XTIERRA INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND DECEMBER 31, 2014

(Expressed in US$000's)

XTIERRA INC.

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DECEMBER 31, 2015 AND DECEMBER 31, 2014

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

2005 Sheppard Avenue East, Suite 300
Toronto, Ontario
M2J 5B4, Canada
Phone 416-496-1234
Fax 416-496-0125
Web www.mhc-ca.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Xtierra Inc.

We have audited the accompanying consolidated financial statements of Xtierra Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of 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.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained 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 Xtierra Inc. and its subsidiaries as at December 31, 2015 and 2014, and their financial performance and 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 indicates that Xtierra Inc. had continuing losses during the year ended December 31, 2015 and a cumulative deficit as at December 31, 2015. Xtierra Inc. also has notes payable maturing on April 30, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about Xtierra Inc's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 27, 2016

XTIERRA INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31,

(Expressed in US$000's)	Note	December 31, 2015 $	December 31, 2014 $ (Note 3)	January 1, 2014 $ (Note 3)
ASSETS				
Current assets				
Cash	7	59	117	128
Amounts receivable and other	8	14	12	78
Prepaid expenses		-	-	18
Total current assets		73	129	224
Non-current assets				
Property, plant and equipment	9	29	50	77
Total non-current assets		29	50	77
Total assets		102	179	301
LIABILITIES				
Current				
Accounts payable and accruals	11	23	55	321
Property acquisition obligations	12	-	-	500
Notes payable	13	1,110	965	1,502
Total current liabilities		1,133	1,020	2,323
Non-current liabilities				
Property acquisition obligations	10/12	1,392	1,212	748
Total non-current liabilities		1,392	1,212	748
Total liabilities		2,525	2,232	3,071
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Capital stock	14	34,712	34,669	33,594
Share-based payment reserve	15/16	1,472	2,140	2,097
Total capital stock and reserve		36,184	36,809	35,691
Deficit		(38,607)	(38,862)	(38,461)
(deficiency)		(2,423)	(2,053)	(2,770)
Total liabilities and shareholders' equity (deficiency)		102	179	301

COMMITMENTS AND CONTINGENCIES (Notes 1, 10, 13 and 20)
SUBSEQUENT EVENTS (Note 21)

The financial statements were approved by the Board of Directors on April 27, 2016 and signed on its behalf by:

Signed "John F. Kearney" , Director Signed "Timothy Gallagher" , Director

See accompanying notes to the consolidated financial statements.

XTIERRA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,

(Expressed in US$000's, except for per share amounts)	Note	2015	2014
		$	$
			(Note 3)
Expenses			
General and administrative expenses		10	26
Corporate expenses		20	52
Professional fees	5	32	159
Accretion on property acquisition obligation	10	180	(36)
Exploration and evaluation expenses	10	78	328
Loss before other items		320	529
Other items			
Interest expense on notes payable	13	51	40
Extension fee on notes payable	13	29	-
Foreign exchange loss/(gain)		(20)	(36)
Change in fair value of convertible notes		-	(132)
Proceeds on sale of Golden Dust SA de CV	5	(10)	-
Net loss and comprehensive loss for the year		370	401
Net loss per share – basic and diluted		0.003	0.004
Weighted average common shares outstanding – basic and diluted		116,315,541	111,639,742

See accompanying notes to the consolidated financial statements.

XTIERRA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in US$000's)	Stock Capital $	Share-based payment reserve $	Deficit $	Total $
Balance as at January 1, 2014	**33,594**	**2,097**	**(38,461)**	**(2,770)**
Shares issued on conversion of convertible notes	1,075	43	-	1,118
Net loss for the year	-	-	(401)	(401)
Balance as at December 31, 2014	**34,669**	**2,140**	**(38,862)**	**(2,053)**
Shares issued for services (Note 16)	43	(43)	-	-
Share-based payments expired	-	(625)	625	-
Net loss for the year	-	-	(370)	(370)
Balance as at December 31, 2015	**34,712**	**1,472**	**(38,607)**	**(2,423)**

See accompanying notes to the consolidated financial statements.

