2015, the Company granted stock options to purchase up to 3.4 million common shares at an exercise price of $0.08 until July 3, 2020, in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter. Forfeitures from the departure of personnel reduced share-based payments. Share-based payments are nominally similar for both comparative fiscal years.

The foreign exchange gain (loss) is generally from the net effects of foreign currency translation from the Company's Mexican and Nicaraguan subsidiaries which operate in their respective jurisdictional currencies and from US dollar stated accounts, as the Company's functional and presentation currencies are the Canadian dollar. A significant portion of the Company's funds were held in US dollars whereby the private placement of $4.4 million with Polygon in December 2014 was received in US dollars. The rapid appreciation of the US dollar relative to the Canadian dollar during the first quarter of fiscal 2015 allowed the realization of foreign exchange gain which primarily resulted in the net earnings during the first quarter and a significant foreign exchange gain during the year ended December 31, 2015, even though the Company does not have any sources of revenues and does not have any revenue-generating operations. A foreign exchange loss was recognized in the second quarter of fiscal 2015 as the US dollar's rapid appreciation subsided within that particular quarter. The net foreign exchange gain in the fourth quarter of 2015 was nominal, as the Company's US dollar cash holdings were depleted from its exploration programs during the year.

Interest income is earned from the Company's investment in guaranteed investment certificates which bear interest at a discount from the prime rate and are redeemable at any time. Funds were invested in guaranteed investment certificates in the fourth quarter of 2014 from the proceeds of the private placement with Polygon which closed in December 2014. Funds are withdrawn as needed for ongoing working capital and exploration expenditures.

In the first quarter of 2014, interest expenses were attributable to debt financings comprised of a demand loan with Polygon and convertible promissory notes from certain current and former directors which were converted into common shares and warrants in March 2014. The demand loan of $200,000 from July 2013 with Polygon was repaid in December 2014 along with the demand loan of US$600,000 with Polygon from August 2014 including all interest, with Polygon waiving make-whole interest from early redemption of the loan and the issuance of bonus shares. The early settlement and waivers of the loan from Polygon resulted in a gain of $11,700 in fiscal 2014. There were no outstanding interest-bearing demand loans in 2015.

As a bonus for the loan pursuant to the loan agreement with Polygon in August 2014, the Company was to issue common shares to Polygon based on the date of the notice of the Company's next shareholders' meeting subject to a minimum price of $0.08 per common share. The Company recorded a derivative liability in relation to its obligation to issue common shares to Polygon as a loan bonus in the third quarter of 2014, and would recognize gains and losses from derivative fair value changes as the market price of its common shares fluctuates below $0.08. The loan bonus was waived by Polygon in December 2014 which derecognized any derivative liability in the fourth quarter of 2014.

The Company received nominal IVA refunds in 2015 which were previously written off due to uncertainties as to their collectability. In the third quarter of fiscal 2014, the Company was able to offset value added tax receivables in Mexico against certain payroll withholding taxes payable. The value added tax receivable was previously written off due to uncertainties regarding their cash collectability. Offsets between VAT receivables against payroll withholding taxes payable were accepted by Mexican tax authorities, resulting in the recognition of the VAT recoveries in the third quarter of fiscal 2014. The VAT recoveries in Mexico were in turn reduced by the write-off provision of VAT in Nicaragua due to uncertainty regarding cash collectability in the fourth quarter of fiscal 2014. The closure of the Company's office in Mexico in 2015 resulted in the write off of any remaining VAT and other receivables. Ongoing uncertainty as to the cash collectability of VAT in Nicaragua contributed to the respective write off in 2015.

In 2015, the gain on debt settlement is for the remuneration to a senior officer who is in part compensated by the issuance of common shares of the Company. The gain is recognized from discrepancy between the market price on the date of the issuance of such shares and the minimum regulatory deemed value. In August 2014, the Company entered into a settlement agreement with a former executive officer resulting in a gain from debt settlement. Then in December 2014, a law firm in which a senior officer is a partner agreed to forego certain debts in full and complete settlement and payment by the Company of past due amounts.

