

COPPER CREEK GOLD CORP.

Financial Statements

For The Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Copper Creek Gold Corp.

I have audited the accompanying financial statements of Copper Creek Gold Corp. ("the Company"), which comprise the statement of financial position as at December 31, 2015 and December 31, 2014 and the statements of loss and comprehensive loss and cash flows and statements of changes in shareholders' equity for the years then ended December 31, 2015 and December 31, 2014, and 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 1 in the financial statements which indicates that the Company incurred a net loss of \$449,769 during the year ended December 31, 2015 and, as of that date, had an accumulated deficit of \$14,303,877 since inception. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"Sam S. Mah Inc"
Chartered Professional Accountant

Vancouver, Canada
April 29, 2016

COPPER CREEK GOLD CORP.
Statement of Financial Position
As at December 31, 2015 and 2014
(Expressed in Canadian Dollars)

| | 2015 | 2014 |
|---|------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 82,065 | \$ 38,142 |
| Marketable securities (Note 4) | 1 | 1 |
| Accounts receivable (Note 5) | 16,369 | 17,143 |
| Prepaid expenses | 21,353 | 21,353 |
| | <u>119,788</u> | <u>76,639</u> |
| Non-current assets | | |
| Reclamation bond (Note 17) | 1,000 | 1,000 |
| Equipment (Note 6) | 3,347 | 4,500 |
| Unproved resource property interest (Note 7 and 18) | 227,207 | 227,207 |
| Total Assets | <u>351,342</u> | <u>\$ 309,346</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable & Accrued liabilities | 243,378 | \$ 310,557 |
| Due to related parties | 294,695 | 466,228 |
| | <u>538,073</u> | <u>776,785</u> |
| Shareholders' equity | | |
| Share capital (Note 9) | 12,855,160 | 12,143,778 |
| Share capital subscribed (Note 19) | 68,295 | 49,200 |
| Contributed surplus | 1,193,691 | 1,193,691 |
| Deficit | (14,303,877) | (13,854,108) |
| Total Equity | <u>(186,731)</u> | <u>(467,439)</u> |
| Total Liabilities and Equity | <u>351,342</u> | <u>\$ 309,346</u> |

Approved by the Board:

"Bing Jung",
Bing Jung, Director

"Gordon Jung",
Gordon Jung, Director

See accompanying notes to the Financial Statements

COPPER CREEK GOLD CORP.
Statements of Loss, Comprehensive Loss and Deficit
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

| | 2015 | 2014 |
|---|------------------------|------------------------|
| Administrative expenditure | | |
| Accounting and legal | \$ 2,746 | \$ 18,831 |
| Amortization | 1,153 | 1,575 |
| Business development | 6,480 | - |
| Consulting | 6,000 | - |
| Filing and transfer agent fees | 27,572 | 18,208 |
| Investor relations and shareholder information: | | |
| -Website | 561 | - |
| -Shareholder information | 399 | 397 |
| Management fees | 184,000 | 60,000 |
| Office and miscellaneous | 45,633 | 37,661 |
| Rent | 78,000 | 42,000 |
| Telephone | 8,556 | 6,435 |
| Travel, promotion and automotive | 68,759 | 24,472 |
| | <u>\$ 429,859</u> | <u>\$ 209,579</u> |
| Other items | | |
| Loss/(gain) on currency exchange | (2,421) | - |
| Interest income | (25) | - |
| Write-off of exploration assets | 22,356 | 1,665,237 |
| Write-off of unpaid payables | - | (170,000) |
| | <u>\$ 19,910</u> | <u>\$ 1,495,237</u> |
| Net and comprehensive loss for the year | (449,769) | (1,704,816) |
| Deficit - beginning of the year | (13,854,108) | (12,149,292) |
| Deficit - end of the year | <u>\$ (14,303,877)</u> | <u>\$ (13,854,108)</u> |
| Basic and diluted loss per share | \$ (0.03) | \$ (0.14) |
| Weighted average shares outstanding | 16,991,913 | 11,890,673 |

On March 4, 2013 the Company completed a share consolidation of one (1) post share for ten (10) pre- shares. The weighted average number of shares outstanding has been adjusted to reflect the effect of this share consolidation.