XTIERRA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

(Expressed in US$000's)	2015	2014
	$	$
		(Note 3)
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss for the year	(370)	(401)
Share-based payments	-	43
Depreciation	(2)	27
Change in fair value of convertible notes	-	(132)
Accretion on property acquisition obligation	180	(36)
Interest expense on notes payable	51	40
Extension fee on notes payable	29	-
Proceeds on the sale of Golden Dust SA de CV	(10)	-
Operating cash flow before movements in working capital	(122)	(459)
Movements in working capital		
(Increase)/decrease in amounts receivable and other and prepaids	(2)	84
(Decrease) in accounts payable and accruals	(32)	(266)
Net cash used in operating activities	(156)	(641)
FINANCING ACTIVITIES:		
Notes payable	65	630
Net cash generated by financing activities	65	630
INVESTING ACTIVITIES:		
Proceeds from sale of equipment	23	-
Proceeds on the sale of Golden Dust SA de CV	10	-
Net cash provided by investing activities	33	-
Effect of exchange rate changes on cash	-	-
Change in cash	(58)	(11)
Cash, beginning of year	117	128
Cash, end of year	59	117

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Xtierra Inc. (the "Company" or "Xtierra") has interests in exploration and evaluation properties located in Mexico. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in exploration and evaluation projects contain mineral reserves which are economically recoverable.

The Company's head office is located at 220 Bay Street, Suite 1200, Toronto, Ontario M5J 2W4.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values of the Company's assets. All of the Company's mining assets are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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. The Company's properties may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and regulatory and environmental requirements.

Basis of measurement and going concern

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions discussed below create a material uncertainty and significant doubt about the Company's ability to continue as a going concern.

At December 31, 2015, the Company had not achieved profitable operations, had a working capital deficiency, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company will need to negotiate an extension to the maturity date of its secured notes, which mature April 30, 2016, and generate additional financial resources in order to continue as a going concern. There is a significant risk that an extension of the maturity date of the secured notes, or a successful financial restructuring, may not be achieved and/or that additional financing will not be available to the Company on a timely basis or on acceptable terms, or at all. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability.

If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and may be required to conduct a sales process to liquidate its assets in a formal process. Furthermore, one or both of the Company's major shareholders, which collectively hold 66.4% of the Company's outstanding shares and all of its secured debt, may initiate foreclosure actions in respect of the secured notes which mature April 30, 2016. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. *See Note 13 Notes payable and Note 21 Subsequent event.*

The Company is in the process of exploring its exploration and evaluation properties and has not yet determined whether its exploration and evaluation projects contain economically recoverable mineral reserves. The underlying value and the recoverability of the exploration and evaluation projects is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation projects, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation projects.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

3. CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2015, in accordance to IFRS 6, "Exploration for and evaluation of mineral resources", the Company changed its accounting policy of capitalizing exploration and evaluation expenditures.

Under the new policy, all costs associated with the exploration and evaluation of properties, including acquired mineral use rights for mineral properties held by the Company, the amount of consideration paid (in cash or share value) for mineral use rights and the amounts spent for exploration and evaluation expenditures are expensed until it has been established that a mineral property is commercially viable and a mine development decision has been made by the Company.

Upon establishment of a NI 43-101 compliant resource, and where the directors consider that the resource is economic, the Company capitalises any further evaluation expenditure under Exploration and evaluation assets.

The financial statements as at and for the year ended December 31, 2014 have been restated to reflect adjustments made as a result of this change in accounting policy. The accumulated effect of the change of $21,057 has been reflected in the opening deficit of the consolidated financial statements as at January 1, 2014.

The following is a reconciliation of the Company's financial statements as at December 31, 2014.