At December 31, 2013, the Company recognized a gain in the fair value change on derivative asset of $74,639 from the convertible promissory notes, net of the liability for the fair value of the warrants in the underlying units from the conversion, given the relative value of the market price of the shares was lower than the conversion price, as the promissory notes were convertible at the sole option of the Company. On March 11, 2014, the Company converted the convertible promissory notes, on which date the market price of its shares was higher than the conversion price, resulting in the recognition of a loss of $74,639 as there was no longer a derivative asset attributable to the convertible promissory notes. The loss was increased by the fair value of the underlying warrants which were issued from the debt conversion.

The closure of the Company's Mexican office resulted in the write off of any remaining equipment in Mexico.

The Company determined not to pursue any further exploration efforts on its Mexican mineral property interests, and wrote-off the properties in 2013. The write-off in 2014 is attributable to transient expenses related to surface taxes for those mineral properties and to ongoing cash option payments being incurred for a certain Mexican property interest which was subsequently settled in November 2014. These transient expenses were offset by the gain on debt settlement with the vendor of the Oaxaca property in the fourth quarter of 2014.

As at December 31, 2015, the Company has mineral property interests which are comprised of the following:

	Year ended December 31, 2015		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2014	$ 1,720,319	$ 479	$ 1,720,798
Acquisition or staking	(28,833)	49,457	20,624
Balance, December 31, 2015	1,691,486	49,936	1,741,422
Deferred Exploration Expenditures:			
Balance, December 31, 2014	5,405,352	93,379	5,498,731
Advances	394	-	394
Aerial, photo and mapping	7,613	17,483	25,096
Assays and surveys	31,243	12,904	44,147
Camp and field supplies	6,213	3,933	10,146
Community and social	150,348	93,960	244,308
Drilling	184,740	191,322	376,062
Equipment and systems	356	187	543
Geology	212,197	144,794	356,991
Geophysics	129,632	-	129,632
Salaries and local labour	628,625	206,935	835,560
Sundry	57,280	9,560	66,840
Surface taxes	20,962	139,838	160,800
Transportation and travel	112,195	65,634	177,829
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Mineral Property Interests:			
December 31, 2014	$ 7,125,671	$ 93,858	$ 7,219,529
December 31, 2015	$ 8,638,636	$ 1,029,865	$ 9,668,501

1.5 Summary of Quarterly Results (Unaudited)

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, December 31, 2015. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

(Stated in Canadian dollars)

	2015				2014			
	Dec 31	Sept 30	June 30	Mar 31 [(1)]	Dec 31	Sept 30	June 30	Mar 31
Total revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income (loss) before discontinued operations and extraordinary items:								
(i) Total	$ (275,161)	$ (164,173)	$ (169,387)	$ 97,681	$ (186,799)	$ (23,756)	$ (234,893)	$ (366,795)
(ii) Basic earnings (loss) per share	$ -	$ -	$ -	$ -	$ -	$ -	$ (0.01)	$ (0.01)
(iii) Diluted earnings (loss) per share	$ -	$ -	$ -	$ -	$ -	$ -	$ (0.01)	$ (0.01)
Net income (loss):								
(i) Total	$ (275,161)	$ (164,173)	$ (169,387)	$ 97,681	$ (186,799)	$ (23,756)	$ (234,893)	$ (366,795)
(ii) Basic earnings (loss) per share	$ -	$ -	$ -	$ -	$ -	$ -	$ (0.01)	$ (0.01)
(iii) Diluted earnings (loss) per share	$ -	$ -	$ -	$ -	$ -	$ -	$ (0.01)	$ (0.01)
Total assets	$ 10,129,540	$ 10,355,737	$ 10,532,190	$ 10,686,399	$ 10,469,983	$ 7,064,544	$ 6,606,251	$ 6,762,607
Total long-term liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dividends per share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) The net earnings in the first quarter of fiscal 2015 was attributable to the accelerated strength in the US dollar relative to the Canadian dollar.

1.6 Liquidity

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future.

Until such time that the Company can successfully bring a mineral property interest into production in order to generate cash flow, enter into other ventures that generate cash flows or identify other financing sources, the Company may have to mainly rely on its controlling shareholder, Polygon, to inject the capital, by way of private placement debt or equity financings, required to pay for exploration expenditures and administrative expenses. Polygon has no obligation to participate in any further debt or equity capital injections in the Company. Although Polygon has been supportive of the Company's recent financing efforts, there is no assurance that Polygon will provide additional financial contributions to the Company in the future.