See accompanying notes to the Financial Statements

COPPER CREEK GOLD CORP.
Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

| | Number of shares | Amount \$ | Shares subscribed | Contributed Surplus \$ | AOCI \$ | Deficit \$ | Total Equity \$ |
|------------------------------|---------------------|-------------------|----------------------|------------------------------|------------|---------------------|--------------------|
| Balance at January 1, 2015 | 11,890,673 | 12,143,778 | 49,200 | 1,193,691 | - | (13,854,108) | (467,439) |
| Private placement | 11,864,365 | 711,862 | (49,200) | | | | 662,662 |
| Private placement | | | 68,295 | | | | 68,295 |
| Finder's fee | | (480) | | | | | (480) |
| Net loss for the year | | | | | | (449,769) | (449,769) |
| Balance at December 31, 2015 | <u>23,755,038</u> | <u>12,855,160</u> | <u>68,295</u> | <u>1,193,691</u> | <u>-</u> | <u>(14,303,877)</u> | <u>(186,731)</u> |
| Balance at January 1, 2014 | 11,890,673 | 12,143,778 | - | 1,193,691 | - | (12,149,292) | 1,188,177 |
| Private placement | | | 49,200 | | | | 49,200 |
| Net loss for the year | | | | | | (1,704,816) | (1,704,816) |
| Balance at December 31, 2014 | <u>11,890,673</u> | <u>12,143,778</u> | <u>49,200</u> | <u>1,193,691</u> | <u>-</u> | <u>(13,854,108)</u> | <u>(467,439)</u> |

"AOCI" represents Accumulated other comprehensive Income

On March 4, 2013 the Company completed a share consolidation of one (1) post share for ten (10) pre-shares. The Number of Shares has been adjusted to reflect the effect of this share consolidation.

See accompanying notes to the Financial Statements

COPPER CREEK GOLD CORP.
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

| | <u>2015</u> | <u>2014</u> |
|---|-------------------------|-------------------------|
| Operating activities | | |
| Net and comprehensive loss for the year | \$ (449,769) | \$ (1,704,816) |
| Items not involving cash: | | |
| Amortization | 1,153 | 1,575 |
| Write-off of exploration and evaluation asset | <u>22,356</u> | <u>1,665,237</u> |
| | \$ (426,260) | \$ (38,004) |
| Change in non-cash components of working capital | | |
| Accounts receivable | (5,434) | (1,469) |
| Prepaid expenses | - | 2,701 |
| Accounts payable and accruals | (83,327) | 31,635 |
| Due to related parties | <u>(171,533)</u> | <u>(16,782)</u> |
| | \$ <u>(686,554)</u> | \$ <u>(21,919)</u> |
| Investments | | |
| Unproven resource property (expenditures)/recovery | - | 5,656 |
| | \$ <u>-</u> | \$ <u>5,656</u> |
| Financing | | |
| Share capital proceeds | 662,182 | 49,200 |
| Share capital subscribed | 68,295 | - |
| | \$ <u>730,477</u> | \$ <u>49,200</u> |
| Increase (decrease in cash and cash equivalents) | 43,923 | 32,937 |
| Cash and cash equivalents | | |
| beginning of year | 38,142 | 5,205 |
| Cash and cash equivalents, end of year | \$ <u><u>82,065</u></u> | \$ <u><u>38,142</u></u> |

Supplementary Cash Flow Information (Note 10)

See accompanying notes to the Financial Statements

COPPER CREEK GOLD CORP.

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

1. Nature of Operations

The Company was incorporated under the *Company Act (British Columbia)* on June 19, 1987 and continued to the jurisdiction of the *Canada Business Corporation Act* on August 13, 1997. The Company trades on the TSX Venture Exchange under symbol CPV. On July 26, 2010 the Company changed its name to Copper Creek Gold Corp. and continues to trade under the symbol CPV on the TSX Venture Exchange.

The address of the Company's corporate office and principal place of business is Suite 615, 700 West Pender Street, Vancouver B.C., V6C 1G8.

The Company is engaged in acquisition and exploration of resource property interests. Funding for operations is raised primarily through private and public share offerings. The Company has incurred substantial losses to date and further losses are anticipated in continuing the exploration and development of its resource property interests. At December 31, 2015 the Company's resource exploration properties are based in British Columbia, Canada.

On March 4, 2013 the Company completed a share consolidation on a one (1) post- share for ten (10) pre- share basis. The Company's number of outstanding options and warrants and the accompanying exercise prices were on the same basis. Unless otherwise stated, the number of shares, options, warrants and the exercise prices of options and warrants presented in these financial statements have been adjusted to include the effect of this share consolidation.