Consolidated Statement of Financial Position	December 31, 2014		
(Expressed in US$000's)	As previously reported	Adjustments	Restated
	$	$	$
ASSETS			
Current assets			
Cash and cash equivalents	117	-	117
Amounts receivable and other	12	-	12
Total current assets	129	-	129
Non-current assets			
Exploration and evaluation assets	11,210	(11,210)	-
Property, plant and equipment	50	-	50
Total non-current assets	11,260	(11,210)	50
Total assets	11,389	(11,210)	179
LIABILITIES			
Current			
Accounts payable and accruals	55	-	55
Notes payable	965	-	965
Total current liabilities	1,020	-	1,020
Non-current liabilities			
Property acquisition obligations	1,212	-	1,212
Total liabilities	2,232	-	2,232
SHAREHOLDERS' EQUITY			
Capital stock	34,669	-	34,669
Share-based payment reserve	2,140	-	2,140
Total capital stock and reserve	36,809	-	36,809
Deficit	(27,652)	(11,210)	(38,862)
Total shareholders' equity	9,157	(11,210)	(2,053)
Total liabilities and shareholders' equity	11,389	(11,210)	179

3. CHANGE IN ACCOUNTING POLICY (continued)

Consolidated Statement of Financial Position		January 1, 2014	
(Expressed in US$000's)	As previously reported	Adjustments	Restated
	$	$	$
ASSETS			
Current assets			
Cash and cash equivalents	128	-	128
Amounts receivable and other	78	-	78
Prepaid expenses	18	-	18
Total current assets	224	-	224
Non-current assets			
Exploration and evaluation assets	21,048	(21,048)	-
Property, plant and equipment	77	-	77
Prepaid expenses and other non-current assets	9	(9)	-
Total non-current assets	21,134	(21,057)	77
Total assets	21,358	(21,057)	301
LIABILITIES			
Current			
Accounts payable and accruals	321	-	321
Property acquisition obligations	500	-	500
Notes payable	1,502	-	1,502
Total current liabilities	2,323	-	2,323
Non-current liabilities			
Property acquisition obligations	748	-	748
Total liabilities	3,071	-	3,071
SHAREHOLDERS' EQUITY			
Capital stock	33,594	-	33,594
Share-based payment reserve	2,097	-	2,097
Total capital stock and reserve	35,691	-	35,691
Deficit	(17,404)	(21,057)	(38,461)
Total shareholders' equity	18,287	(21,057)	(2,770)
Total liabilities and shareholders' equity	21,358	(21,057)	301

(Expressed in US$000's except for per share amounts)

3. CHANGE IN ACCOUNTING POLICY (continued)

Consolidated Statement of Operations and Comprehensive Loss

	December 31, 2014		
	As previously reported	Adjustments	Restated
	$	$	$
Expenses			
General and administrative expenses	26	-	26
Corporate expenses	52	-	52
Professional fees	159	-	159
Accretion on property acquisition obligation	-	(36)	(36)
Exploration and evaluation expenses	-	328	328
Loss before other items	237	292	529
Other items			
Interest expense on notes payable	40	-	40
Foreign exchange loss/(gain)	(36)	-	(36)
Impairment of exploration and evaluation assets	10,000	(10,000)	-
Write down on surrender of mining concessions	139	(139)	-
Change in fair value of convertible notes	(132)	-	(132)
Net loss and comprehensive loss for the year	10,248	(9,847)	401

Consolidated Statement of Cash Flows	December 31, 2014		
	As previously reported	Adjustments	Restated
	$	$	$
Operating cash flow before working capital changes	(270)	(189)	(459)
Net change in non-cash working capital	55	(237)	(182)
Net cash used in operations	(215)	(426)	(641)
Cash flow from investing activities	(426)	426	-

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Intangible expenditures

Exploration and evaluation expenditures

Exploration expenditure relates to the search for precious and base metals in Mexico. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

Exploration and evaluation costs are expensed as incurred and included in the statement of operations and comprehensive loss until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development division has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects.

(c) Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset.

Property, plant and equipment is amortized over the estimated useful life of the assets using the declining balance method at rates of 20% to 30% per annum, as appropriate. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

(d) Asset retirement obligations

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration and evaluation projects and property, plant and equipment. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to exploration and evaluation properties and property, plant and equipment, and amortized over the useful life of these assets. Management is currently not aware of any existing significant asset retirement obligations and the Company does not currently have any legal or constructive obligations relating to the reclamation of its exploration and evaluation projects and property, plant and equipment at December 31, 2015 and 2014.

(e) Cash

Cash is comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired. Term deposits can be redeemed at any time without interest or penalty.