Since its incorporation in 2007, the Company has endeavored to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal periods since incorporation. This result is typical of smaller exploration companies, and will continue until the Company generates revenues and positive cash flows.

The following table contains selected financial information of the Company's liquidity:

(Stated in Canadian dollars)

	December 31, 2015	December 31, 2014
Cash	$ 364,756	$ 3,087,528
Working capital	(194,327)	2,602,362

The Company has no source of operating revenues.

Operating and investing activities continue to reduce cash resources of the Company. Operating activities include employee remuneration, legal, office and sundry, and regulatory. The Company incurred exploration expenditures of $2.45 million for its mineral property interests in Nicaragua during the year ended December 31, 2015 (December 31, 2014 - $2.05 million).

In July 2013, the Company entered into a loan agreement with Polygon under which the Company borrowed $200,000 at an interest rate of 12% per annum, compounded and payable quarterly. The loan and any accrued interest were repayable upon the earlier of January 22, 2015 or written demand for repayment after November 19, 2013. In connection with the loan, Polygon was granted a security interest in the Company's present and after-acquired personal property as well as a negative pledge over all of the Company's assets. In December 2014, the Company repaid the principal plus interest, and Polygon released and discharged its security interests against the Company.

In August 2013, the Company arranged convertible promissory notes for $121,060 of which $35,000 were from certain current and former directors. The convertible notes bore an interest rate of 12% per annum compounded annually and payable every second quarter, and would mature on February 7, 2015. The principal and accrued interest can be converted, at the sole option of the Company, into units of the Company with the principal at $0.15 per unit for the first year and at $0.30 per unit for the remaining 6 months, and accrued interest at market price per unit. Each unit was comprised of one common share and one common share purchase warrant; each warrant is exercisable to acquire one common share at $0.30 per share until August 7, 2016. On March 11, 2014 the Company converted the promissory notes into 800,000 units.

In August 2014, the Company entered into a loan agreement with Polygon under which the Company borrowed US$600,000 at an interest rate of 12% per annum, compounded and payable each calendar quarter. The loan and any accrued interest were repayable upon the earlier of February 8, 2016 or written demand for repayment after August 8, 2015. As a bonus for the loan, the Company was to issue common shares to Polygon, subject to applicable approvals. The number of common shares was to equal 18% of the principal amount of the loan divided by the market price of the Company's common share on the date of the notice of the Company's next shareholders' meeting subject to a minimum price of $0.08 per common share if required by the TSX Venture Exchange. In connection with the loan, Polygon was granted a security interest in the Company's present and after-acquired personal property including the property option agreement under which the Company has a contractual right to acquire a 100% interest in the Los Andes property. Inecosa provided acknowledgement of Polygon's security interest. Polygon also had a negative pledge over all of the Company's assets pursuant to the loan agreement. In December 2014, the Company repaid the principal plus interest, with Polygon waiving make-whole interest from early redemption of the loan and the issuance of bonus shares. Polygon also released and discharged its security interests in the Company's present and after-acquired personal property and its negative pledge over the Company's assets.

On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.05 until December 30, 2019.

On April 14, 2015, the Company issued 1.25 million common shares at a fair value of $0.03 per share which were issuable to a senior officer pursuant an employment agreement. Then on November 17, 2015, the Company issued 1.31 million common shares at a fair value of $0.03 per share to the same senior officer for his remuneration.

The Company did not close any debt or equity financings in 2015.

The Company continues to explore alternatives to raising capital to advance exploration of its Nicaraguan projects and to improve its financial condition through joint ventures, mergers and acquisitions and other strategic alternatives.

The Company may have option agreements, if any, for mineral property interests that involve payments in the form of cash and/or common shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.7, further details of contractual obligations are provided as at December 31, 2015. The Company will continue to rely upon debt and equity financing as its principal source of financing its projects.

1.7 Capital Resources

As at December 31, 2015, the Company did not have to incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors to maintain the Company's interest and to fully exercise the options under various property agreements covering its mineral property interests.

In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them.