The recoverability of carrying amounts for resource property interests and related deferred exploration and development costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying resource properties, the ability of the Company to obtain necessary financing to complete exploration and development, and achievement of future profitable production or proceeds from disposition.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2015, the Company has incurred significant losses totaling \$14,281,521 (2014 - \$13,854,108) since inception, had a working capital (deficiency) of (\$418,285) (2014: (\$690,146)) which may not be sufficient to sustain operations over the foreseeable future and expects to incur further losses in the development of its business, all of which casts doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, would be sought to finance the operations of the Company.

During the years ended December 31, 2014 and December 31, 2013 the Company relinquished its interests in the Santa Lucia Property in Sonora Mexico, and in the Bonsai and Badger properties located in British Columbia. During the year ended December 31, 2014 Stina Resources Ltd. advised

See accompanying notes to the Financial Statements

COPPER CREEK GOLD CORP.
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the Company it had terminated its option to acquire a 60% interest in the Bandit property (see Note 7).

1. Nature of Operations (cont'd)

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Significant Accounting Policies

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved and authorized for issue by the Company’s audit committee members and the board of directors on April 29, 2016.

Where applicable, comparative figures have been reclassified to conform to the presentation used in the current period.

b) Subsidiaries

In addition to the Company, the financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The subsidiary of the Company is as follows:

| Name of Subsidiary | Principal Activity | Place of Incorporation and Operation | Portion of Ownership Interest and Voting Power Held | |
|---------------------|------------------------------|--------------------------------------|---|-------------------|
| | | | December 31, 2015 | December 31, 2014 |
| Minera Arroyo Cobra | Mineral Property Exploration | Mexico | n/a | 98%* |

*A current officer and a former officer of the Company own 1% each of Minera Arroyo Cobra

As of December 31, 2015, the Company’s Mexican subsidiary was dissolved.

c) Equipment and Amortization

Equipment is recorded at cost and amortized over the useful lives of the assets at the following rates:

| | |
|--------------------------------|-----------------------|
| Office furniture and equipment | 20% declining balance |
| Computer hardware | 30% declining balance |

See accompanying notes to the Financial Statements

COPPER CREEK GOLD CORP.
Notes to Financial Statements
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2. Significant Accounting Policies (cont'd)

In the year of acquisition, amortization is taken at half the normal rates.

The carrying value of equipment is reviewed whenever events or changes in circumstance indicate the recoverable value may be less than the carrying amount. Recoverable value is based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Where impairment is indicated, impairment charges are recorded in the reporting period in which impairment is determined by management.

d) Oil & Gas Property Interests

The Company follows the successful efforts method of accounting for petroleum and natural gas operation. When a decision is taken that commercial viability and technical feasibility has been established with respect to oil and gas property, all further pre-production expenditures including evaluation costs are capitalized as development or production assets when these costs increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income or loss as incurred. Such capitalized development and production assets generally represent costs incurred in developing proven and/or probable reserves and bringing on stream or enhancing production from such reserves and are accumulated on a field or geotechnical area basis.

i) Depletion

Development and production oil assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves.

ii) De-recognition

The carrying amount of an item of oil and gas properties is derecognized when no future economic benefits are expected from its use or upon sale to a third party. The gain or loss arising from de-recognition is included in income or loss and is measured as the difference between the net proceeds, if any, and the carrying amount of the asset.

iii) Major maintenance

Ongoing costs to maintain properties are generally expensed as incurred. The costs of material replacement, turnarounds and major inspections are capitalized provided it is probable that future economic benefits in excess of cost will be realized and such benefits are expected to extend beyond the current operating period.

During the financial year ended December 31, 2011 the Company ceased its activities in the oil and gas interests except for a minor royalty in certain oil and gas leases in the province of

See accompanying notes to the Financial Statements

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2. Significant Accounting Policies (cont'd)

Saskatchewan and in the State of Texas as disclosed herein. The Company's activities are currently focused in the mineral and resource sector.

e) Foreign Currency Transactions

The Company's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate and all income and expenses are translated at average exchange rates prevailing during the year. Non-monetary assets and liabilities are translated at the rates prevailing at the dates the assets were acquired or liabilities incurred. Exchange gains and losses arising on translation are included as a charge to operations in the year incurred.

f) Exploration and Evaluation Assets

Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature.