(f) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets at fair value through profit or loss: Financial assets classified as held-for-trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Financial liabilities at fair value through profit or loss: Financial liabilities classified as fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as a fair value through profit or loss. Derivatives, including separable embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in profit or loss. Certain other financial instruments (conversion option component of the convertible notes) are classified under IFRS as financial liabilities measured at fair value through profit or loss as a result of the conversion option being convertible into an other than fixed number of common shares of the Company.

(iii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not have any instruments classified in this category. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of operations and are included in other gains and losses.

(iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and amounts receivable and other due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(v) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accruals, notes payable and property acquisition obligations and certain other financial instruments (debt component of the convertible notes). Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities at amortized cost are measured using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(g) Convertible notes

On issuance of the convertible notes, the Company determined the debt component of the convertible notes to be a financial liability at amortized cost, and the conversion option component of the convertible notes to be a financial liability at fair value through profit or loss. The proceeds received were bifurcated between the debt component and the conversion option component based on the estimated fair value of each component on the date of issuance.

Subsequent to initial recognition, the debt component is measured at amortized cost using the effective interest method, and the conversion option component is recorded at its estimated fair value at each reporting date, with changes in fair value being included in operations.

(h) Functional and presentation currency

The functional currency of the Company and its subsidiaries is the US Dollar. For the purpose of the consolidated financial statements, the results and financial position of each company are expressed in US Dollars (the Company's presentation currency). In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in operations for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in operations.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company records compensation cost using the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as share-based payments expense and share-based payment reserve. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to capital stock.

Share-based payments to non-employees are measured at the fair value of 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.

(j) Operating loss

Operating loss comprises of general administrative costs incurred by the Company, which are not specific to evaluation and exploration projects, and all impairment charges relating to intangible assets and financial assets during the period. Operating loss is stated before finance income, finance costs and other gains and losses.

(k) Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Statement of Financial Position date. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(l) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below:

Key sources of estimation uncertainty
Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

Mineral reserve estimates
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Estimation of asset retirement obligations and the timing of expenditure
The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Critical accounting judgements and key sources of estimation uncertainty (continued)

Share-based payments
Estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

Convertible notes
Convertible notes have been bifurcated into their debt component and conversion option component at the date of issue, based on the relative fair market values of these components in accordance with the substance of the contractual agreements.

The debt component of the convertible notes is classified as a liability, and recorded as the estimated present value of the Company's obligation to make future payments and settle the redemption value of the instrument. The carrying value of the debt component is accreted to the original face value of the notes, over the term of the instrument, using the effective interest method.

The value of the conversion option component of the convertible notes was determined under IFRS to be a derivative financial liability because the conversion option is for other than a fixed number of common shares, and has been recorded as other derivative financial liabilities (current) on the consolidated statement of financial position.

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(m) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in the statement of operations.

(n) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(o) Income (loss) per share

Basic income (loss) per share is calculated using the weighted average number of shares outstanding. Diluted income (loss) per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options, warrants and other convertible securities that would decrease income (loss) per share, as a result, all outstanding convertible securities at December 31, 2015 and 2014 have been excluded from diluted loss per share.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(q) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) Changes in Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions and did not result in any significant financial statement impact.

IFRS 8 - Operating Segments ("IFRS 8") was amended to require an entity to disclose the judgments made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity.

(s) New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016.

(Expressed in US$000's except for per share amounts)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New standards and interpretations not yet adopted (continued)

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016.

5. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Related party transactions were as follows:

	December 31, 2015	December 31, 2014
	$	$
Office expenses	-	3
Professional fees	13	120
Key Management personnel remuneration	13	120
Exploration and evaluation expenses	-	11

No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2015 or December 31, 2014. Key management personnel remuneration comprises payments, including share-based payments, for administration, geological, investor relations and legal services provided by persons, or corporations controlled by persons, who are directors or provided by any other person with the authority and responsibility for planning, directing and controlling the activities of the Company.

Included in accounts payable and accruals at December 31, 2015 is $4 (2014 - $4) due to related parties. These balances are due on demand, unsecured and non-interest bearing (Note 11).

