CB GOLD INC.

Consolidated Financial Statements

(Expressed in Thousands of Canadian dollars)

Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of CB Gold Inc.

We have audited the accompanying consolidated financial statements of CB Gold Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended, and notes, comprising 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 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 consolidated financial position of CB Gold Inc. as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

April 26, 2016
Vancouver, Canada

Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	Notes	December 31, 2015		December 31, 2014	
ASSETS					
Current assets					
Cash and cash equivalents	*18*	$	8	$	961
Amounts receivable			50		13
Deposits and prepaid amounts			96		144
			154		1,118
Non-current assets					
Mineral properties	*6*		19,664		17,152
Property and equipment	*5*		83		121
			19,747		17,273
Total assets		$	19,901	$	18,391
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	*6(a),7*	$	3,717	$	871
			3,717		871
Long term liabilities					
Other liabilities	*8*	$	353	$	-
Total liabilities			4,070		871
SHAREHOLDERS' EQUITY					
Share capital	*9*		67,231		64,896
Equity reserves			10,091		10,015
Deficit			(61,491)		(57,391)
Total shareholders' equity			15,831		17,520
Total liabilities and shareholders' equity		$	19,901	$	18,391

Approved by the Board of Directors

(signed) “Tim Petterson”
Director

(signed) “Ian Slater”
Director

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

Consolidated Statements of Comprehensive Loss

(Expressed in thousands of Canadian dollars)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
Operating activities			
General and administrative expenses	*13*	$ 2,075	$ 1,454
Exploration expenses	*6(b)*	838	1,047
Professional and consulting fees		640	199
Share-based payments	*9(d)*	76	524
Net wealth tax expense		73	-
Write off of mineral properties	*6(b)*	-	460
Loss from operating activities		3,702	3,684
Foreign exchange loss		403	59
Interest income		(5)	(24)
Net loss, being comprehensive loss for the period		$ 4,100	$ 3,719
Basic and diluted loss per common share		$0.02	$0.02
Weighted average number of common shares outstanding		177,958,434	160,092,719

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

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)

	Notes	Number of common shares	Share capital	Equity reserves	Deficit	Total equity
Balance December 31, 2013		159,086,007	$ 64,116	$ 9,433	$ (53,672)	$19,877
Net loss, being comprehensive loss for the year ended December 31, 2014			-	-	(3,719)	(3,719)
Shares issued for cash	*9(f)*	8,400,000	697	58	-	755
Share issuance costs			(13)	-	-	(13)
Share-based payments	*9(c), 9(d)*		-	524	-	524
Balance December 31, 2014		167,486,007	$ 64,800	$ 10,015	$ (57,391)	$17,424
Balance December 31, 2014		167,486,007	$ 64,800	$ 10,015	$ (57,391)	$17,424
Net loss, being comprehensive loss for the period			-	-	(4,100)	(4,100)
Shares issued for cash	*9(f)*	41,500,000	2,375	-	-	2,375
Shares issued to titleholders	*6(a), 9(f)*	1,866,000	66	-	-	66
Share issuance costs			(10)	-	-	(10)
Share-based payments	*9(c), 9(d)*		-	76	-	76
Balance December 31, 2015		210,852,007	$ 67,231	$ 10,091	$ (61,491)	$15,831

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

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities			
Loss for the year		$ (4,100)	$ (3,719)
Adjustments for non-cash items:			
Accretion and amortization		37	83
Decrease in value of shares to be issued for services	*17(c)*	(95)	(34)
Retirement of property and equipment		-	7
Exploration expenses	*8*	353	-
Share-based payments	*9(d)*	76	524
Unrealized foreign exchange loss		401	59
Write-off of mineral properties	*6(b)*	-	460
Changes in non-cash working capital items	*17(a)*	174	465
Net cash used in operating activities		(3,154)	(2,155)
Cash flows from investing activities:			
Acquisition of mineral properties		(163)	(667)
Acquisition of property and equipment		(1)	(5)
Net cash used in investing activities		(164)	(672)
Cash flows from financing activities:			
Proceeds from issuance of common shares, net of issuance costs		2,365	743
Net cash from financing activities		2,365	743
Net decrease in cash and cash equivalents		(953)	(2,084)
Cash and cash equivalents at beginning of period		961	3,045
Cash and cash equivalents at end of period		$ 8	$ 961

