SPANISH MOUNTAIN GOLD LTD.
(An Exploration Stage Company)

Consolidated Financial Statements
December 31, 2015 and 2014
(Expressed in Canadian Dollars)

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SPANISH MOUNTAIN GOLD LTD.

We have audited the accompanying consolidated financial statements of Spanish Mountain Gold Ltd., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of operations and comprehensive income (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' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Spanish Mountain Gold Ltd. 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 25, 2016

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Spanish Mountain Gold Ltd.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at December 31

	Note	2015	2014
Assets			
Current Assets			
Cash and cash equivalents	4	$ 413,098	$ 182,407
Accounts receivable		2,471	14,908
Prepaid expenses		21,057	38,024
		436,626	235,339
Mineral Properties	6	76,885,146	76,805,108
Property and Equipment	7	1,032,140	1,104,030
Deposits for Reclamation	6	85,000	85,000
Rent Deposit		24,955	24,955
		$ 78,463,867	$ 78,254,432
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	10	$ 1,066,391	$ 791,363
		1,066,391	791,363
Returnable Security Deposits	12	18,000	18,000
Deferred Income Taxes	9	1,952,364	2,126,266
		3,036,755	2,935,629
Shareholders' Equity			
Capital stock	8	86,459,252	85,981,249
Warrants reserve	8(d)	-	113,245
Share-based payments reserve	8(c)	2,477,229	3,672,366
Deficit		(13,509,369)	(14,448,057)
		75,427,112	75,318,803
		$ 78,463,867	$ 78,254,432

Approved on behalf of the Board:

“Christopher Lattanzi”
……………………..……………… Director
Christopher Lattanzi

“James Clare”
………………………………………… Director
James Clare

See notes to consolidated financial statements

Spanish Mountain Gold Ltd.

(An Exploration Stage Company)

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

Years Ended December 31

	Note		2015		2014
Expenses					
Salaries and wages	10	$	260,924	$	377,966
Legal and accounting			99,689		82,654
Consulting fees	10		54,000		197,870
Rent			52,979		139,170
Insurance			40,693		62,309
Transfer agent and filing fees			37,095		40,993
Depreciation			14,280		18,577
Investor relations and travel			7,836		9,493
Office and miscellaneous			5,245		20,104
			(572,741)		(949,136)
Interest income and other income			1,771		30,941
Expense recoveries			27,912		-
Loss on impairment of mineral properties and disposal of assets	6,7		(538)		(8,606)
Flow-through share tax expense			-		(1,369)
Loss Before Income Tax			(543,596)		(928,170)
Deferred Income Tax Recovery	9		173,902		1,262,083
Net Income (Loss) and Comprehensive Income (Loss) for Year		$	(369,694)	$	333,913
Earnings (Loss) Per Share, basic and fully diluted	13	$	(0.002)	$	0.002
Weighted Average Number of Common Shares Outstanding			204,598,391		201,447,706

See notes to consolidated financial statements

Spanish Mountain Gold Ltd.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Common Shares	Capital Stock	Warrants Reserve	Share-based Payments Reserve	Deficit	Total Equity
Balance, December 31, 2013	201,447,706	$ 85,981,249	$ 359,629	$ 3,876,906	$ (15,232,894)	$ 74,984,890
Fair value of expired options	-	-	-	(204,540)	204,540	-
Fair value of expired warrants	-	-	(246,384)	-	246,384	-
Net income for year	-	-	-	-	333,913	333,913
Balance, December 31, 2014	201,447,706	85,981,249	113,245	3,672,366	(14,448,057)	75,318,803
Issued for cash						
Private placement, net of share issue costs	16,666,667	478,003	-	-	-	478,003
Fair value of expired options	-	-	-	(1,195,137)	1,195,137	-
Fair value of expired warrants	-	-	(113,245)	-	113,245	-
Net loss for year	-	-	-	-	(369,694)	(369,694)
Balance, December 31, 2015	218,114,373	$ 86,459,252	$ -	$ 2,477,229	$ (13,509,369)	$ 75,427,112