The subsidiaries of the Company at December 31, 2015 were as follows:

Name of Subsidiary	Country of Incorporation	Percentage owned	Principal activity
Orca Minerals Limited	Canada	100%	Holding company for Orca Gold International Limited
Orca Gold International Limited	Bahamas	100%	Holding company for Mexican subsidiaries
Bilbao Resources S.A. de C.V.	Mexico	100%	Exploration
Minera Orca S.A. de C.V.	Mexico	100%	Exploration
Orca Mining Exploration S.A. de C.V.	Mexico	100%	Exploration
Bilbao Mining S.A. de C.V.	Mexico	100%	Exploration

In 2015, the Company sold its subsidiary Golden Dust SA de CV for $10.

(Expressed in US$000's except for per share amounts)

6. SEGMENTAL ANALYSIS

	Segment result	
	December 31, 2015	December 31, 2014
	$	$
Continuing Operations		
Canada	(260)	(123)
Mexico	(110)	(278)
Total for continuing operations	(370)	(401)
Income tax	-	-
Income (loss) for the period	(370)	(401)

Segment assets and segment liabilities	Assets	
	December 31, 2015	December 31, 2014
	$	$
Canada	55	107
Mexico	47	72
	102	179

	Liabilities	
	December 31, 2015	December 31, 2014
	$	$
Canada	(2,525)	(2,212)
Mexico	-	(20)
	(2,525)	(2,232)

7. CASH

	December 31, 2015	December 31, 2014
	$	$
Cash	59	117

The currency profile of cash and cash equivalents is as follows:

Canadian Dollars	15	35
US Dollars	41	75
Mexican Pesos	3	7
	59	117

8. AMOUNTS RECEIVABLE AND OTHER AND PREPAID EXPENSES

	December 31, 2015	December 31, 2014
	$	$
Receivable sales taxes - Canada	1	2
Receivable sales taxes - Mexico	13	10
Amounts receivables and other	14	12

(Expressed in US$000's except for per share amounts)

9. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2015	Disposal	December 31, 2014	Disposal	Depreciation	January 1, 2014
	$	$	$	$	$	$
Equipment at cost	70	(64)	134	(36)	-	170
Accumulated depreciation	(41)	43	(84)	28	(19)	(93)
Total	29	(21)	50	(8)	(19)	77

10. EXPLORATION AND EVALUATION EXPENDITURES

The following table shows the Company's cumulative exploration and evaluation expenditures:

	December 31, 2015	Additions	December 31, 2014	Additions	January 1, 2014
	$	$	$	$	$
Bilbao	22,506	78	22,428	326	22,102
Laguna	2,832	-	2,832	2	2,830
Total	25,338	78	25,260	328	24,932

Bilbao
The Company holds a 100% interest in the Bilbao zinc-silver-lead-copper project, subject to a 1.5% net smelter royalty. In 2012, the Company acquired the necessary surface lands for surface installations and development of the Bilbao deposit.

Prior to August 2008, the Company was earning into a 75% interest in the Bilbao property. In August 2008, the Company acquired the outstanding 25% interest in the Bilbao property for total consideration of $5,000 of which $2,500 was paid on the closing date and a further $500 was paid one year after the closing date. The remaining balance of $2,000 is payable in four consecutive equal payments of $500 each, the first such $500 annual payment to be made at the time of commencement of construction of any mine developed on the Bilbao concession but in any event shall be paid in full no later than August 2018. At the time of the agreement in 2008 the present value of then outstanding future payments of $2,500 was determined to be $1,023 based on a discount rate of 15%. This value was recorded as a liability and was being accreted to its face value over the estimated life of the payment obligations.

Effective January 1, 2014, the Company changed its estimate of the loan carrying value determined by reference to the loan due date and taking into account the Company's intention to repay the entire loan amount on the due date of August 11, 2018. The effect of this change in estimate was a reduction of accretion expense and a decrease in non-current property acquisition obligation by $197 for the year ended December 31, 2014. As at December 31, 2015, the remaining present value of the property acquisition obligation amounted to $1,392 (2014 - $1,212).

