Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)

Financial Statements

December 31, 2015 and 2014

Management's Responsibility for Financial Reporting

The preparation and presentation of the accompanying financial statements are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

"*Gerald G Carlson*" *(signed)*
Gerald G. Carlson
President and Chief Executive Officer

"*Lei Wang*" *(signed)*
Lei Wang
Chief Financial Officer

April 21, 2016

April 21, 2016

Independent Auditor's Report

To the Shareholders of Pacific Ridge Exploration Ltd.

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

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Pacific Ridge Exploration Ltd. as at December 31, 2015 and December 31, 2014 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
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Pacific Ridge Exploration Ltd.
Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2015	December 31, 2014
Assets			
Current assets			
Cash		$ 489,304	$ 127,897
Other receivables		3,673	8,643
Marketable securities	4	114,105	32,015
Prepaid		4,650	2,000
		611,732	170,555
Resource properties	5	517,429	682,964
		$ 1,129,161	$ 853,519
Liabilities			
Current liabilities			
Trade payable and accrued liabilities		$ 3,720	$ 17,352
Shareholders' Equity			
Share capital		43,066,428	43,066,428
Contributed surplus		3,152,125	3,134,022
Accumulated other comprehensive loss		-	(17,985)
Deficit		(45,093,112)	(45,346,298)
		1,125,441	836,167
		$ 1,129,161	$ 853,519

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

Approved and authorized for issue on behalf of the Board of Directors on April 21, 2016

/s/ "Gerald G. Carlson" — Director

/s/ "Douglas Proctor" — Director

Pacific Ridge Exploration Ltd.
Statements of Income (Comprehensive Loss)
(Expressed in Canadian dollars)

	Note	Years ended December 31, 2015	2014
Administration expenses			
Depreciation		$ -	$ 4,257
Insurance		5,000	6,105
Professional and consulting fees		60,159	80,545
Management and administrative services		59,748	86,196
Office operations and facilities		57,061	49,228
Shareholder communications		6,046	19,229
Share-based payments	6(c)	18,103	-
Transfer agent and regulatory fees		19,178	21,422
		225,295	266,982
Other expenses (income)			
Exploration and evaluation costs	5(e)	177,529	83,528
Sale of mineral property royalties	5	(508,200)	-
Loss (gain) on sale of marketable securities		1,887	(1,204)
Impairment of marketable securities		51,569	-
Government grant		(40,000)	(50,000)
Property option payment		(185,000)	(29,409)
Impairments		23,734	135,712
Interest		-	(232)
Write-off of equipment		-	7,333
Loss on sale of equipment		-	4,332
		(478,481)	150,060
Net income (loss) for the year		253,186	(417,042)
Other comprehensive loss for the year			
Items that may be reclassified to profit and loss			
Reclassification of realized loss (gain) on marketable securities		1,887	(1,204)
Transfer on impairment of marketable securities		51,569	-
Net change in fair value of available-for-sale financial asset		(35,471)	(10,781)
Income (comprehensive loss) for the year		271,171	(429,027)
Basic income (loss) and comprehensive loss per common share		$ 0.01	$ (0.02)
Weighted average number of common shares outstanding		24,390,884	21,424,062

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

Pacific Ridge Exploration Ltd.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares					Other				
				Contributed		Comprehensive				Total Shareholders'
	Shares		Amounts		Surplus		Loss	Deficit		Equity
Balance at December 31, 2013	20,800,884	$	42,963,593	$	3,073,379	$	(6,000)	$ (44,929,256)	$	1,101,716
Equity offering, net of issuance costs	3,000,000		77,135		60,643					137,778
Shares issued for property	590,000		25,700							25,700
Reclassification of marketable securities							(1,204)			(1,204)
Other comprehensive loss for the year							(10,781)			(10,781)
Net loss for the year								(417,042)		(417,042)
Balance at December 31, 2014	24,390,884		43,066,428		3,134,022		(17,985)	(45,346,298)		836,167
Share-based payments					18,103					18,103
Realized loss on marketable securities							1,887			1,887
Reclassification of marketable securities							51,569			51,569
Other comprehensive loss for the year							(35,471)			(35,471)
Net income for the year								253,186		253,186
Balance at December 31, 2015	24,390,884	$	43,066,428	$	3,152,125	$	-	$ (45,093,112)	$	1,125,441

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

Pacific Ridge Exploration Ltd.
Statements of Cash Flows
(Expressed in Canadian dollars)