See notes to consolidated financial statements

Spanish Mountain Gold Ltd.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Years Ended December 31

		2015		2014
Operating Activities				
Net income (loss) for year	$	(369,694)	$	333,913
Items not involving cash				
Depreciation		14,280		18,577
Loss on impairment of mineral properties and disposal of assets		538		8,606
Deferred income tax recovery		(173,902)		(1,262,083)
		(528,778)		(900,987)
Changes in non-cash working capital				
Accounts receivable		12,437		45,877
Prepaid expenses		16,967		35,442
Accounts payable and accrued liabilities		296,639		(11,276)
Returnable security deposits		-		18,000
		326,043		88,043
Cash Used in Operating Activities		(202,735)		(812,944)
Financing Activity				
Shares issued for cash, net of issue costs		478,003		-
Investing Activities				
Expenditures on mineral properties		(211,935)		(1,559,099)
Mining exploration tax credit received		167,358		2,195,149
Purchase of property and equipment		-		(38,791)
Refund for reclamation deposits		-		24,500
Cash Provided from (Used in) Investing Activities		(44,577)		621,759
Increase (Decrease) in Cash		230,691		(191,185)
Cash and Cash Equivalents, Beginning of Year		182,407		373,592
Cash and Cash Equivalents, End of Year	$	413,098	$	182,407
Supplemental Cash Flow Information				
Non-cash items:				
Mineral properties included in accounts payable and accrued liabilities	$	468,783	$	490,394
Depreciation included in mineral properties	$	57,072	$	62,367

See notes to consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Spanish Mountain Gold Ltd. ("Spanish Mountain" or the "Company") is a resource exploration stage company incorporated under the *Business Corporations Act* (Alberta) and continued into British Columbia under the *Business Corporations Act* (British Columbia). The head office and principal address of the Company are located at 1120 - 1095 West Pender Street, Vancouver, British Columbia V6E 2M6. The address of the Company's registered office is 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company is a resource exploration stage company, which does not generate any revenue and has been relying on equity-based financing to fund its operations. At December 31, 2015, the Company has working capital deficit of $629,765 (2014 - $556,024), and an accumulated deficit of $13,509,369 (2014 - $14,448,057). The Company requires additional financing either through equity or debt financing, sale of assets, joint venture arrangements or a combination thereof in order to meet its administrative costs, discharge its ongoing obligations and to continue to explore and develop its mineral properties. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. Management seeks to raise capital, when necessary, to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful as it is dependent on prevailing capital market conditions and the availability of other financing opportunities. These conditions indicate the existence of material uncertainties that cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

2. BASIS OF PREPARATION

(a) Approval of the consolidated financial statements

The consolidated financial statements of Spanish Mountain 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 25, 2016.

(b) Statement of compliance

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

2. BASIS OF PREPARATION (Continued)

(c) **Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value. In addition, these consolidated financial statements have also been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out in note 3 have been applied consistently by the Company and its subsidiary for all periods presented.

(d) **Use of judgments and estimates**

Apart from making estimates and assumptions as described below, the Company's management makes critical judgments in the process of applying its accounting policies that have a significant effect on the amounts recognized in the Company's consolidated financial statements. The significant judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimation uncertainties, that have the most significant effect include, but are not limited to:

- Impairment of property and equipment and mineral properties

  Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's property and equipment and mineral properties.

  In respect of the carrying value of property and equipment recorded on the consolidated statements of financial position, management has determined that it continues to be appropriately recorded as there have been no obsolescence or physical damage on the assets, and there are no indications that the value of the assets have declined more than what is expected from the passage of time or normal use.

  In respect of costs incurred for its mineral properties, management has determined that exploratory drilling, evaluation, development and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statements of financial position at its carrying value. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/studies, accessible facilities and existing permits.

- Mining exploration tax credits and flow-through expenditures

  The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits.