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

1. Nature of operations

CB Gold Inc. is a company domiciled in Canada. The address of the Company's registered office is Suite 920 – 1030 West Georgia Street, Vancouver, BC, Canada, V6E 2Y3. The consolidated financial statements of the Company as at and for the year ended December 31, 2015, comprise the Company and its subsidiaries (together referred to as the "Company" and individually as "Company entities"). The Company and its subsidiaries are primarily involved in mining exploration in the Republic of Colombia.

The Company is primarily engaged in the exploration, development and permitting of its mineral properties. The Company is considered to be in the exploration stage given that its mineral properties are not yet in production and, to date, have not earned any significant revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, obtaining and maintaining the necessary permits to operate a mine, obtaining the financing to complete development and future profitable production.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash and cash equivalents to continue operating for the ensuing twelve months. Subsequent to the year ended December 31, 2015, the Company completed two private placements with Red Eagle Mining Corporation ("Red Eagle Mining") for a total of $4,223,080 (note 18). These consolidated financial statements do not give effect to any adjustment, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

2. Basis of presentation and statement of compliance

(a) Statement of compliance

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

(b) Approval of the financial statements

The consolidated financial statements for the year ended December 31, 2015, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 26, 2016.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

2. Basis of presentation and statement of compliance (continued)

(e) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Significant areas requiring the use of estimates and assumptions relate to the review of asset carrying values and determination of impairment charges of non-current assets, determination of mineral reserves, determination of reclamation liabilities and valuation of share-based payments, among others.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are the recoverability of mineral properties.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are the determination of functional currency, and the decision to proceed with development.

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

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

3. Significant accounting policies (continued)

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

Name	Place of Incorporation	Interest	Principal Activity
Cedar Business Investments Ltd.	British Virgin Islands	100%	Holding company
Leyhat Corporation	British Virgin Islands	100%	Exploration and evaluation of mineral properties

Subsequent to December 31, 2015, on March 4, 2016, Leyhat Corporation completed a name change to Minera Vetas Limited. The Company's subsidiary, Minera Vetas Limited, operates in Colombia through its Colombian branch, Minera Vetas.

(ii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated.

(c) Financial instruments

(i) Financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies (continued)

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each period end and are reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is recognized immediately in profit or loss.

- *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company had no financial assets at fair value through profit and loss.

- *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and amounts receivable.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

- *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company has no available-for-sale financial assets.

(ii) Financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following financial liabilities: accounts payable, accrued liabilities and other liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

Compound financial instruments

Compound financial instruments are issued by the Company as units of private placement that consist of shares and warrants. The warrants can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The warrants are recognized initially using the relative fair value method. The fair value of the share component and the warrant component of the units are determined and the proceeds are allocated proportionately. The share component of a compound financial instrument is not remeasured subsequent to initial recognition.

(d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated amortization and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

3. Significant accounting policies (continued)

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

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

(ii) Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Office furniture and fixtures	3 to 10 years
Computer and communications equipment	3 to 5 years
Field equipment	3 to 10 years
Licenses	3 to 5 years

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate on a prospective basis.

(e) Exploration expenditures

The cost of exploration expenditures is expensed as incurred, including those costs incurred before the Company has obtained the legal rights to explore an area of interest.

3. Significant accounting policies (continued)

(f) Mineral properties

The Company defers the cost of acquiring and maintaining its interest in mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Certain acquisition costs may be written off per policy, even though the project, as a whole is not impaired. Other exploration and development expenditures are expensed as incurred until such time as mineral reserves can be established, after which such costs will be accounted for in the same manner as acquisition costs. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the assets, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties at least annually, and will recognize impairment in value based upon the current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the assets. Amounts shown for assets represent costs incurred net of any write-downs and recoveries, and are not intended to represent present or future values.