The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the intangible asset. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of the project are deemed to be impaired. As a result, those exploration and expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Management reviews the facts and circumstances suggesting if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on the property in accordance with the provisions of IAS 36.

Exploration stage assets and development stage assets are considered separate CGUs for impairment testing purposes.

The amount shown for mineral properties does not necessarily represent present or future values. Recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

See accompanying notes to the Financial Statements

COPPER CREEK GOLD CORP.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (cont'd)

g) Deferred Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Deferred income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of deferred income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

h) Financial Assets

Financial assets are classified into one of four categories:

- fair value through profit or loss (“FVTPL”);
- held-to-maturity (“HTM”);
- available for sale (“AFS”); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

I. FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Transaction costs are expensed as incurred.

II. HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost.

III. AFS financial assets

Short-term investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity.

See accompanying notes to the Financial Statements

2. Significant Accounting Policies (cont'd)

When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment's revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of the asset is recognized in profit or loss, while other changes are recognized in equity.

IV. Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value, including transaction costs and subsequently are carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Fair value hierarchy

Measurement of the fair value of financial instruments is made under a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

- Level 1: Valuations based on quoted prices, unadjusted, in active markets for identical
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level I prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one

See accompanying notes to the Financial Statements

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2. Significant Accounting Policies (cont'd)

or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

De-recognition of financial assets

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

Capital Disclosures and Financial instruments—Disclosures and Presentation

Capital Disclosures specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

i) Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the

See accompanying notes to the Financial Statements

2. Significant Accounting Policies (cont'd)

proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

j) Critical Accounting Estimates, Judgments, and Uncertainties

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

De-recognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

j) Critical Accounting Estimates, Judgments, and Uncertainties (cont'd)

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Critical Accounting Estimates and Assumptions

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

Share Based payments

The Company uses the Black-Scholes pricing model to estimate the fair value of stock options granted and warrants issued. Under this model, the Company must estimate the term, volatility and if applicable, the forfeiture rate of options granted and warrants issued.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Amortization rates

The application of determining the useful lives of equipment are estimates by management based on assumptions about future events. Estimates and assumption made may change if new

See accompanying notes to the Financial Statements

2. Significant Accounting Policies (cont'd)

information becomes available. New information may become available during the use of the equipment that causes the Company to adjust its estimate.

Exploration and Evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the

Company, which may be based on assumptions about future events or circumstances. Estimates and assumption made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information become available.

Title to Mineral Property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Impairment of Non-Financial Assets

The Company reviews and evaluates its properties, including exploration and evaluation assets, plant and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

See accompanying notes to the Financial Statements

2. Significant Accounting Policies (cont'd)

k) Risk Instrument and Risk Management

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The fair values of cash and cash equivalents, amounts receivable, reclamation bond and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. Convertible debentures are interest bearing and are amortized using the effective interest rate method.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its bank accounts and accounts receivable. Bank accounts are with a Canadian Schedule 1 banks. Management believes that the credit risk with respect to receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company manages its liquidity risk through private placements.

The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to commodity prices, cost overruns on capital projects and changes to government regulations relating to land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Interest Rate Risk

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. The Company does not use derivative instruments to reduce

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2. Significant Accounting Policies (cont'd)

its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.

The only significant market risk exposure to which the Company is exposed is short-term interest rate risk. The Company's bank accounts earn interest income at variable rates. The Company's future interest income is exposed to short-term rates.

Commodity Price Risk

The Company is subject to commodity price risk for the sale of gold and silver. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from the extraction of mineral products. As such, the effect of these factors on the price in future product sales, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

Environmental Risk

The Company is engaged in mineral exploration and development and is accordingly exposed to environmental risks associated with mineral exploration and development activity. The Company has accepted liability and responsibilities for the reclamation of certain mineral claims including removal and decommissioning of the mill, camp and tailings pond to the satisfaction of government authorities. The amount of the reclamation liability at this date is not determinable. Failing to comply with their responsibilities for the required reclamation would result in the regulatory authorities seizing the Company's security bond in order to perform the necessary work with the Company liable for any costs in excess of the security bond.

l) Loss Per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share requires the use of the treasury stock method, which assumes that the exercise of stock options and warrants will have a dilutive effect on loss per share. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of stock options and warrants is applied to repurchase common shares at the average market price for the period.

m) Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

See accompanying notes to the Financial Statements

2. Significant Accounting Policies (cont'd)

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

n) Asset Retirement Obligation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. The Company does not have any asset retirement obligations as at December 31, 2015.

o) Flow-Through Shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as another liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is

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2. Significant Accounting Policies (cont'd)

recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, are recognized as a recovery of deferred income taxes in net income.

p) Share-based Payments

The Company issues equity instruments such as common shares, warrants and share purchase options for services rendered by employees and non-employees.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in statement of comprehensive loss over the vesting period, described at the period during which all the vesting conditions are satisfied.