2. BASIS OF PREPARATION (Continued)

(d) **Use of judgments and estimates** (Continued)

- Mining exploration tax credits and flow-through expenditures (Continued)

  The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resources expenditures. Management judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities can materially increase the outstanding commitments (note 9).

- Going concern

  The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include:

- the recoverability of mining exploration tax credits;
- the recoverability of mineral properties;
- the recoverability and expected life of property and equipment;
- the determination of asset retirement and environmental obligations;
- the utilization of deferred income tax assets; and
- the determination of the variables used in the Black-Scholes option pricing model to calculate the fair value of options and warrants.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies:

(a) **Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned Canadian subsidiary, Wildrose Resources Ltd. ("Wildrose"). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investees. All intercompany transactions and balances have been eliminated on consolidation.

(b) **Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank deposits or highly-liquid temporary investments that are readily convertible into known amounts of cash.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) **Mineral properties**

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. 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. Costs accumulated relating to projects that are abandoned are written off in the period in which a decision to discontinue the project is made.

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.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Proceeds received on the sale or option of the Company’s property interest is recorded as a reduction of the mineral property cost. When proceeds received in respect of a property exceed its carrying cost, such excess is recognized in net income (loss).

(d) **Property and equipment**

Property and equipment are recorded at cost and depreciated using the declining-balance basis at the following annual rates:

Building	4%
Computer equipment	30%
Furniture and field equipment	20%
Vehicles	30%
Office equipment	20%

Depreciation on leasehold improvements is recorded on a straight-line basis over the term of the lease.

Additions during the current year are depreciated on a pro-rated basis. Depreciation on property and equipment used directly on exploration projects is capitalized to mineral properties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) **Impairment of non-current assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets). The recoverable amount of the asset (or CGU) is the greater of the asset's (or CGU's) fair value less costs to sell and its value in use to which the assets belong.

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 (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions on reserves and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (the CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) **Provision for closure and reclamation**

The Company assesses its mine rehabilitation provision at each reporting date. Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 *Property, Plant and Equipment*.

The Company records the present value of estimated costs of legal and constructive obligations required to restore mining operations in the period in which the obligation is incurred. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mine; dismantling operating facilities; closure of plant and waste sites; and restoration, reclamation and vegetation of affected areas.

Present value is used where the effect of the time value of money is material. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) **Mining exploration tax recoveries**

The Company recognizes mining exploration tax recoveries in the period in which there is reasonable expectation, based on management's estimate, of receiving a refund. The amount of tax credit receivable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

(h) **Non-monetary transactions**

Shares issued for consideration other than cash are valued at the fair value of assets received or services rendered. If the fair value of assets received or services rendered cannot be reliably measured, shares issued for consideration will be valued at the quoted market price at the date of issuance.

(i) **Unit issuance**

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants. For those unexercised warrants that expire, the recorded value is transferred to deficit.

(j) **Share-based payments**

The Company has a stock option plan that is described in note 8(c). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as capital stock and the related amount originally recorded in share-based payments reserve is transferred to capital stock. For those unexercised options that expire, the recorded value is transferred to deficit.

(k) **Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, the earnings (loss) available to common shareholders equal the reported earnings (loss). The computation of diluted earnings per share reflects the potential dilution that could occur on the exercise of outstanding options, warrants and similar instruments. The Company uses the treasury stock method to determine the dilutive effect of options, warrants and other dilutive instruments. Under this method, only "in the money" dilutive instruments impact the calculations in computing diluted earnings per share. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) **Income taxes**

The Company follows the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis, losses carried forward and other tax deductions. Deferred income tax assets and liabilities are measured using 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 net income (loss) in the period in which the change is enacted or substantively enacted. The amount of deferred income tax assets is limited to the amount of the benefit that is probable that the related tax benefit will be realized.

(m) **Flow-through shares**

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchase the shares.