		Years ended December 31,		
		2015		2014
Operating activities				
Income (loss) for the year	$	253,186	$	(417,042)
Items not affecting cash				
Depreciation		-		4,257
Loss (gain)on sale of marketable securities		1,887		(1,204)
Sale of mineral property royalties		(508,200)		-
Property option payment		(185,000)		(29,409)
Impairments		23,734		135,712
Share-based payments		18,103		-
Impairment on marketable securities		51,569		-
Write-off of equipment		-		7,333
Loss on equipment		-		4,332
		(344,721)		(296,021)
Changes in non-cash working capital items				
Other receivables		4,970		(8,643)
Prepaid		(2,650)		-
Trade payable and accrued liabilities		(13,632)		(13,027)
		(11,312)		(21,670)
Cash used in operating activities		(356,033)		(317,691)
Investing activities				
Resource property acquisition costs		-		(30,000)
Proceeds on sale of marketable securities		7,439		133,204
Proceeds from sale of equipment		-		3,000
Proceeds on property option payments		100,000		50,000
Proceeds from sale of mineral property royalties		610,001		-
Cash provided by investing activities		717,440		156,204
Financing activities				
Proceeds from share issuance, net of share issue costs		-		137,778
Increase (decrease) in cash		361,407		(23,709)
Cash - beginning of year		127,897		151,606
Cash - end of year	$	489,304	$	127,897

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

1. Nature of operations

Pacific Ridge Exploration Ltd. (the "Company" or "Pacific Ridge") is in the business of acquiring and exploring resource properties in Canada. Pacific Ridge is incorporated and domiciled in Canada under the *Business Corporations Act* (British Columbia). The address of its registered office is 1710 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary capital to finance operations including contributions from future joint venture partners. The carrying value of the Company's mineral properties does not reflect current or future value.

On June 17, 2015, the Company received $610,001 (US$500,000) from Sandstorm Gold Inc. ("Sandstorm") in consideration for the sale of a selected package of mineral royalties (Note 5). The Company intends to use current working capital to fund its operations.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharges its liabilities in the normal course of business. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets maybe materially less than the amounts on the statements of financial position. During the year ended December 31, 2015, the Company recorded an income of $253,186 (2014 - $417,042 loss) with a working capital of $608,012 as of December 31, 2015. The Company believes that based on its current working capital, it could sustain its operation and maintain its minimum obligations for the next 12 months.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Except for available for sale investments, which are recorded at fair value, these financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, the Company's functional currency.

The financial statements were approved by the Board of Directors on April 21, 2016.

The summary of significant accounting policies used in the preparation of these financial statements is described below:

a) Foreign currency translation

The presentation currency and the functional currency of the Company is the Canadian dollar ("$"). The Company's foreign currency transactions are translated into the Canadian dollar at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results.

b) Equipment

Equipment is recorded at cost less accumulated amortization and impairment. Depreciation is provided on a declining balance basis at the annual rate of 30% for all equipment.

c) Resource property acquisition costs

Resource properties consist of payments to acquire exploration and mining claims and property option payments. Acquisition costs are capitalized and deferred until such a time as the property is put into production or the property is disposed of either through sale or abandonment, or the property becomes impaired. If a property is put into production the costs of the acquisition will be amortized over the life of the property on a unit-of-production basis based on the estimated proven and probable reserves. Proceeds received from the sale or option of an interest in a property will be credited against the carrying value of the property, with any difference recorded as a gain or loss on sale. Option payments received in excess of the carrying value of a property are recorded as an exploration recovery in the statement of loss. If a property is abandoned or has become impaired, the acquisition costs will be written off or written down to operations.

Recorded costs of resource properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

d) Exploration and evaluation costs

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. Once rights to resource properties are obtained, all direct acquisition-related costs are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

e) Government grants

Government grants are assistance in cash based on eligible mineral exploration expenditures incurred. Government grants are recorded in profit and loss in the same period as the relevant exploration expenditures when reasonable assurance of their receipt has been obtained.

f) Flow-through shares

The Company finances a portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon qualifying expenditures being incurred, the premium liability is de-recognized to other income.

g) Share-based payments

The Company has a stock option plan that is described in note 6. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at 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. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

h) Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets or liabilities are calculated using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized. Deferred tax assets are recognized only to the extent that it is probable that they will be realized.

i) Earnings/(loss) per common share

Basic earnings (loss) per share are computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and accordingly, basic and diluted loss per share are the same.

j) Financial instruments

Financial instruments are classified as one of the following: fair value through profit and loss, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss accordingly.

k) Impairment

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

l) Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following is the areas of estimate and judgment applied by management that most significantly affects the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Resource properties: the carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that its carrying amount may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

Share-based payments: the Company follows accounting guideline in determining the fair value of share-based compensations. The computed amount is not based on historical costs, but is derived based on subjective assumptions input into a pricing model.