1.8 Off-Balance Sheet Arrangements

On June 12, 2012, the shareholders of the Company approved a shareholder rights plan (the "Plan"). The Plan was intended to ensure that any entity seeking to acquire control of the Company made an offer that represented fair value to all shareholders and provided the board of directors with sufficient time to assess and evaluate the offer, to permit competing bids to emerge, and, as appropriate, to explore and develop alternatives to maximize value for shareholders. Under the Plan, each shareholder at the time of the Plan's adoption was issued one Right for each common share of the Company held. Each Right entitled the registered holder thereof, except for certain "Acquiring Persons" (as defined in the Plan), to purchase from treasury one common share at a 50% discount to the prevailing market price, subject to certain adjustments intended to prevent dilution. The Rights were exercisable after the occurrence of specified events set out in the Plan generally related to when a person, together with affiliated or associated persons, acquired, or made a take-over bid to acquire, beneficial ownership of 20% or more of the outstanding common shares of the Company. The Rights expire in 2015. The Company has authority to terminate or abandon the Plan if its Board of Directors determines such cancellation is in the best interest of the Company.

In December 2014, the Company resolved to redeem all of the Rights issued and outstanding under the Company's Plan and otherwise effectively abandon the Plan. The Plan provided that the Company's Board may elect to redeem all, but not less than all, of the Rights at a redemption price of $0.0003 per Right (the "Redemption Price") and/or terminate the Plan. The Company had no obligation to make any payment to any person in the event the aggregate amount owing to such person as a result of the redemption of Rights was less than $15 (ownership of less than 50,000 shares). The effective date of the redemption was the close of business on December 2, 2014 (the "Redemption Date") as of which date the only right of qualifying holders of Rights was to receive the Redemption Price. The Company accrued $2,380 in redemption commitments owed to shareholders as at December 31, 2014 which was paid in 2015.

(Stated in Canadian dollars)

1.9 Transactions with Related Parties

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the MD&A, the Company had the following transactions with related parties during the year ended December 31, 2015:

	Years ended December 31,		Net balance receivable (payable) as at December 31,	
	2015	2014	2015	2014
Key management compensation:				
Executive salaries and remuneration (1)	$ 590,702	$ 482,493	$ (73,998)	$ (83,992)
Directors fees (2)	44,330	43,563	(116,525)	(80,196)
Share-based payments	131,342	123,783	-	-
	$ 766,374	$ 649,839	$ (190,523)	$ (164,188)
Mineral property expenditures incurred to Inecosa (3):				
Acquisition costs:				
Funds in trust pending title transfer	$ -	$ 348,210		
Number of common shares issued	-	7,249,300		
Exploration expenditures incurred	$ -	$ 412,151		
Legal fees incurred to a law firm in which a director of the Company is a partner (4)	$ 52,636	$ 83,101	$ (11,503)	$ (20,298)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) (5)	$ (447)	$ (460)	$ 7,481	$ 48,650
Gain of debt settlement (6)	$ 51,118	$ 119,854		
Write-off of receivables (5)	$ 41,874	$ -		

(1) Includes key management compensation which is included in mineral property interests and property investigation.

(2) A portion of Directors fees are accrued.

(3) A 40% shareholder of Inecosa became a senior officer of the Company in April 2012. Exploration expenditures include those related to mineral property interests and property investigations.

(4) Includes legal fees which are included in finance charges and share issuance expenses.

(5) The company is Aztec Metals Corp. which shares a common director.

(6) The Company entered into a mutual release agreement with a former director in August 2014 and a settlement agreement with a law firm in which a senior officer is a partner in December 2014, resulting in the recognition of gain from debt settlement.

Pursuant to an employment agreement, a portion of a senior officer's remuneration is payable in common shares of the Company.

The above related party transactions are incurred in the normal course of business.

Transactions with related parties are in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to transactions with non-related parties. The Company shares common office facilities, employee and administrative support, and office sundry amongst company(ies) with common current and former director(s), and such allocations to the Company are on a full cost recovery basis.

In August 2014, the Company entered into a loan agreement with Polygon under which the Company borrowed US$600,000. On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. All loans owed to Polygon were repaid on December 30, 2014. Item 1.6 provides further details.