At the time of closing a financing involving flow-through shares, the Company allocates proceeds received first to common shares based on the market trading price of the common shares at the time the flow-through shares are priced, and any excess is allocated to flow-through premium liability.

At the time of closing a financing involving flow-through units consisting of common shares and warrants, the Company allocates proceeds received as follows:

- Capital stock – the market trading price of the common share;
- Warrant reserve – based on the valuation derived using the Black-Scholes option pricing model; and
- Flow-through premium – any excess, recorded as a liability.

Thereafter, as qualifying resource expenditures are incurred, these costs are capitalized to mineral properties and the flow-through premium, if any, is amortized to profit or loss.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule in accordance with Government of Canada flow-through regulations. When applicable, this flow-through share tax expense is accrued and recorded to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) **Financial instruments**

(i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial instruments at initial recognition. The Company's accounting policy for each category is as follows:

Fair value through profit or loss (“FVTPL”) – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in net income (loss).

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – 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. These assets are measured at amortized cost using the effective interest 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 net income (loss).

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

All financial assets, except for those classified as FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Transactions costs related to financial instruments classified as FVTPL are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instruments and are amortized using the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) **Financial instruments** (Continued)

(ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

FVTPL – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in net income (loss).

Other financial liabilities – This category includes non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the consolidated statements of operations and comprehensive income (loss) over the period to maturity using the effective interest method.

(iii) Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities;
Level 2 Inputs, other than quoted prices in Level 1 that are observable for the asset or liability either directly or indirectly; and
Level 3 Unobservable inputs that are not based on observable market data.

(o) **New accounting pronouncements**

The new and revised standards described below may be early-adopted. The standards that may have a significant impact on the Company are discussed below. The Company does not expect any material impact from adopting these standards.

IFRS 9 *Financial Instruments*

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) **New accounting pronouncements** (Continued)

- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- De-recognition. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

This is applicable to the Company's annual period beginning on 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 12 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*.

This is applicable to the Company’s annual period beginning on January 1, 2019.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

- Cash and cash equivalents, as FVTPL;
- Rent deposit and deposits for reclamation, as loans and receivables; and
- Accounts payable, accrued liabilities and returnable security deposits, as other financial liabilities.

The carrying values of accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of deposits for reclamation approximates fair value since amounts held earn interest at market rates.

The Company’s risk exposure and the impact on the Company’s financial instruments are summarized below.

(a) **Credit risk**

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations and arises principally from the Company’s holdings of cash and cash equivalents. The Company manages credit risk in respect of cash and cash equivalents by holding these at a major Canadian financial institution with strong investment-grade ratings by a recognized agency.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(a) **Credit risk** (Continued)

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at a major Canadian financial institution. The Company's cash and cash equivalents at December 31, 2015 and 2014 is as follows:

		2015		2014
Cash held in bank accounts	$	17,098	$	2,407
Term deposits		396,000		180,000
	$	413,098	$	182,407

(b) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's cash and cash equivalents at December 31, 2015 is $413,098 (2014 - $182,407), which is less than its aggregate short-term liabilities. At December 31, 2015, the Company had accounts payable and accrued liabilities of $1,066,391 (2014 - $791,363), which have contractual maturities of 90 days or less.

(c) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Company is exposed to interest rate risk, foreign currency risk and other price risk as follows:

(i) Interest rate risk

The Company's cash and cash equivalents are held in bank accounts and earn interest at variable interest rates. Due to the short-term nature of these financial instruments and the prevailing interest rate environment, fluctuations in market rates do not have a significant impact on estimated fair values or cash flows as of December 31, 2015 and 2014.

(ii) Foreign currency risk

The Company's operations are located in Canada with substantially all transactions denominated in Canadian dollars, and accordingly, the Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not significantly exposed to other price risk with respect to its financial instruments, as their fair values and future cash flows are not impacted materially by fluctuations in market prices.

5. CAPITAL MANAGEMENT

The Company's primary source of funds has been obtained through the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal, and is not subject to any externally imposed capital requirements.