(Expressed in Canadian dollars)

3. Future accounting changes

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has neither completed its assessment of the impact nor early adopted the new and amended standards on its consolidated financial statements.

IFRS 9, *Financial Instruments*

IFRS 9 replaces the current standard, IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. The new standard is effective for annual periods beginning on or after January 1, 2018, with an early adoption permitted.

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. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

4. Marketable securities

As at December 31, 2015, the Company owned 5,636,525 shares of MinQuest Limited ("MinQuest"), a publicly listed company in Australia (Note 5). During the year ended December 31, 2015, the Company sold 300,000 shares and recognized a loss of $1,887.

	Kivaliq Energy		MinQuest Limited		
Date	No. of shares	Fair Value	No. of shares	Fair Value	Total Fair Value
December 31, 2013	600,000	$ 126,000	-	$ -	$ 126,000
Additions	-	-	1,608,338	50,000	50,000
Revaluation	-	7,204	-	(17,985)	(10,781)
Disposals	(600,000)	(133,204)	-	-	(133,204)
December 31, 2014	-	-	1,608,338	32,015	32,015
Additions			4,328,187	125,000	125,000
Disposals			(300,000)	(7,439)	(7,439)
Revaluation			-	(35,471)	(35,471)
December 31, 2015	-	$ -	5,636,525	$ 114,105	$ 114,105

The fair value of these marketable securities has been determined by reference to their closing share price at the reporting date. During the year 2015, management made the assessment that the marketable securities have experienced a prolonged decline in their fair values. Accordingly, an impairment of $51,569 has been transferred from accumulative other compressive loss and recognized in net loss.

(Expressed in Canadian dollars)

5. Resource properties

The Company has interests in mineral properties in Yukon, Canada.

During the year ended December 31, 2015, the Company received $100,000 cash payment and $125,000 worth of common shares from MinQuest as part of MinQuest's option payment to earn an initial 51% interest in the Company's Fyre Lake property.

On June 17, 2015, the Company received a payment of US$500,000 from Sandstorm in consideration for the sale of a selected package of mineral royalties. This royalty package includes a 1.65% net smelter return ("NSR") held by the Company on the Spectrum gold property located in British Columbia, and a 1% NSR on the Eureka Dome and Gold Cap properties located in Yukon. As part of the package, the Company has transferred to Sandstorm its right to buy-down royalties on its Mariposa and Sophie properties. Proceeds received from the sale are credited against the carrying value of the properties, with any difference recorded as a an exploration recovery in the statement of loss.

A summary of capitalized acquisition costs is as follows:

	Mariposa	Gold Cap	Eureka Dome	Fyre Lake	King Solomon	Sophie Property	Total
Balance, December 31, 2013	544,439	10,300	41,790	93,091	123,212	20,735	833,567
Additions during the year	22,700			17,500	12,500	3,000	55,700
Option payment received				(70,591)			(70,591)
Impairment					(135,712)		(135,712)
Balance, December 31, 2014	567,139	10,300	41,790	40,000	-	23,735	682,964
Option payment received				(40,000)			(40,000)
Sale of mineral royalties	(61,000)	(10,300)	(30,500)			(1)	(101,801)
Impairment						(23,734)	(23,734)
Balance, December 31, 2015	$ 506,139	$ -	$ 11,290	$ -	$ -	$ -	$ 517,429

a) Mariposa property, Yukon

In October 2009, the Company entered into an option agreement to acquire a 100% interest in 203 claims, located in Dawson Mining District, Yukon, known as the Mariposa property. The principal terms of the option agreement require the Company to pay $120,000 (paid) in cash, issue 800,000 (400,000 issued) common shares and incur $600,000 (incurred $6.8 million) exploration expenditures over five years.

The Company acquired a 100% interest in the property in 2014.

b) Fyre lake massive sulphide property, Yukon

The Company owns a 100% interest in the Fyre Lake property which was acquired by claim staking.

In July 2014, the Company entered into an option agreement, amended on July 13, 2015, with MinQuest for the Fyre Lake property. Pursuant to the terms of the agreement, MinQuest can earn an initial 51% interest in the property by paying $650,000 ($150,000 paid), issuing shares with a value of $675,000 to the Company ($175,000 issued), and completing a minimum of $3,500,000 in exploration over three years. Upon earning a 51% interest in the property, MinQuest will then have the option to increase its interest to 70% by completing an additional $3,000,000 in exploration expenditures by January 10, 2018. Should MinQuest earn a 70% interest, the Company will have the option of retaining a 30% participating joint venture interest or reducing to a 20% interest, carried through to a feasibility study.