Laguna
The Company holds a 100% interest in the Laguna silver-gold-mercury tailings development project and has been granted a twenty year concession dated December 10, 2003 by the Comision Nacional del Agua ("Conagua") relating to the extraction rights to six million cubic metres of tailings material, subject to an amount payable to Conagua in the amount MX$11.00 (approximately US$1.00) per cubic metre of tailings.

On October 25, 2013, Conagua, the Mexican authority responsible for water resources, advised the Company of their decision to rescind the Company's December 10, 2003, twenty year extraction licence for the Laguna project on the basis that no extraction has been done for at least three years. The Company appealed this decision through the courts. The appeal was heard by the Court of Zacatecas in June 2014 and a judgement in favor of the Company and setting aside the rescission was issued on October 7, 2014.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $60 (MXN $1,023,500) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions.

(Expressed in US$000's except for per share amounts)

11. ACCOUNTS PAYABLE AND ACCRUALS

	December 31, 2015 $	December 31, 2014 $
Trade creditors	2	15
Payable to related parties (Note 5)	4	4
Accrued liabilities	17	36
	23	55

12. NON CURRENT LIABILITIES

Property acquisition obligations (stated at net present cost) due as follows:	December 31, 2015 $	December 31, 2014 $
Between one and two years	-	-
Between two and five years	1,392	1,212
	1,392	1,212

See Note 10.

13. OTHER FINANCIAL LIABILITIES

	December 31, 2015 $	December 31, 2014 $
Notes payable		
Note payable to Pacific Road	653	573
Note payable to Minco plc	457	392
Total notes payable	1,110	965

Notes payable

In December 2013, Pacific Road Group of Funds ("Pacific Road") and Minco plc, the Company's major shareholders, agreed to provide working capital financing to the Company and each agreed to purchase $250 principal amount of 5% working capital notes due March 31, 2014 (the "Notes"). Minco advanced $120 in December 2013 and advanced an additional $130 (total $250) on January 10, 2014. On January 10, 2014, Pacific Road advanced $250.

In April 2014, the Company reached an agreement with Pacific Road whereby Pacific Road exercised its right to exchange $1,075 of its Convertible Notes for 11,944,444 shares of the Company.

The remaining balance of Convertible Notes previously owed to Pacific Road in the amount of $175, (see Convertible Notes below) together with the $250 working capital Notes and together with a further advance of $125, were rolled into new non-convertible 5% secured notes (total $550) due April 30, 2015, secured, pari-passu with Minco, by a pledge by Xtierra of its shares of Orca Minerals Limited.

At the same time, in April 2014, Minco also agreed to provide a further working capital advance of $125, which together with the $250 working capital Notes, were rolled into new non-convertible 5% secured notes (total $375) due April 30, 2015, secured, pari-passu with Pacific Road, by a pledge by Xtierra of its shares of Orca Minerals Limited.

The net effect of the Company's April 2014 agreements with its major shareholders was to settle its liability of $1,075 due April 2014 by the issue of 11,944,444 shares, roll over $508 in working capital notes, including $8 interest, due September 30, 2014, until April 30, 2015 and obtain further advances of $250 to fund its working capital for the balance of 2014. The resultant balance of shareholder advances of $933 carried interest of 5% and was due April 30, 2015.

(Expressed in US$000's except for per share amounts)

13. OTHER FINANCIAL LIABILITIES (continued)

Notes payable continued

On April 29, 2015, Pacific Road and Minco plc, both agreed to extend the due dates of the non-convertible 5% secured notes in the amount of $965 from April 30, 2015 to August 31, 2015, and to provide further advances up to $15 each. On August 24, 2015, Pacific Road and Minco both agreed to further extend the due dates of the Notes from August 31, 2015 to January 31, 2016 and to provide further advances of up to $17.5 each to fund the Company's property maintenance costs and working capital. The Company agreed to a fee of $29 to obtain the extension, which amount was added to the principal amount of the Notes. On January 31, 2016, Pacific Road and Minco both agreed to an extension of the maturity dates of the secured notes to April 30, 2016. See Note 21.

The purpose of the extension of the maturity date of the secured notes is to provide the Company additional time to assess its strategic alternatives. Pacific Road has advised that Xtierra should move within the extension period to either complete a strategic transaction or restructure the Company and that Pacific Road desires to see this process come to a conclusion but, in the absence of an acceptable outcome, Pacific Road reserves all its rights to demand repayment of the Notes on maturity and if necessary to initiate foreclosure actions.