The Company defines its capital as all components of shareholders' equity. Capital requirements are determined by the Company's exploration activities on its mineral property interests and administrative overhead. 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 strategic goals.

In accordance with its investment policy, the Company periodically invests its capital in liquid investments to obtain returns that are considered reasonable under prevailing market conditions. 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.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, there can be no assurances that it will continue into the future.

There were no changes in the Company's approach to capital management during the year ended December 31, 2015.

(Expressed in Canadian Dollars)

6. MINERAL PROPERTIES

Acquisition and exploration expenditures incurred on mineral properties are as follows:

		Spanish Mountain Gold Project
Balance, December 31, 2013	$	75,666,501
Additions during the year		
Deferred exploration costs		
Assaying		171,682
Camp materials and supplies		75,079
Contract wages		307,379
Depreciation		62,367
Drilling		251,894
Equipment rental		25,377
First Nations Community Relations		1,320
Geological consulting		203,220
Land tenure		8,791
Travel and accommodation		31,498
Total additions during the year		1,138,607
Balance, December 31, 2014		76,805,108
Additions during the year		
Deferred exploration costs		
Camp materials and supplies		30,545
Contract wages		77,794
Depreciation		57,072
Equipment rental		6,414
First Nations Community Relations		250
Geological consulting		57,000
Land tenure		7,316
Travel and accommodation		11,005
Total additions during the year		247,396
BC METC recovery (note 9)		(167,358)
Balance, December 31, 2015	$	76,885,146

(a) Spanish Mountain Property, British Columbia

The property is subject to various net smelter returns (“NSR”) at 2.5%. The Company may, at its option, reduce the NSR to 1.0% or 1.5% dependent on the underlying mineral claims with a maximum aggregate payment of $1,000,000 to the vendors.

On June 15, 2010, the Company acquired a 100% undivided interest in the Cedar Creek property, which is contiguous to the Spanish Mountain property. The wholly-owned property is subject to a 2.5% NSR in favour of a third party. The NSR may be purchased by the Company for $500,000 per 1.0% NSR. On May 23, 2011, the Company acquired two additional mineral claims that are adjacent to the Cedar Creek property for $110,000 cash. The claims are subject to a 3.0% NSR, 2.5% of which may be purchased for $1,000,000.

6. MINERAL PROPERTIES (Continued)

(a) **Spanish Mountain Property, British Columbia** (Continued)

On August 21, 2012, the Company completed the acquisition of a 100% undivided interest in an additional group of mineral claims for consideration of $500,000 in cash and 2,000,000 common shares with a fair value of $740,000. The property is subject to an aggregate 4.0% NSR. The Company has the option to reduce the net NSR to 2.0% by paying a one-time cash payment of $2,000,000 to the royalty holders.

(b) **Title to mineral property interests**

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(c) **Realization of assets**

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

(d) **Environmental**

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 material 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 issues related to any of its current or former properties 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 on the Company's operations 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.

During the year ended December 31, 2014, the Company wrote-off $7,500 of a reclamation deposit related to a mineral property abandoned in 2012.