The $225,000 option payment received during 2015, consisting of $100,000 cash and $125,000 of MinQuest shares, was credited against the $40,000 carrying amount of Fyre Lake with the excess of $185,000 recorded in the statement of operations for the year ended December 31, 2015.

c) King Solomon property, Yukon

On May 8, 2014, the Company entered into an option agreement with Shawn Ryan and Wildwood Exploration Inc. (“Wildwood”) to acquire a 100% interest in 331 mineral claims located in the Klondike Gold District, Yukon Territory, known as the King Solomon property. To earn a 100% interest, the Company was required to make $500,000 ($100,000 paid) in cash payments, issue 2,000,000 (500,000 issued) common shares in annual tranches of 250,000 on or before May 15th of each year and incur cumulative exploration expenditures of $2,500,000 ($500,000 incurred) over four years starting in 2013.

Due to limited funds, the Company was unable to make the 2014 option payment under the amended option agreement. As a result, the total $135,712 capitalized acquisition costs were written off during the year ended December 31, 2014. The Company formally terminated the option agreement in 2015.

d) Sophie property, Yukon

On July 10, 2014, the Company announced an option agreement with 39242 Yukon Inc. to acquire the Sophie mineral property adjacent to the King Solomon property. To earn a 100% interest, the Company is required to make $100,000 in cash payments ($20,000 paid) and issue 1,000,000 (300,000 issued) common shares over five years.

The Company terminated the option agreement in 2015 and recognized a $23,734 impairment expense.

(Expressed in Canadian dollars)

e) The tables below summarize the exploration costs incurred during the year ended December 31, 2015 and 2014:

	Mariposa	Other Properties	General Exploration	Total
Exenditures in 2014	$	$	$	$
Analytical			1,227	1,227
Field support	1,200			1,200
Geological services	2,463			2,463
Personnel	12,734	25,071	14,583	52,388
Travel and other	1,050		25,200	26,250
Total	17,447	25,071	41,010	83,528
Exenditures in 2015				
Analytical	18,286		746	19,032
Drilling	55,686			55,686
Field support			5,104	5,104
Geological services	1,160			1,160
Personnel	38,625		-	38,625
Transportation and other	44,203		13,719	57,922
Total	157,960	-	19,569	177,529

6. Share capital

a) Common Share

Authorized - unlimited common shares without par value.

On November 18 and December 23, 2014, the Company closed non-brokered private placements in tranches by issuing a total of 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. Each unit comprises one common share and one transferable share purchase warrant exercisable at $0.06 for the first year and $0.075 for the second year.

The Company paid $3,188 in finders' fees and issued 63,750 finders' warrants with the same terms as those issued in the private placement.

The fair values of the warrants issued in the private placements described above were calculated using the Black-Scholes pricing with the assumptions 120% annual volatility, 1.06% risk-free rate, 2 years expected life and 0% annual dividend.

(Expressed in Canadian dollars)

b) Share Purchase Warrants

A summary of the warrants outstanding is as follows:

	December 31, 2015			December 31, 2014		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Outstanding, beginning of year	3,063,750	$	0.07	1,843,500	$	0.10
Issued	-	$	-	3,063,750	$	0.07
Expired	-	$	-	(1,843,500)	$	(0.10)
Outstanding, end of year	3,063,750	$	0.07	3,063,750	$	0.07

On December 31, 2015, 3,063,750 warrants, each entitling the holder to purchase one additional common share at a price of $0.06 per share for the first 12 months and for $0.075 per share for 12 months to 24 months, were outstanding. Warrants in the amount of 2,000,000 and 1,063,750 expire on November 18, 2016 and December 23, 2016 respectively.

c) Stock Options

The Company has a stock option plan in place authorizing the granting of stock options to qualified optionees to purchase a total of up to 10% of the then issued and outstanding common shares of the Company. Stock options generally are granted for a maximum term of five years and expire 90 days following the termination of the optionee's agreement. The exercise price for the options is set at the closing market price of the common shares on the grant date. The vesting periods of options vary with terms determined by the board of directors.

Stock option transactions and the number of stock options outstanding and exercisable are summarized below:

	December 31, 2015			December 31, 2014		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	1,653,500	$	0.39	1,834,000	$	0.95
Granted	868,000	$	0.05	-	$	-
Expired	(222,000)	$	(1.00)	(180,500)	$	(0.44)
Forfeited	(18,000)	$	(1.00)	-	$	-
Outstanding, end of year	2,281,500	$	0.20	1,653,500	$	0.39
Exercisable, end of year	2,281,500	$	0.20	1,653,500	$	0.39

As of December 31, 2015, the weighted average remaining life for stock option outstanding and outstanding was 3 years (December 31, 2014 – 3 years).