In August 2013, the Company arranged convertible promissory notes for $121,058 of which $35,000 are from certain current and former directors. In March 2014 the Company converted the principal of the promissory notes into 800,000 units. Item 1.6 provide further details.

In December 2014, the Company entered into a Purchase Agreement with Inecosa. Item 1.2 provides further details.

In April 2015 and November 2015, the Company issued shares as compensation to a senior officer. In August 2014, the Company entered into a settlement agreement with a former executive officer. Item 1.2 provides further details.

1.10 Fourth Quarter

Items 1.2, 1.4, 1.5, 1.6 and 1.7 provide further details for the fourth quarter of fiscal 2015.

1.11 Proposed Transactions

Other than those in the ordinary course and other than those already disclosed in this MD&A and other than those already disclosed in its regulatory and public filings, there are no proposed material asset or business acquisitions or dispositions before the board of directors for consideration.

1.12 Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted and warrants issued as finders' fee; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Acquisition costs of mineral property interests and exploration and development expenditures incurred thereto are capitalized and deferred. The costs related to a property from which there is production will be amortized using the unit-of-production method. Capitalized costs are written down to their estimated recoverable amount if the property is subsequently determined to be uneconomic. The amounts shown for mineral property interests represent costs incurred to date, less recoveries and write-downs, and do not reflect present or future values.

1.13 Changes in Accounting Policies Including Initial Adoption

The audited consolidated financial statements for the year ended December 31, 2015 include note disclosure in Note 2(f) which provides for any changes in accounting policies including initial adoption and recent accounting pronouncements.

The Company did not early adopt any recent pronouncements.

1.14 Financial Instruments and Other Instruments

The Company classifies its financial instruments as follows:

- cash as financial assets at fair value through profit or loss ("FVTPL"),
- receivables as loans and receivables, and
- accounts payable and accrued liabilities as other financial liabilities.

Management of financial risk:

The fair value hierarchy categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company attempts to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at December 31, 2015, the Company had a working capital deficiency of $194,300. The Company continues to rely on additional debt and equity funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests.

Accounts payable and accrued liabilities are due in accordance with normal terms of trade and are payable in 2016.

(c) Market risk:

The significant market risk exposure to which the Company is exposed is foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars, mineral property interests which are in Nicaragua and were previously in Mexico, and a portion of its operations are in Nicaragua and were in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar, Nicaraguan Cordoba and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar, Nicaraguan Cordoba and Mexican peso.

At December 31, 2015, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars			
	Held in			Total
	United States Dollars	Mexican Pesos	Nicaraguan Cordoba	
Cash	$ 107,884	$ -	$ 1,356	$ 109,240
Receivables and prepaids	-	-	1,117	1,117
Accounts payable and accrued liabilities	(113,888)	(277,012)	(29,189)	(420,089)
Net financial assets (liabilities), December 31, 2015	$ (6,004)	$ (277,012)	$ (26,716)	$ (309,732)

Based upon the above net exposure as at December 31, 2015 and assuming all other variables remain constant, a 15% depreciation or appreciation of the Canadian dollar relative to the United States dollar, Nicaraguan Cordoba and the Mexican peso could result in a decrease/increase of approximately $46,500 in the Company's net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end. The Company's debt obligations owed for demand loans and convertible promissory notes, if any, bear fixed interest rates.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company's financial instruments which fluctuate with market prices include derivative asset, if any, which is recognized when the market price of the Company's common shares is less than the conversion price of the convertible promissory notes and derivative liability, if any, which is payable in common shares of the Company.

1.15 Other MD&A Requirements

1.15.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

(a) may be found on SEDAR at www.sedar.com; and

(b) is also provided in the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014.

(Stated in Canadian dollars)

1.15.2 Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Changes in the Company's share capital for the year ended December 31, 2015 are as follows:

	Number of Shares		Amount
Balance at December 31, 2014	138,743,605	$	21,782,282
Issued:			
Shares for debt settlement	2,558,400		69,671
Balance at December 31, 2015	141,302,005	$	21,851,953

At April 26, 2016, there were 141,302,005 common shares issued and outstanding.