Where equity settled share options are awarded to employees, the fair value of the options at the date of the grant is charged to the statement of the comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of comprehensive loss unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliability estimated, the fair value is measured by use of a valuation model.

All exercisable equity settled share-based payments are reflected in contributed surplus until exercised, the amount reflected in contributed surplus is credited to share capital along with the consideration paid for those shares. Where the terms and conditions of equity settled share based payments are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is charged to the statement of comprehensive loss over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

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3. New accounting standards and amendments to existing standards

New accounting standards and amendments to existing standards

As of January 1, 2015, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted the following new standards without any significant effect on its financial statements.

IAS 32 – Financial Instruments: Presentation (“IAS 32”)

The IASB amended IAS 32, “Financial Instruments: Presentation” to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of ‘currently has a legally enforceable right of set-off’;
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

IAS 36 – Impairment of Assets (“IAS 36”)

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less cost of disposal.

IFRIC 21 – Levies (“IFRIC 21”)

An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

k) New Standards Not Yet Adopted

IFRS 9 – Financial Instruments (“IFRS 9”)

New standard IFRS 9, Financial Instruments, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. This standard is effective for years beginning on or after January 1, 2018. The Company is currently assessing the impact that these standards will have on the Company’s financial statements. The Company plans to adopt these standards as soon as they become effective for the Company’s reporting period.

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4. Marketable Securities

The Company's marketable securities, which are classified as fair value through income or loss have been valued at their market prices.

| December 31, 2015 | | December 31, 2014 | |
|--------------------------|------------|--------------------------|------------|
| Cost | Market | Cost | Market |
| <u>\$296,457</u> | <u>\$1</u> | <u>\$296,457</u> | <u>\$1</u> |

5. Accounts Receivable

The Company qualifies for a British Columbia Mining Exploration Tax Credit ("METC") as it has incurred qualified mineral exploration expenditures for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 20% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred during the year. At December 31, 2015, the METC receivable was in the amount of \$ Nil (2014-\$1,508), which may change pursuant to an audit by the taxation authorities. As a result of a re-assessment by the taxation authorities; the Company was re-assessed a METC payable of \$22,356 which has been recorded as write-off of exploration assets. (Please refer to Note 18).

The Company also qualifies for the Goods and Sales Tax (GST) input tax credits in the amount of \$14,861 (2014-\$15,635), which may change pursuant to an audit by the taxation authorities.

6. Equipment

| | <u>Dec 31, 2015</u> | | | <u>Dec 31, 2014</u> |
|--------------------------------|---------------------|--------------------------|-----------------|---------------------|
| | Cost | Accumulated Amortization | Net | Net |
| Office furniture and equipment | 39,208 | 37,627 | 1,581 | 1,976 |
| Computer | 54,240 | 52,474 | 1,766 | 2,524 |
| | <u>\$ 93,448</u> | <u>\$ 90,101</u> | <u>\$ 3,347</u> | <u>\$ 4,500</u> |

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7. Unproven Resource Property Interests