(Expressed in Canadian dollars)

Stock options outstanding and exercisable at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price		December 31, 2015	December 31, 2014
January 29, 2015	$	1.00	-	222,000
January 6, 2016		1.50	60,000	65,000
May 12, 2016		1.50	6,000	9,000
July 29, 2016		3.05	40,000	40,000
May 24, 2017		0.50	166,000	176,000
December 5, 2017		0.50	100,000	100,000
December 24, 2018		0.05	1,041,500	1,041,500
February 2, 2020		0.05	868,000	-
			2,281,500	1,653,500

The Company applies the fair value method of accounting for stock options. Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The fair value of options granted was estimated at the grant date based on the Black-Scholes option-pricing model, using the following assumptions: 138% annual volatility, 1.07% risk-free interest rate, 5 years life and 0% dividend yield. Stock options granted in 2015 vested immediately. The Company recorded share-based compensation expense of $18,103 (2014 - $nil). There were no options granted in 2014.

7. Government grant

On December 24, 2015, the Company received $40,000 (2014 - $50,000) from the Yukon Government for expenditures made during 2015 on its Mariposa property in Yukon, Canada.

8. Related parties

Related parties include the board of directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company has no compensation arrangements with its board of directors other than non-cash stock option grants. The Company has no termination benefits, post-employment benefits and other long-term benefits in place. Key management includes the board of directors and executive officers. Compensation awarded to key management is listed below:

	Year ended December 31,			
		2015		2014
Salary	$	92,750	$	116,667
Share-based payments, non-cash		18,103		-
	$	110,853	$	116,667

9. Capital management

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore on various properties for the benefits of its stakeholders. The Company's operations have been and will continue to be funded by the sale of equity to investors.

The Company's capital includes the components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests and associated administration expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals.

The Company monitors actual expenses to budget on all exploration projects and overheads to manage costs, commitments and exploration activities. There were no changes in the Company's approach to capital management during the year ended December 31, 2015.

10. Financial instruments

The Company has classified cash and cash equivalents and other receivables as loans and receivables; accounts payable are classified as other financial liabilities.

<u>Fair values</u>

As at December 31, 2015, the recorded amounts for cash and cash equivalents and other receivables approximate their fair values due to their short-term nature. Accordingly, the fair value of accounts payable and accrued liabilities may be lower than the amounts recorded in the financial statements.

The fair value of the Company's marketable securities are determined by reference to the closing share price on active markets at the reporting date and thus is a level 1 fair value measurement.

<u>Interest rate risk</u>

The Company's cash held in financial institutions earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a material impact on the expected cash flows.

<u>Credit risk</u>

The Company has its cash and cash equivalents deposited with a large, federally insured, commercial financial institutions. The balance of the receivables is not significant.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. At December 31, 2015, the Company had cash of $489,304 (2014- $127,897).

(Expressed in Canadian dollars)

11. Segmented information

The Company has one business segment, the exploration of mineral properties. All of the Company's assets and operations are located in Canada.

12. Income taxes

Reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax (recovery) expense for the years ended December 31, 2015 and 2014 is as follows:

		2015		2014
Income (loss) for the year		253,186	$	(417,042)
Statutory tax rate		26%		26%
Expected income tax recovery		65,828		(108,431)
Expiry of losses		-		83,664
Non-deductible expenses		5,609		378
Change in unrecognized deferred income tax assets		(71,437)		24,389
Income tax (recovery) expense	$	-	$	-

A potential deferred income asset of approximately $6,811,356 arises from the following:

		December 31, 2015		December 31, 2014
Non-capital loss carry-forward	$	122,694	$	238,979
Equipment and investments		183,545		184,466
Mineral property		6,503,296		6,464,645
Deferred financing costs		1,821		7,023
Total unrecognized deferred income tax assets	$	6,811,356	$	6,895,113

The Company has not recorded potential deferred income tax assets as the Company does not have any current source of income to which the tax losses can be applied.

At December 31, 2015, included in the computation of the deferred tax assets noted above, the Company had approximately $318,164 of losses available for carry-forward and $26,202,967 of resource pools. The loss carry-forward can be offset against income for Canadian income tax purposes in future years and will expire between 2032 and 2034 as below:

2032	$	51,518
2033		100,133
2034		166,513
	$	318,164