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	Land	Building	Computer Equipment	Furniture and Field Equipment	Vehicles	Office Equipment	Leasehold Improvements	Total
Cost								
Balance, December 31, 2013	$ 127,441	$ 1,112,739	$ 159,368	$ 151,201	$ 34,668	$ 21,170	$ 18,731	$ 1,625,318
Additions	-	-	-	-	38,059	-	732	38,791
Disposals	-	-	(3,447)	-	-	-	-	(3,447)
Balance, December 31, 2014	127,441	1,112,739	155,921	151,201	72,727	21,170	19,463	1,660,662
Disposals	-	-	(2,625)	-	-	-	-	(2,625)
Balance, December 31, 2015	$ 127,441	$ 1,112,739	$ 153,296	$ 151,201	$ 72,727	$ 21,170	$ 19,463	$ 1,658,037
Accumulated Depreciation								
Balance, December 31, 2013	$ -	$ 258,805	$ 105,955	$ 64,021	$ 28,164	$ 14,857	$ 6,227	$ 478,029
Additions	-	34,157	14,714	17,389	10,821	1,259	2,604	80,944
Disposals	-	-	(2,341)	-	-	-	-	(2,341)
Balance, December 31, 2014	-	292,962	118,328	81,410	38,985	16,116	8,831	556,632
Additions	-	32,792	11,151	13,920	10,359	1,009	2,121	71,352
Disposals	-	-	(2,087)	-	-	-	-	(2,087)
Balance, December 31, 2015	$ -	$ 325,754	$ 127,392	$ 95,330	$ 49,344	$ 17,125	$ 10,952	$ 625,897
Carrying Amounts								
At December 31, 2014	$ 127,441	$ 819,777	$ 37,593	$ 69,791	$ 33,742	$ 5,054	$ 10,632	$ 1,104,030
At December 31, 2015	$ 127,441	$ 786,985	$ 25,904	$ 55,871	$ 23,383	$ 4,045	$ 8,511	$ 1,032,140

(Expressed in Canadian Dollars)

8. CAPITAL STOCK

(a) Authorized

(i) Unlimited number of common voting shares without par value
(ii) Unlimited number of first preferred shares
(iii) Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

(b) Private placements

On October 23, 2015, the Company completed a non-brokered private placement and issued 16,666,667 units ("Units") at a price of $0.03 per Unit, for total gross proceeds of $500,000. Each Unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles its holder to purchase one common share at a price of $0.05 per share for a period of five years. Cash share issue costs in the amount of $21,997 were incurred. No finders' fee or commission was incurred in connection with the offering.

The Company did not issue any common shares during the year ended December 31, 2014.

(c) Stock options

The Company has a fixed number stock option plan that reserves a specified number of shares up to a maximum of 20% of the Company's issued shares as at the date of shareholder approval. The maximum number of options that has been currently approved by the Company's shareholders is 17,401,903. The exercise price of any option granted shall not be less than the fair market value of the shares at the time of the grant. The expiry date for each option, set by the Board of Directors at the time of issue, shall not be more than five years after the grant date. Unless stipulated by the Board of Directors, options granted generally vest 25% on date of grant and a further 25% vest every six months and expire after five years.

Changes in the Company's stock options during the years ended December 31, 2015 and 2014 are summarized as follows:

	2015			**2014**		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	8,495,000	$	0.54	9,795,000	$	0.50
Expired	(2,550,000)	$	0.38	(1,300,000)	$	0.26
Forfeited	(1,100,000)	$	0.64	-	$	-
Outstanding, end of year	4,845,000	$	0.61	8,495,000	$	0.54

(Expressed in Canadian Dollars)

8. CAPITAL STOCK (Continued)

(c) **Stock options** (Continued)

A summary of the Company's stock options outstanding and exercisable as at December 31, 2015 and 2014 is as follows:

	2015			2014		
Expiry Date	Exercise Price	Number of Options	Number of Options exercisable	Exercise Price	Number of Options	Number of Options exercisable
January 5, 2015	$ 0.28	-	-	$ 0.28	150,000	150,000
January 27, 2015	$ 0.36	-	-	$ 0.36	400,000	400,000
February 9, 2015	$ 0.36	-	-	$ 0.36	300,000	300,000
February 17, 2015	$ 0.37	-	-	$ 0.37	1,100,000	1,100,000
August 23, 2015	$ 0.45	-	-	$ 0.45	600,000	600,000
March 9, 2016	$ 0.65	1,020,000	1,020,000	$ 0.65	1,020,000	1,020,000
March 31, 2016	$ 0.65	-	-	$ 0.65	300,000	300,000
September 20, 2016	$ 0.82	1,050,000	1,050,000	$ 0.82	1,300,000	1,300,000
April 11, 2017	$ 0.44	1,000,000	1,000,000	$ 0.44	1,000,000	1,000,000
April 23, 2017	$ 0.55	1,775,000	1,775,000	$ 0.55	2,325,000	2,325,000
		4,845,000	4,845,000		8,495,000	8,495,000