(g) Provision for closure and reclamation

The Company recognizes statutory, contractual or other obligations related to the retirement of its exploration assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows.

(h) Provisions for other liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are based on management’s best estimate of the expenditure required to settle the obligation and are generally measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an accretion expense.

3. Significant accounting policies (continued)

(i) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for in the period in which they are incurred.

(j) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Capital tax liability

A capital tax liability and corresponding expense is recognized on the date that the tax is levied. The initial amount recognized is calculated using the discounted value of the future capital tax payments, and is adjusted for payments made and accretion.

3. Significant accounting policies (continued)

(l) Loss per share

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted to employees and warrants to purchase shares. Diluted LPS equals basic LPS for the periods presented as all potential shares are anti-dilutive.

(m) Share-based payments

The Company has a stock-based compensation plan, whereby share purchase options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the assumptions used do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

(n) Recent accounting pronouncements

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements.

3. Significant accounting policies (continued)

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets From Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption.

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments ("IFRS 9") which will replace IAS 39, Financial Instruments ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management.

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology.

The Company will evaluate the impact of adopting the above accounting pronouncements in its consolidated financial statements in future periods.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits with maturities at the time of acquisition of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(Tabular amounts expressed in thousands of Canadian dollars)

5. Property and equipment

	Office furniture and fixtures	Computer and communications	Field equipment	Total
Cost				
Balance at January 1, 2014	$ 170	$ 233	$ 53	$ 456
Additions	-	5	-	5
Dispositions	(35)	(10)	(5)	(50)
Balance at December 31, 2014	135	228	48	411
Additions	-	1	-	1
Dispositions	-	(2)	-	(2)
Balance at December 31, 2015	$ 135	$ 227	$ 48	$ 410
Accumulated Amortization				
Balance at January 1, 2014	$ 59	$ 162	$ 28	$ 249
Amortization	20	49	8	77
Dispositions	(25)	(7)	(4)	(36)
Balance at December 31, 2014	54	204	32	290
Amortization	19	12	6	37
Dispositions	-	-	-	-
Balance at December 31, 2015	$ 73	$ 216	$ 38	$ 327
Net book value, December 31, 2014	$ 81	$ 24	$ 16	$ 121
Net book value, December 31, 2015	$ 62	$ 11	$ 10	$ 83

6. Mineral properties

At December 31, 2015, the following costs are capitalized as mineral properties by project:

	Vetas Gold Project	La Vereda Property and other Gold Projects	Total
Balance January 1, 2014	$ 16,485	$ 460	$ 16,945
Additional acquisition costs	667	-	667
Write-off of mineral property costs	-	(460)	(460)
Balance December 31, 2014	17,152	-	17,152
Additional acquisition costs	2,512	-	2,512
Balance December 31, 2015	$ 19,664	$ -	$ 19,664

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many such assets. The Company has investigated title to all of its mineral properties, and to the best of its knowledge, title to all such assets is in good standing.

6. Mineral properties (continued)

By means of the Resolution 2090 of December 19, 2014, issued by the Ministry of Environment and Territorial Development, the National Government delimited the Paramo Jurisdicciones-Santurbán-Berlín ("Paramo") in a 1:25,000 scale. This resolution established three type of areas within the delimitation:

- **Zones of Preservation**, where mining activities can be developed if there is a valid mining title and an environmental license or a similar environmental instrument issued before February 9, 2010.
- **Zones of Restoration**, where mining activities can be developed.
- **Zones of Sustainable Use**, where sustainable agricultural activities can be developed provided that they fulfill certain conditions to continue.

The announcement of the Paramo boundaries have not had a significant impact on the Company's ability to access and conduct its planned operations in the Vetas Gold Project however it has impacted the La Vereda Property.