| | Blackwater Properties | | | Total | Bonsai | Bakken | Santa Lucia | Overall Total |
|---|-----------------------|-----------------|----------------------|-------------------|---------------|--------------|------------------|-------------------|
| | Badger | Bandit | Smokey & Little Bear | | | | | |
| Balance, Dec 31, 2011 | \$ - | \$ - | \$ - | \$ 265,008 | \$ 1,580,783 | \$ 10 | \$ 258,527 | \$ 2,104,328 |
| Acquisition costs | | | | | | | | |
| Shares from Stina | | (19,000) | | (19,000) | | | | (19,000) |
| Shares to vendors | 7,500 | | | 7,500 | 500 | | 1,000 | 9,000 |
| | <u>7,500</u> | <u>(19,000)</u> | <u>-</u> | <u>(11,500)</u> | <u>500</u> | <u>-</u> | <u>1,000</u> | <u>(10,000)</u> |
| Deferred exploration costs | | | | | | | | |
| Drilling and surveys | | | | 273,438 | 119,639 | | 322,050 | 715,127 |
| Write-back unpaid costs | | | | | (24,541) | | (2,219) | (26,760) |
| | | | | <u>273,438</u> | <u>95,098</u> | <u>-</u> | <u>319,831</u> | <u>688,367</u> |
| METC claim | | | | | (19,020) | | | (19,020) |
| Recovery of exploration expenses from Stina | | | | (290,111) | - | | | (290,111) |
| | | | | <u>(16,673)</u> | <u>76,078</u> | <u>-</u> | <u>319,831</u> | <u>379,236</u> |
| Balance, Dec 31, 2012 | | | | \$ 236,835 | \$ 1,657,361 | \$ 10 | \$ 579,358 | \$ 2,473,564 |
| Deferred exploration costs | | | | | | | | |
| Drilling and surveys | | | | 4,716 | 7,540 | | 33,598 | 45,854 |
| | | | | <u>4,716</u> | <u>7,540</u> | <u>-</u> | <u>33,598</u> | <u>45,854</u> |
| METC claim | | | | | (1,508) | | | (1,508) |
| Recovery of exploration expenses from Stina | | | | (6,854) | | | | (6,854) |
| Write off of Santa Lucia | | | | | | | (612,956) | (612,956) |
| | | | | <u>(2,138)</u> | <u>6,032</u> | <u>-</u> | <u>(579,358)</u> | <u>(575,464)</u> |
| Balance, Dec 31, 2013 | | | | \$ 234,697 | \$ 1,663,393 | \$ 10 | \$ - | \$ 1,898,100 |
| Deferred exploration costs | | | | | | | | |
| Drilling and surveys | | | | | 344 | | | 344 |
| | | | | <u>-</u> | <u>344</u> | <u>-</u> | <u>-</u> | <u>344</u> |
| Security deposit refunded | | | | | (6,000) | | | (6,000) |
| Write off of Bonsai | | | | | (1,657,737) | | | (1,657,737) |
| Write off of Badger | (7,500) | | | (7,500) | | | | (7,500) |
| Balance, Dec 31, 2014 and 2015 | <u>-</u> | <u>(19,000)</u> | <u>-</u> | <u>\$ 227,197</u> | <u>\$ -</u> | <u>\$ 10</u> | <u>\$ -</u> | <u>\$ 227,207</u> |

Bonsai Project

During the financial year ended December 31, 2013, the Company terminated its Bonsai option agreement and in the year ended December 31, 2014, the Company had the Bonsai property written-off.

Bakken Oil & Gas Leases in Canada and Certain Working Interest in the USA

On July 20, 2009 the Company acquired a 1% Gross Overriding Royalty to approximately 1100 acres (445 hectares consisting of 8 leases) in the Province of Saskatchewan, Canada and a 17.5% working

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7. Unproven Resource Property Interests (cont'd)

interest in two producing gas wells: Bennet 1 and Bennet 2, located in Lavaca County, State of Texas, USA.; for \$10 and other considerations payable to the vendor, Lions Petroleum Inc.

Santa Lucia property located in Sonora State of Mexico

During the financial year ended December 31, 2013, the Company relinquished its interest in the Santa Lucia Property.

Blackwater Properties

i. Badger Property

During the financial year ended December 31, 2014, the Company relinquished its interest in the Badger Property.

ii. Bandit Property

Pursuant to a Purchase and Sale Agreement dated March 2, 2011, between the Company and Mr. William Gary Thompson the Company acquired a 100% interest in one mineral claim known as the Bandit Property, located 130 km southeast of the city of Vanderhoof, British Columbia, encompassing 3,858.29 hectares. In consideration, the Company paid \$3,200 in cash and issued 300,000 pre- common shares. Pursuant to an Agreement dated June 5, 2012, the Company entered into an option agreement with Stina Resources Ltd. (“Stina”) which allows Stina to earn a 60% interest in this property by issuing 400,000 shares of its common stock to the Company over a period of three years, and by expending \$2,000,000 on exploration over a four year period. During the year ended December 31, 2012, the Company received 100,000 shares from Stina Resources Ltd. and credited the market value of these shares to the Property’s acquisition cost. On July 24, 2014 Stina Resources Ltd. advised the Company it had terminated its option to acquire a 60% interest in the Bandit property.

iii. Smokey and Little Bear Properties

Pursuant to a Purchase and Sale Agreement dated March 14, 2011 between the Company and William Gary Thompson, the Company acquired a 100% interest in two mining claims known as the Smokey and Little Bear Properties, located approximately 130 km southeast of the city of Vanderhoof, British Columbia. In consideration, the Company paid \$30,000 in cash and issued 400,000 pre- common shares.