The weighted average remaining contractual life of outstanding options as at December 31, 2015 is 0.94 (2014 - 1.42) years.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK (Continued)

(d) **Share purchase warrants**

Changes in the Company's share purchase warrants during the years ended December 31, 2015 and 2014 are summarized as follows:

	2015		2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	9,303,518	$ 0.15	13,409,922	$ 0.24
Expired	(9,303,518)	$ 0.15	(4,106,404)	$ 0.45
Issued	16,666,667	$ 0.05	-	$ -
Outstanding, end of year	16,666,667	$ 0.05	9,303,518	$ 0.15

Expiry Date	Exercise Price	Outstanding 2015	Outstanding 2014
September 27, 2015	$ 0.15	-	8,768,862
September 27, 2015	$ 0.10	-	534,656
October 23, 2020	$ 0.05	16,666,667	-
		16,666,667	9,303,518

The weighted average remaining contractual life of outstanding warrants at December 31, 2015 is 4.82 (2014 - 0.74) years.

The fair value of compensation warrants issued during a private placement completed September 27, 2013 and remain outstanding as of December 31, 2014 is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.18%
Expected dividend yield	-
Expected stock price volatility	108.84%
Expected life in years	2.00

(Expressed in Canadian Dollars)

9. INCOME TAXES

The Company's combined statutory tax rate is currently at 26% reflecting a combined federal corporate tax rate of 15% and BC corporate tax rate of 11%.

The reconciliation of income tax computed at the statutory tax rate to income tax recovery is as follows:

	2015	2014
Loss before income tax	$ 543,596	$ 928,170
Statutory income tax rate	26%	26%
Expected income tax recovery	141,335	241,324
Items non-deductible for income tax purposes	(155)	(240)
Changes in non-capital losses	(203,340)	657,689
Expired losses	12,324	88,081
Unused tax losses and tax offsets not recognized in tax asset	203,340	169,065
Other differences	20,398	-
Recovery of flow-through premium	-	106,164
Deferred income tax recovery	$ 173,902	$ 1,262,083

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

	2015	2014
Deferred income tax assets		
Property and equipment	$ 152,499	$ 148,648
Non-refundable mining income tax credit	1,328,019	1,328,019
Share issue costs	35,934	94,573
Non-capital loss carried forward	6,367,027	6,165,044
	7,883,479	7,736,284
Deferred income tax liabilities		
Mineral properties	(9,835,843)	(9,862,550)
Deferred income tax liability, net	$ (1,952,364)	$ (2,126,266)

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate taxable income to utilize its deferred tax assets.

As at December 31, 2015, the Company does not have any unused tax losses which a deferred tax asset is not recognized (2014 - $782,077).

(Expressed in Canadian Dollars)

9. INCOME TAXES (Continued)

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined under Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that are allotted for such expenditure, but have not yet been spent.

In connection with the flow-through private placement completed on September 27, 2013 the Company has an obligation to incur qualified expenditures of $1,046,296, which was fulfilled by the contractual date of December 31, 2014.

The Company is eligible for BC mining exploration tax credits ("BC METC"), for qualified mineral exploration expenditures incurred for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred to the extent such expenditures are not committed to flow-through expenditures. The filing for the BC METC is subject to an assessment process, which may include an audit by the taxation authorities. The amount ultimately recoverable may be different from the amount claimed. For the years ended December 31, 2015 and 2014, the Company did not record any BC METC receivable. During the year ended December 31, 2015 the Company received a BC METC refund of $167,358 (2014 - $2,195,149) related to eligible expenditures incurred in previous years.