(a) Vetas Gold Project, Colombia

At December 31, 2015, pursuant to the Acquisition and Option Agreements for the Company's La Triada, San Bartolo and San Alfonso properties, and following the Resolution 2090 of December 19, 2014, issued by the Ministry of Environment and Territorial Development, and the National Government delimitation of the Paramo Jurisdicciones-Santurbán-Berlín, the Company was committed to cash payments of approximately $2,562,000. During the year ended December 31, 2015, 1,866,000 common shares with an associated value of $66,000 were issued as consideration for the acquisition of mineral properties. The Company has accrued for the cash payments in the Statement of Financial Position.

The acquisition price for the La Triada property was renegotiated and paid subsequent to December 31, 2015, which included a cash settlement of USD $300,000 and 2,219,816 common shares of Red Eagle Mining, a related party of the Company. The Company issued 13,702,562 common shares to Red Eagle Mining as compensation on March 4, 2016.

Certain property Acquisition Agreements are subject to royalty payments of USD $5 per ounce, up to a maximum of 2,000,000 ounces of gold (or equivalent to USD $10,000,000) of measured and indicated mineral resources as disclosed and published in one or more technical reports to be prepared in accordance with National Instrument ("NI") 43-101. On April 2, 2014, the Company issued a NI 43-101 Mineral Resource Statement disclosing measured and indicated resources of 123,000 ounces of gold at the Company's Real Minera property representing a royalty payment payable due of $851,000 (USD $615,000). This payment has been accrued for in the Statement of Financial Position.

The terms of the royalty payment with Real Minera were renegotiated by the Company in December 2015, and paid subsequent to year-end, which included a cash settlement of USD $50,000 and 2,843,206 common shares issued of Red Eagle Mining. The Company issued 17,550,654 common shares to Red Eagle Mining as compensation on January 15, 2016.

(Tabular amounts expressed in thousands of Canadian dollars)

6. Mineral properties (continued)

(b) La Vereda Property, Colombia

The Company also owns a 100% interest in the La Vereda property, which is also registered in the name of the Company before the Colombian National Mining Registry. The La Vereda property is located 5 kilometres southwest of the Vetas Gold Project.

During the year ended December 31, 2014, $460,000 of mineral property costs related to the property were written off as the Paramo boundaries have had a significant impact on the Company's ability to access and conduct its operations on the property.

(c) Exploration costs

The Company expensed the following exploration costs:

	Notes		Year ended December 31, 2015		Year ended December 31, 2014
Vetas Gold Project					
Environmental	*8*	$	353	$	11
Technical and geological consulting			185		190
Legal and consulting			97		167
Staffing and personnel			69		270
Core storage			66		86
General services			24		70
Value-added tax			24		35
Land and property			13		24
Health and safety			7		67
Metallurgical testwork			-		64
Resource statement and technical report			-		63
Total		$	838	$	1,047

The Company has cumulative expenses at the end of the period:

		December 31, 2015		December 31, 2014
Vetas Gold Project	$	29,760	$	28,922
La Vereda Property and other Gold Projects		839		839
Total	$	30,599	$	29,761

7. Accounts payable and accrued liabilities

	Notes		Year ended December 31, 2015		Year ended December 31, 2014
Property titleholder payable	*6(a)*	$	3,413	$	713
Trade payables			62		14
Other accrued liabilities			242		144
Total		$	3,717	$	871

The acquisition price for the Real Minera and La Triada properties were renegotiated and paid subsequent December 31, 2015 (note 6(a)).