8. Related Party Transactions

During the year ended December 31, 2015, the Company incurred the following expenses charged by directors and/or a company controlled by a director:

| | <u>2015</u> | <u>2014</u> |
|--------------------------|--------------------------|-------------------|
| Management fees | \$ 184,000 | \$ 60,000 |
| Office rent | 78,000 | 42,000 |
| Office and miscellaneous | 31,072 | 30,227 |
| Telephone charges | 4,274 | 3,887 |
| | <u>\$ 297,346</u> | <u>\$ 136,114</u> |

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8. Related Party Transactions (cont'd)

As at December 31, 2015, the Company owed directors and officers of the Company of \$294,695 (2014 \$466,228); these amounts represented management fees payable to and loan amounts due to directors and officers of the Company.

Related party transactions have been recorded at their fair value, which is the amount of consideration established and agreed to by the related parties.

9. Share Capital

Share capital is comprised of:

Authorized: Unlimited number of common shares without par value.

On March 4, 2013 the Company completed a share consolidation on a one (1) post- share for ten (10) pre- share basis. The Company's number of outstanding options and warrants and the accompanying exercise prices were on the same basis. Unless otherwise stated, the number of shares, options, warrants and the exercise prices of options and warrants presented in these financial statements have been adjusted to include the effect of this share consolidation.

Issued and outstanding:

| | Dec 31 2015 | | Dec 31 2014 | |
|-------------------------------------|---------------------|----------------------|---------------------|----------------------|
| | Number of Shares | Amount | Number of Shares | Amount |
| Balance, beginning of year | 11,890,673 | \$ 12,143,778 | 11,890,673 | \$ 12,143,778 |
| Units under private placements (i) | 6,641,033 | 398,462 | - | - |
| Units under private placements (ii) | 5,223,332 | 313,400 | - | - |
| Finders' fee | | (480) | - | - |
| Balance, end of period | 23,755,038 | \$ 12,855,160 | 11,890,673 | \$ 12,143,778 |

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9. Share Capital (cont'd)

- i) On April 9, 2015, the Company, by way of a non-brokered private placement, raised \$398,460 through the issuance of 6,641,033 non-flow-through (NFT) units at a price of \$0.06 per unit. Each NFT unit consists of one common share and one transferable share purchase warrant which entitles the holder to purchase one additional common share in the capital of the Company on or before October 11, 2016 at a purchase price of \$0.10 per share. If, prior to the expiry date of the warrants, and once the warrants are free from the statutory resale restrictions (4 months plus one day ending August 10, 2015), the closing price of the common shares of the Company on the TSX Venture Exchange equals or exceeds \$0.15 for a period of not less than 10 consecutive trading days, the period during which the warrants may be exercised will be reduced (the "Forced Exercise Provision"). In such event, the warrants will expire on the date which is the 31st day after the date on which the Company issues a press release announcing that the Forced Exercise Provision has been triggered. Such press release will set out, among other things, that the Forced Exercise Provision has been triggered, the 10 consecutive trading days for which the closing price of the common shares of the Company was equal to or exceeded \$0.15, and the new expiry date of the warrants. A finder's fee of \$480 was paid.

- ii) On December 15, 2015, the Company, closed the first tranche by way of a non-brokered private placement, raised \$313,400 through the issuance of 5,223,332 non-flow-through (NFT) units at a price of \$0.06 per unit. Each NFT unit consists of one common share and one transferable share purchase warrant which entitles the holder to purchase one additional common share in the capital of the Company on or before June 15, 2017 at a purchase price of \$0.10 per share. If, prior to the expiry date of the warrants, and once the warrants are free from the statutory resale restrictions (4 months plus one day ending April 16, 2016), the closing price of the common shares of the Company on the TSX Venture Exchange equals or exceeds \$0.15 for a period of not less than 10 consecutive trading days, the period during which the warrants may be exercised will be reduced (the "Forced Exercise Provision"). In such event, the warrants will expire on the date which is the 31st day after the date on which the Company issues a press release announcing that the Forced Exercise Provision has been triggered. Such press release will set out, among other things, that the Forced Exercise Provision has been triggered, the 10 consecutive trading days for which the closing price of the common shares of the Company was equal to or exceeded \$0.15, and the new expiry date of the warrants.