As at December 31, 2015, the Company has Canadian non-capital losses of $24,488,559 that may be applied to reduce future Canadian taxable income purposes, expiring as follows:

	Spanish Mountain	Wildrose	Total
Non-capital losses, expiring as follows:			
2026	$ 723,138	$ 33,219	$ 756,357
2027	861,641	-	861,641
2028	1,723,029	155,937	1,878,966
2029	1,410,811	55,965	1,466,776
2030	3,606,202	47,730	3,653,932
2031	4,492,124	25,888	4,518,012
2032	7,637,163	3,415	7,640,578
2033	1,763,239	1,000	1,764,239
2034	1,168,269	1,367	1,169,636
2035	775,252	1,570	776,822
2036	-	1,600	1,600
	$ 24,160,868	$ 327,691	$ 24,488,559

10. RELATED PARTY TRANSACTIONS

(a) Prior to May 31 2015, the Company obtained technical and strategic advice from a consulting firm, of which a director is a shareholder. During the year ended December 31, 2015 the Company incurred $38,000 (2014 - $160,000) in consulting fees. Accounts payable and accrued liabilities as at December 31, 2015 include $120,068 (2014 - $62,068) owed to this firm. Effective May 31, 2015, this director retired and resigned his position on the Company's board and ceased to be a related party. The Company did not incur any separation benefits.

(b) Key management comprises directors and executive officers of the Company. Certain executive officers are entitled to termination benefits of up to two years' gross salary totalling maximum of approximately $480,000 in the event of a change of control in the Company's ownership. The Company has no material post-employment benefits and other long-term employee benefits.

Compensation of key management personnel for the year ended December 31, 2015 includes $125,558 (2014 - $225,043) in salaries and $58,861 (2014 - $316,232) in consulting fees for a combined total of $184,419 (2014 - $541,275). During the same period, the Company did not incur any termination benefits.

(c) Accounts payable and accrued liabilities as at December 31, 2015 includes $346,914 (2014 - $175,662) owed to certain directors and officers, of which $148,206 are cash advances received during the year ended December 31, 2015.

Interest is not charged on outstanding balances and there are no specified terms of repayment.

11. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration, and all of its long-term assets are located in Canada.

12. COMMITMENTS

The Company entered into a lease agreement for office premises that commenced June 1, 2012 and expires May 31, 2017. The total lease payment pursuant to the agreement is $803,475 (including operating expenses of $319,875), of which the remaining balance at December 31, 2015 is $240,448 (including operating expenses of $94,588).

The Company has entered into a sub-lease agreement to share its office premises with a third party sub-tenant. The agreement commenced November 1, 2014 and expires on May 31, 2017. The cumulative rental recovery pursuant to this agreement is expected to be $293,310 (including operating expenses of $115,306), of which the remaining balance at December 31, 2015 is $163,150 (including operating expenses of $64,180). Upon execution of the sub-lease agreement, the Company received a security deposit of $18,000 from the sub-tenant. Pursuant to the sublease agreement, the sub-tenant may elect to terminate the agreement after November 2015 by providing a three-month notice to the Company.

(Expressed in Canadian Dollars)

12. COMMITMENTS (continued)

The Company's gross combined lease payments for office premises (including operating expenses) and equipment for the next two years are as follows:

2016	$	180,173
2017		70,720
	$	250,893

13. EARNINGS (LOSS) PER SHARE

Diluted earnings (loss) per share is the same as the basic earnings (loss) per share, as the average market price of common shares were less than the exercise price of the dilutive instruments during the years ended December 31, 2015 and 2014. The instruments that could potentially dilute basic earnings (loss) per share in the future are as follows:

	2015	2014
Basic weighted average number of common shares outstanding	204,598,391	201,447,706
Effect of dilutive securities that could dilute basic earnings per share:		
Share options	4,845,000	8,495,000
Warrants	16,666,667	9,303,518
Diluted weighted average number of common shares outstanding	226,110,058	219,246,224

14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2015, 1,020,000 stock options with an exercise price of $0.65 per share expired March 9, 2016 without being exercised.