(Tabular amounts expressed in thousands of Canadian dollars)

8. Other liabilities

Other liabilities consist of costs to rehabilitate areas impacted by artisanal mining operations at the Vetas Gold Project in Colombia. The Company has estimated the discounted costs to be incurred with respect to the rehabilitation activities to be approximately $353,000. As such, the Company recorded the present value of the estimated obligation in other liabilities during the fourth quarter of 2015. The liability recorded represents management's best estimate of the future rehabilitation activities; however, the estimated amount is inherently uncertain and will be revised as further information becomes available. Actual future expenditures may therefore differ materially from the amounts currently provided. The following are the assumptions made in the calculation of the rehabilitation costs:

Inflation rate	6.8%
Pre-tax risk free rate	8.3%
Undiscounted cash flow	$364,000

9. Share capital

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued and outstanding:

The Company has 210,852,007 common shares issued and outstanding as at December 31, 2015 (December 31, 2014 – 167,486,007). All issued shares are fully paid.

(c) Share purchase options:

The continuity of share purchase options at December 31, 2015, is as follows:

Exercise price	Expiry date	December 31, 2014	Granted	Exercised	Cancelled and expired	December 31, 2015
$0.50	Apr 19, 2015	1,325,000	-	-	(1,325,000)	-
$0.50	Aug 22, 2015	500,000	-	-	(500,000)	-
$1.25	Dec 22, 2015	1,275,000	-	-	(1,275,000)	-
$0.12	Dec 22, 2015	145,000	-	-	(145,000)	-
$1.25	Dec 28, 2016	1,400,000	-	-	(885,000)	515,000
$0.12	Dec 28, 2016	680,000	-	-	(150,000)	530,000
$0.90	Dec 14, 2017	2,045,000	-	-	(1,075,000)	970,000
$0.90	Jan 7, 2018	150,000	-	-	(135,000)	15,000
$0.13	Dec 20, 2018	2,375,000	-	-	(1,545,000)	830,000
$0.13	Apr 24, 2019	550,000	-	-	(550,000)	-
$0.12	May 29, 2019	2,825,000	-	-	(1,875,000)	950,000
		13,270,000	-	-	(9,460,000)	3,810,000
Weighted average exercise price		$0.53			$0.55	$0.48

(Tabular amounts expressed in thousands of Canadian dollars)

9. Share capital (continued)

The continuity of share purchase options at December 31, 2014, is as follows:

Exercise price	Expiry date	December 31, 2013	Granted	Repriced	Exercised	Cancelled and expired	December 31 2014
$0.50	Apr 19, 2015	2,125,000	-	-	-	(800,000)	1,325,000
$0.50	Aug 22, 2015	500,000	-	-	-	-	500,000
$1.25	Dec 22, 2015	1,910,000	-	(145,000)	-	(490,000)	1,275,000
$0.12	Dec 22, 2015	-	-	145,000	-	-	145,000
$0.75	July 28, 2016	100,000	-	-	-	(100,000)	-
$1.25	Dec 28, 2016	2,626,666	-	(680,000)	-	(546,666)	1,400,000
$0.12	Dec 28, 2016	-	-	680,000	-	-	680,000
$0.90	Dec14, 2017	2,511,666	-	-	-	(466,666)	2,045,000
$0.90	Jan 7, 2018	150,000	-	-	-	-	150,000
$0.13	Dec 20, 2018	2,775,000	-	-	-	(400,000)	2,375,000
$0.13	Apr 24, 2019		550,000	-	-	-	550,000
$0.12	May 29, 2019	-	2,825,000	-	-	-	2,825,000
		12,698,332	3,375,000	-	-	(2,803,332)	13,270,000
Weighted average exercise price		$0.77	$0.26			$0.80	$0.53

As at December 31, 2015, there were 3,810,000 vested options with a weighted average exercise price of $0.48 (December 31, 2014, 10,740,833 vested options with a weighted average exercise price of $0.62).

The weighted average remaining contractual life of the vested options is 2.3 years (December 31, 2014 – 2.4 years).

On May 29, 2014, the Company executed a re-pricing of 825,000 incentive options for non-insiders from $1.25 to $0.12. The Company also granted incentive options to purchase 3,375,000 common shares in the capital of the Company to directors, advisory board members and officers of the Company. The stock options were issued under the Company's Stock Option Plan with an exercise price of $0.12 and are exercisable for a period of five years.