At December 31, 2015, the Company had outstanding stock options to purchase an aggregate of 5,925,002 common shares as follows:

	December 31, 2015	
	Number of Shares	Weighted Average Exercise Price
Outstanding balance, beginning of period	2,819,003	$0.33
Granted	3,415,000	$0.08
Forfeited	(23,667)	$1.01
Expired	(285,334)	$1.07
Outstanding balance, end of period	5,925,002	$0.15
Exercise price range	$0.08 - $1.13	

At December 31, 2015, 5,925,002 stock options are outstanding of which 2,657,002 stock options are exercisable.

At April 26, 2016, stock options for 5,925,002 common shares were outstanding of which 3,776,002 stock options were exercisable.

At December 31, 2015, the Company had outstanding warrants as follows:

(Stated in Canadian dollars)

Exercise Prices	Expiry Dates	Outstanding at December 31, 2014	Issued	Exercised	Expired	Outstanding at December 31, 2015
$0.24	December 13, 2016	20,833,333	-	-	-	20,833,333
$0.30	August 7, 2016	800,000	-	-	-	800,000
$0.05	December 30, 2019	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	-	109,793,333

At April 26, 2016, warrants for 109,793,333 common shares remain outstanding.

1.16 Outlook

The Company will continue to depend upon debt and equity capital to finance its existing projects. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues from its mineral property interests in the foreseeable future.

1.17 Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

Exploration and Development Risks

There is no assurance given by the Company that its exploration programs and mineral property interests will result in the discovery, development or production of a commercially viable ore body.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development, if any, activities will result in any discoveries of bodies of commercial ore. The economics of developing gold and other mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Substantial expenditures are required to establish reserves through drilling and other work, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for exploitation concessions. There can be no guarantee that such concessions will be granted.

Financing Risks

There is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral property interests.

The Company does not presently have sufficient financial resources or operating cash flow to undertake by itself all of its planned exploration and development, if any, programs. The development of the Company's mineral property interests may therefore depend on joint venture partnerships and on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its mineral property interests as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt and equity capital financings, the attainment of profitable operations, external financings, and further share issuance to satisfy working capital and operating needs.

The Company may have to mainly rely on its controlling shareholder, Polygon, to inject the capital, by way of private placement debt or equity financings, required to pay for exploration expenditures and administrative expenses. Polygon has no obligation to participate in any further debt or equity capital injections in the Company. Although Polygon has been supportive of the Company's recent financing efforts, there is no assurance that Polygon will provide additional financial contributions to the Company in the future.

Estimates of Mineral Deposits

There is no assurance given by the Company that any estimates of mineral deposits herein will not change.

No assurance can be given that any identified mineralized deposit will ever become a commercially viable mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other work. There can be no assurance that gold recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of future operations.

Mineral Prices

The mining industry is competitive and mineral prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for gold are affected by various factors, including political events, economic conditions and production costs in major gold producing regions, and governmental policies with respect to gold holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's properties can be mined at a profit.

Title Matters

There is no assurance given by the Company that it owns legal title to certain of its mineral property interests.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to any of the Company's mining concessions may come under dispute. While the Company has diligently investigated title considerations to its mineral properties, in certain circumstances, the Company has only relied upon representations of property partners and government agencies. There is no guarantee of title to certain of the Company's mineral property interests. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. Native land claims or claims of aboriginal title may be asserted over areas in which the Company's mineral property interests are located.

Conflicts of Interest

There is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public mineral exploration or mining companies or have significant shareholdings in other public mineral exploration or mining companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its financial position at that time.

Uninsured Risks

Mineral exploration and mining and processing operations, if any, involve many risks and hazards, including, among others, metallurgical and other processing problems, unusual and unexpected rock formations, ground or slope failures or underground cave-ins, environmental contamination, industrial accidents, fires, flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature, organized labour disputes or work slow-downs, mechanical equipment failure and facility performance problems, and the availability of critical materials, equipment and skilled labour. These risks could result in damage to, or destruction of, the Company's properties or production facilities, personal injury or death, environmental damage, delays in mining or processing, increased production costs, asset write downs, monetary losses, and legal liability.

The Company cannot be certain that its insurance will cover all of the risks associated with mineral exploration and mining and processing, if any, or that it will be able to maintain insurance to cover these risks at economically feasible premiums. The Company could also become subject to liability for hazards against which it cannot insure or against which the Company may elect not to insure because of high premium costs or commercial impracticality. Such events could result in a prolonged interruption in operations that would have a negative effect on the Company's ability to generate revenues, profits and cash flow. Losses from such events may increase costs and decrease profitability.