The Notes are secured by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Minerals Limited, which indirectly holds the Company's Mexican assets. The security includes various standard provisions, including the right of the lenders to enforce their security in an event of default, including default in payment on the notes when due, which enforcement remedies include foreclosure against the pledged shares of Orca Minerals Limited.

Convertible Notes

On April 14, 2009, the Company and Pacific Road Group of Funds ("Pacific Road") entered into an agreement, whereby Pacific Road subscribed for an aggregate principal amount of $1,250 in non-interest bearing convertible notes (the "Convertible Notes") issued by Orca Minerals Limited ("Orca Minerals"), a subsidiary of the Company. The Convertible Notes had a term of five years, maturing April 14, 2014, and were convertible, at the holders' option, into a number of common shares of Orca Minerals which will equal ten percent (10%) of the issued shares of Orca Minerals on a fully diluted basis.

Pacific Road had a further right to exchange its holdings in Orca Minerals into either shares of Bilbao Resources, S.A. de C.V. ("Bilbao Resources"), an indirectly-owned Mexican subsidiary of Orca Minerals which holds the Company's interest in the Bilbao project, or common shares of Xtierra.

Pacific Road also had a put right, exercisable at its option at any time prior to maturity, to require Xtierra to purchase the Convertible Notes for a number of common shares equal to the principal amount of the Convertible Notes divided by the volume weighted average trading price of Xtierra's common shares during the 30 day period prior to the exercise of such right.

In April 2014, the Company reached an agreement with Pacific Road whereby Pacific Road exercised its right to exchange $1,075 of its Convertible Notes for 11,944,444 shares of the Company.

14. CAPITAL STOCK

Authorized
Unlimited number of common shares

Issued	Shares (000's)	Amount $
Balance, December 31, 2013	103,426	33,594
Shares issued on conversion of convertible notes	11,944	1,075
Balance, December 31, 2014	115,370	34,669
Shares issued during the year	1,000	43
Balance, December 31, 2015	116,370	34,712

In April 2014, the Company reached an agreement with Pacific Road whereby Pacific Road exercised its right to exchange $1,075 of its Convertible Notes for 11,944,444 shares of the Company. See Note 13.

In January 2015, the Company issued 1,000,000 shares of the Company to Mackie Research Capital Corporation in part payment for services rendered in 2014.

(Expressed in US$000's except for per share amounts)

15. STOCK OPTIONS

The board of directors has approved a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are exercisable over a period not exceeding ten years. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

As at December 31, 2015, the Company had the following outstanding stock options:

	Number of Options Granted and Exercisable at December 31, 2015	Estimated Grant Date Fair Value	Exercise Price	Expiry Date
	(000's)	$		
	3,775	1,472	Cdn$0.51	April 27, 2016
Total	3,775	1,472		

Stock option transactions for the respective periods were as follows:

	Number of Options	Weighted Average Exercise Price
	(000's)	Cdn$
Balance, December 31, 2013 and 2014	6,576	0.43
Expired	(2,801)	0.26
Balance, December 31, 2015	3,775	0.51

During the years ended December 31, 2015 and 2014, the exercise price of options was equal to or above the quoted market value of the Company's shares.

The weighted average remaining contractual life of options outstanding at December 31, 2015 is 0.32 years (2014 – 1.10)

The weighted average exercise price for options that were exercisable at December 31, 2015 was Cdn$0.51 (2014 – Cdn$0.40) per share.

16. SHARE-BASED PAYMENT RESERVE

Share-based payment reserve transactions for the years ended December 31, 2015 and 2014 were as follows:

	December 31, 2015
	$
Balance, December 31, 2013	2,097
Shares to be issued for services rendered	43
Balance, December 31, 2014	2,140
Shares issued for services rendered	(43)
Stock options expired	(625)
Balance, December 31, 2015	1,472

In January 2015, the Company issued 1,000,000 shares of the Company to Mackie Research Capital Corporation in part payment for services rendered in 2014.