(d) Share-based payments:

During the year ended December 31, 2015, the Company recognized share-based payments of $76,000 (December 31, 2014 – $524,000) for options issued to directors, employees and key consultants, which was charged to income.

During the year ended December 31, 2015, the Company did not grant any incentive options. The share-based payments in the years ended December 31, 2015 and 2014, were derived from the vesting of grants which have been estimated using the Black Scholes option pricing model based on the following weighted-average assumptions:

	December 31, 2014
Expected average option term in years:	5 years
Expected volatility:	80%
Expected dividend yield:	0%
Risk-free interest rate:	1.44%
Fair value per option:	$0.08
Expected forfeitures:	5%

(Tabular amounts expressed in thousands of Canadian dollars)

9. Share capital (continued)

(e) Warrants:

The continuity of share purchase warrants for the year ended December 31, 2015, is as follows:

Exercise price	Expiry date	December 31, 2014	Granted	Cancelled and expired	December 31, 2015
$0.09	Nov 2, 2015	5,000,000	-	(5,000,000)	-
$0.70	Oct 28, 2015	25,383,953	-	(25,383,953)	-
$0.12	Nov 17, 2016	4,200,000	-	(4,200,000)	-
		34,583,953	-	(34,583,953)	-
Weighted average exercise price		$0.54		$0.54	

The continuity of share purchase warrants for the year ended December 31, 2014, is as follows:

Exercise price	Expiry date	December 31, 2013	Granted	Cancelled and expired	December 31, 2014
$0.90	June 12, 2014	667,200	-	(667,200)	-
$0.09	Nov 2, 2015	5,000,000	-	-	5,000,000
$0.70	Oct 28, 2015	25,383,953	-	-	25,383,953
$0.12	Nov 17, 2016	-	4,200,000	-	4,200,000
		31,051,153	4,200,000	(667,200)	34,583,953
Weighted average exercise price		$0.82	$0.12	$0.90	$0.54

Each warrant vests immediately, is exercisable for one common share of the Company at a price of $0.12 per common share for a period of twenty-four months from the date of issuance. The fair-value of the warrants was determined at $58,650 using a Black Scholes option pricing model based on the following assumptions:

Expected average option term in years:	2 years
Expected volatility:	62%
Expected dividend yield:	0%
Risk-free interest rate:	1.05%
Fair value per option	$0.01
Expected forfeitures:	5%

(Tabular amounts expressed in thousands of Canadian dollars)

9. Share capital (continued)

(f) Issue of shares:

On July 24, 2015, the Company completed a non-brokered private placement for 11,500,000 shares at $0.05 per common share for gross proceeds of $575,000.

On August 7, 2015, the Company issued 1,866,000 shares at $0.035 per common share to titleholders in accordance with the terms of the acquisition contracts.

On November 5, 2015, the Company completed a non-brokered private placement for 30,000,000 shares at $0.06 per common share to the two major shareholders for gross proceeds of $1,800,000.

On November 17, 2014, the Company completed a non-brokered private placement for 8,400,000 units at $0.09 per unit, for gross proceeds of $756,000. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant.

10. Related party transactions

(a) Transactions with related parties

The Company's related parties consist of directors and officers and companies controlled by directors and officers:

Related Party	Nature of Transactions
Dawn Wattie Law Corporation	Legal services (ceased in November 2015)
0852662 BC Ltd.	Management services (ceased in November 2015)
Frontline Advisors S.A.	Management services
Red Eagle Mining Corporation (Parent)	Financial services
Trebor International Holdings	Financial services

For the years ended December 31, 2015 and 2014, the Company has incurred the following consulting, legal and management fees to directors and officers and companies controlled by former directors and officers:

	Year ended December 31, 2015	Year ended December 31, 2014
Legal fees	$ 33	$ 40
Management fees	1,196	378
	$ 1,229	$ 418

As at December 31, 2015, the Company had $23,000 payable (December 31, 2014 – $6,000 payable) to directors of the Company for directors fees.