Mining is inherently risky and subject to conditions or events beyond the Company's control, which could have a material adverse effect on the Company's business

Mining involves various types of risks and hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, power outages, labour disruptions, explosions, landslides and avalanches, mechanical equipment and facility performance problems, availability of materials and equipment, metals losses and periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, including to employees, environmental damage, delays in mining, increased production costs, asset write downs, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse impact on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

Environmental and Other Regulatory Requirements

There is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration or, if any, development activities or, if any, commencement of production on its mineral property interests, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, exploration, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Company to commence exploration or, if any, production on its various property interests will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence exploration, or construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Reclamation

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

Foreign Countries and Regulatory Requirements

The Company's mineral property interests are located in countries outside of Canada, and mineral exploration and mining activities, if any, may be affected in varying degrees by political stability and government regulations relating to the mineral exploration and mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Such changes have, in the past, included nationalization of foreign owned businesses and properties. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and safety. These uncertainties may make it more difficult for the Company and its joint venture partners to obtain any required exploration and production, if any, financing for its mineral properties.

Currency Fluctuation and Foreign Exchange Controls

The Company maintains a portion of its funds in U.S. dollar and Nicaraguan Cordoba denominated accounts. Certain of the Company's property and related contracts may be denominated in the U.S. dollar and Nicaraguan cordoba. The Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in Canadian dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results of its operations. In addition, the Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Such restrictions may have existed in the past in countries in which the Company holds property interests and future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

General economic conditions may adversely affect the Company's growth, future profitability and ability to finance

The events in global financial markets in the past have had a significant impact on the global economy. Many industries, including the mining industry, are impacted by these market conditions. Specifically, the volatility of metal prices would impact the Company's revenues, profits, losses and cash flow, negative economic pressures could adversely impact demand for the Company's production construction related costs could increase and adversely affect the economics of any of the Company's projects, volatile energy, commodity and consumables prices and currency exchange rates would impact the Company's production costs and the devaluation and volatility of global stock markets would impact the valuation of the Company's equity and other securities.

Third Party Reliance

The Company's rights to acquire interests in certain mineral property interests have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Possible Dilution to Current Shareholders based on Outstanding Options and Warrants

At December 31, 2015, the Company had 141,302,005 common shares and 5,925,002 share purchase options and 109,793,333 share purchase warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At December 31, 2015, dilutive securities represented approximately 81.9% of the Company's issued shares. None of these dilutive securities were exercisable at prices below the December 31, 2015 closing market price of $0.03 for the Company's shares.

The Company may be subject to legal proceedings

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on the Company's business.

Increased competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing metals. The Company must compete to acquire additional mining properties with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company or are further advanced in their development or are significantly larger, for the acquisition of mineral claims, leases and other mineral interests. The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. If the Company is unsuccessful in acquiring additional mineral properties or qualified personnel, it will not be able to grow at the rate it desires, or at all.

There can be no assurance that the Company will successfully acquire additional mineral rights

Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Moreover, mines have a depleting asset base which needs to be continually renewed. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. If current exploration programs do not result in the discovery of commercial ore, the Company may need to write-off part or all of its investment in existing exploration stage properties, and may need to acquire additional properties. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

The Company's future growth and productivity will depend, in part, on its ability to identify and acquire additional mineral rights, and on the costs and results of continued exploration and development programs. Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to establish ore reserves through drilling and metallurgical and other testing techniques, to determine metal content and metallurgical recovery processes to extract metal from the ore, and to construct, renovate or expand mining and processing facilities.

If the Company does make further acquisitions, any positive effect on the Company's results will depend on a variety of factors, including, but not limited to, assimilating the operations of an acquired business or property in a timely and efficient manner, maintaining the Company's financial and strategic focus while integrating the acquired business or property, achieving identified and anticipated operating and financial synergies, unanticipated costs, diversion of management attention from existing business, potential loss of key employees or key employees of any business acquired, unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition, decline in the value of acquired properties, companies or securities, implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate and, to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.