(Expressed in US$000's except for per share amounts)

17. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2014 – 26.5%) were as follows:

	December 31, 2015	December 31, 2014
	$	$
(Loss) before income taxes	(370)	(401)
Expected recoverable income taxes at statutory rates	98	106
Increase (decrease) resulting from:		
Expenses not deductible for tax purposes	114	(86)
Other	94	69
Change in foreign exchange rates	281	667
Changes and differences in tax rates	(102)	(337)
Change in benefit of tax assets not recognized	(485)	(419)
Deferred income tax provision (recovery)	-	-

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2015	2014
	$	$
Non-capital loss carry-forwards - Canada	3,146	3,735
Non-capital loss carry-forwards - Mexico	14,719	13,657
Share issue costs - Canada	-	12
Unrecorded deferred tax assets	17,865	17,404

The Company has approximately Cdn$4,355 ($3,146) of non-capital losses in Canada and approximately MXN255 million Mexican Pesos ($14,719), which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire at various dates through 2035 and the Mexican losses expire at various dates through 2025.

18. FINANCIAL INSTRUMENTS

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. There have been no significant changes in the risks or the Company's objectives, policies and procedures related to risk management during 2015 and 2014.

The principal risks to which the Company is exposed to are described below.

Fair value:
The carrying amounts for cash, amounts receivable and other, accounts payable and accruals, and notes payable on the consolidated statements of financial position approximate fair value because of the limited term of these instruments.

Capital Risk:
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration and evaluation projects.

Credit Risk:
Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in Canadian banks.

18. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk:
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2015, the Company had cash of $59 (2014 - $117) to settle current liabilities of $1,133 (2014 - $1,020). The Company's accounts payable and accruals generally have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's notes payable are due in 2016 and the property acquisition obligations are due in 2018.

Price Volatility of Publicly Traded Securities
Securities of exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports.

Price Risk:
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

Interest Rate Risk:
The Company is not subject to interest rate risk due to the minimal cash levels, and the debt being at a fix rate or not interest-bearing.

Foreign Currency Risk:
The Company is subject to foreign exchange risk as some of its operating, investing and financing activities are transacted in currencies other than the United States ("US") dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the U.S. dollar. As at December 31, 2015, the Company held Canadian monetary assets and liabilities totalling approximately (Cdn$-10,000) ($-8 net), and Mexican monetary assets and liabilities totalling approximately (MXN$291,000) ($18 net).

Sensitivity Analysis:
The Company has designated its derivative financial liabilities and other financial liabilities as held-for-trading, which are measured at fair value. Financial instruments included in cash and amounts receivable and other are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accruals, notes payable and property acquisition obligation are classified as other financial liabilities, which are measured at amortized cost.

The Company holds approximately (Cdn$-10,000) ($-8) in financial assets and liabilities. A one percent change in the Canadian - US foreign exchange rates could result in a foreign exchange impact of approximately $Nil based on monetary asset and liability balances existing at December 31, 2015.

The Company holds approximately (Mxn$291,000) ($18) in financial assets and liabilities. A one percent change in the Mexican - US foreign exchange rates could result in a foreign exchange impact of approximately $Nil based on monetary asset and liability balances existing at December 31, 2015.

A one percent change in interest rates will result in a corresponding change in interest income of approximately $Nil based on cash balances existing at December 31, 2015.

Fair Value Hierarchy and Liquidity Risk Disclosure:
The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at December 31, 2015 and 2014, the Company did not have any financial instruments carried at fair value.

19. CAPITAL MANAGEMENT

The Company's capital structure consists of its capital stock and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and development stages; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will utilize its existing working capital and seek to raise additional amounts as needed through the issue of common shares or other securities.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) CDN$50 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2015, the Company was not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

There have been no changes to the Company's capital management during 2015 and 2014.

20. COMMITMENTS AND CONTINGENCIES

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $60 (MXN $1,023,500) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. See Note 10.

21. SUBSEQUENT EVENT

As at January 31, 2016, Pacific Road and Minco both agreed to an extension of the maturity dates of the secured notes to April 30, 2016. See Note 13.

On April 27, 2016, 3,775 stock options expired unexercised.