(Tabular amounts expressed in thousands of Canadian dollars)

10. Related party transactions (continued)

These expenditures were incurred in the normal course of business and measured at the exchange amount, which are the amounts agreed upon by the transacting parties. Amounts payable to related parties are non-interest bearing and without specific terms of repayment and are as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Due to Red Eagle Mining Corporation (Parent)	14	-
Due to Trebor International Holdings	115	-
	$ 129	$ -

During the quarter ended December 31, 2015, Red Eagle Mining obtained over 50% ownership of the Company's common shares. The amounts owing to the Red Eagle Mining are for various costs paid on behalf of the Company during the period ended December 31, 2015.

In December 2015, the Company entered into a short-term loan agreement with Trebor International Holdings for an aggregate amount of USD $83,000. The loan is non-interest bearing, unsecured and without specific repayment terms. This loan was used to satisfy immediate property payment obligations and the amount was repaid in full subsequent to year-end.

(b) Key management personnel compensation

In addition to their fees, as disclosed in note 10(a), key management personnel, consisting of directors and officers, also participate in the company's share option program (see note 9(c)). Key management personnel compensation included share-based payments in the year ended December 31, 2015, of $61,000 (December 31, 2014 – $371,000).

Certain executive officers were entitled to termination and change of control benefits. In the event of termination for any reason except for just cause or change of control, these executive officers are entitled to an amount ranging from twelve to twenty-four months of fees, salary and benefits. On October 8, 2015, this change of control clause was triggered when Red Eagle Mining acquired 50.01% of the Company. Costs related to the change of control are disclosed in note 13.

11. Commitments and contractual obligations

Contractual obligations

	2016	2017	2018	2019	2020
Net wealth tax	$ 53	$ -			
Office leases	36	-	-	-	-
Total	$ 89	-	-	-	-

(Tabular amounts expressed in thousands of Canadian dollars)

12. Segmented information

The Company operates in a single segment, being greenfield exploration and corporate activities. The exploration activities include the Vetas Gold Project and the corporate activities include the evaluation and acquisition of mineral properties, treasury and finance, regulatory and corporate administration.

13. General and administrative expenses

		Year ended December 31, 2015		Year ended December 31, 2014
Management fees (i)	$	1,196	$	378
Salaries and benefits (i)		485		516
Office expenses		202		236
Directors' fees		80		61
Transfer agent and filing fees		63		62
Amortization		37		77
Travel		24		70
Accretion		-		7
Investor relations (ii)		(12)		47
Total	$	2,075	$	1,454

(i) Management fees include approximately $952,000 paid to Fabio Capponi, the former Chief Executive Officer of which $659,000 was for severance. Salaries and benefits includes $201,000 for severance to the former Chief Financial Officer. The amounts were paid on November 5, 2015, upon their respective resignations.

(ii) The Company entered into a three-year consulting service contract during the year ended December 31, 2010 for consulting services in Colombia in exchange for 2,500,000 common shares to be issued at certain intervals. As at December 31, 2014, the Company had issued 1,375,000 shares under the agreement and was required to issue 1,125,000 shares. The approximate value associated with these outstanding shares was determined at $95,000. In 2015, Management concluded that as the consultants did not completely satisfy their service obligations under the contract and determined that the remaining number of shares would not be issued. As a result, a recovery of approximately $95,000 was recognized in the Consolidated Statement of Comprehensive Loss.

(Tabular amounts expressed in thousands of Canadian dollars)

14. Income taxes

(a) Income tax expense (recovery)

The Company's provision for income taxes differs from the amount computed by applying statutory income tax rates to the loss before the tax provision due to the following:

		December 31, 2015		December 31, 2014
Statutory rates		26.0%		26.0%
Net loss	$	4,100	$	3,719
Recovery of income taxes computed at statutory rates	$	(1,066)	$	(967)
Difference in tax rates between foreign jurisdictions		(71)		(113)
Non-deductible items		127		262
Foreign exchange		1,330		1,257
Other		4,908		(2,052)
Change in deferred tax assets not recognized		(5,228)		1,613
	$	-	$	-

(b) Deferred tax assets (liabilities)

		December 31, 2015		December 31, 2014
Non-capital loss carry forward	$	424	$	111
Capital assets and mineral properties		(424)		(111)
Deferred tax assets (liabilities)	$	-	$	-

(c) Deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2015		December 31, 2014
Non-capital loss carry forward	$	7,648	$	12,615
Undeducted financing costs		50		233
Other		-		78
Deferred tax assets	$	7,698	$	12,926

At December 31, 2015, the Company had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which the Company can utilize the benefits.

The Company has non-capital and other losses carried forward of approximately $24,737,076 (December 31, 2014 – $41,299,200) which may be available to offset future income for income tax purposes, of which $768,993 applies in Canada and $23,968,083 in Colombia. The Company recognizes the benefits of tax losses only to the extent of the reversal of taxable temporary differences in relevant jurisdictions within the carry forward period. The available losses carried forward expire in 2035 in Canada. The losses carried forward in Colombia can be carried forward indefinitely. The Company also has $545,093 in other deductible differences which may be used to offset future taxable income.

15. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign exchange risk

The Board of Directors approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its cash and cash equivalents, and amounts receivable.

The carrying amounts of cash and cash equivalents, and amounts receivable represent the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. Subsequent to the year ended December 31, 2015, the Company closed private placements for $2,583,525 and $1,639,555. As a result, the Company will be able to meet its liabilities.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents, short term investments and restricted investments and has determined that there is no material exposure related to interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has an exposure to US dollars ("USD") and Colombian pesos ("COP") that are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company does not hedge its foreign exchange risk, but monitors movement in the respective foreign exchange to manage its exposure to this risk.

(Tabular amounts expressed in thousands of Canadian dollars)

15. Financial risk management (continued)

The Company's financial instruments held in foreign currencies were:

		December 31, 2015		December 31, 2014	
		COP in CDN dollars	USD in CDN dollars	COP in CDN dollars	USD in CDN dollars
Cash and cash equivalents	$	2	2	5	13
Accounts payable and accrued liabilities		(423)	(3,560)	(82)	(713)
		(421)	(3,558)	(77)	(700)
Impact of a 10% movement in the foreign exchange rate	$	42	356	8	70

Valuation of financial instruments

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values because of the short period to maturity of these instruments.

16. Capital management

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholders' equity comprising share capital, share purchase warrants, contributed surplus and deficit. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in environment.

In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Company's investment policy is to hold excess cash in interest bearing bank accounts and money market funds. The Company is not subject to externally imposed capital requirements.

There have been no changes made to the capital management policy during the year.

(Tabular amounts expressed in thousands of Canadian dollars)

17. Supplemental cash flow information

(a) Changes in non-cash working capital are as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Decrease in amounts receivable	$ (37)	$ (2)
Increase in deposits and prepaid amounts	48	(47)
Increase in accounts payable and accrued liabilities	163	514
	$ 174	$ 465

(b) As at December 31, 2015, $3,413,000 (December 31, 2014 – $713,000) in accounts payable and accrued liabilities were related to mineral properties.

(c) The Company cancelled options valued at $95,624 previously due to a consultant with respect to professional consulting and investor relations services (note 13).

18. Subsequent Events

In addition to the other events disclosed in notes 6 and 10, the Company had the following subsequent events.

On January 11, 2016, the Company completed a $2,583,525 (USD $1,850,000) financing with Red Eagle Mining through a private placement of 51,670,500 common shares at $0.05 per common share.

On January 27, 2016, the Company completed a $1,639,555 (USD $1,150,000) financing with Red Eagle Mining through a private placement of 32,791,100 common shares at $0.05 per common share.