Stock Options

The Company's incentive stock option plan allows for the grant of options to employees, consultants, officers and directors providing the number of shares that may be purchased under the option plan and all previously granted options, does not exceed 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares (subject to a minimum of \$0.05) and the maximum term of the options is ten years.

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9. Share Capital (cont'd)

| | Number of Options | Weighted Average Exercise Price \$ |
|----------------------------|----------------------|---------------------------------------|
| Balance, December 31, 2009 | 207,658 | 1.00 |
| Granted | 622,500 | 1.30 |
| Exercised | (150,158) | - |
| Expired | (70,000) | - |
| Balance, December 31, 2010 | 610,000 | 1.20 |
| Cancelled/expired | (237,500) | |
| Granted | 484,500 | 1.00 |
| Balance, Dec 31, 2011 | 857,000 | 1.10 |
| Cancelled/expired | (277,500) | - |
| Granted | 190,000 | 1.00 |
| Balance, Dec 31, 2012 | 769,500 | 1.00 |
| Expired/Cancelled | (90,000) | - |
| Balance, Dec 31, 2013 | 679,500 | 1.00 |
| Expired/Cancelled | (445,000) | - |
| Balance, Dec 31, 2014 | 234,500 | 1.00 |
| Expired/Cancelled | (60,000) | - |
| Balance, Dec 31 2015 | 174,500 | 1.00 |

The following stock options were outstanding at December 31, 2015:

| Number | Exercise Price \$ | Expiring |
|---------|-------------------|---------------|
| 30,000 | 1.00 | Aug. 11, 2016 |
| 134,500 | 1.00 | Jan. 12, 2016 |
| 10,000 | 1.00 | May 16, 2017 |
| 174,500 | | |

The Company used the Black-Scholes option pricing model to determine the fair value of the options issued for the year ending December 31, 2014 with the following assumptions:

| | |
|----------------------------|--------------|
| - Risk-free interest rate | 1.32%-1.64% |
| - Annualized volatility | 111%-115% |
| - Expected life of options | 3 to 5 years |
| - Expected dividend yield | 0% |

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9. Share Capital (cont'd)

Options pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

Share purchase warrants

| | Number of shares | Weighted Average Exercise Price (\$) |
|----------------------------|---------------------|---|
| Balance, December 31, 2014 | 570,000 | 0.10 |
| Issued | 11,864,365 | 0.10 |
| Expired | (570,000) | - |
| Balance, December 31, 2015 | 11,864,365 | 0.10 |

At December 31, 2015, the following share purchase warrants were outstanding:

| <u>Number</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|---------------|-----------------------|--------------------|
| 6,641,033 | \$0.10 | October 11, 2016 |
| 5,223,332 | \$0.10 | June 15, 2017 |

10. Supplementary Cash Flow Information

The following significant non-cash transactions occurred during the year:

| | December 31, 2015 | Dec 31, 2014 |
|--|----------------------|--------------|
| Write-off of exploration and evaluation assets | \$ 22,356 | \$1,665,237 |

11. Commitments

On July 1, 2006 the Company moved to new premises and a new lease for a minimum of twelve months was signed at a basic monthly rental rate of \$3,650. The lease is automatically renewed annually for a similar term at market rates. The rent was increased to \$3,750 per month on April 1, 2008 and was increased to \$3,800 per month on February 1, 2011. On January 1, 2015, the rent was increased to \$6,500 per month, expiring on May 15, 2016.

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12. Contingency

The Company has received correspondence relating to a claim by a third party for an amount of approximately \$73,400. The third party alleges the amount is due for services rendered in 1997 in respect of a mineral project. The Company denies the claim stating the services were rendered by the third party in connection with a project owned by a former director and not by the Company.

Management is of the opinion that the claim has no merit and does not anticipate any ultimate liability will result.

No legal actions have been commenced; however, the third party continues to notify the Company of its claim. No liability has been recorded in these financial statements.

13. Segmented Information

The Company operates in a single industry segment. Assets by geographic location are as follows:

| | Dec 31, 2015 | Dec 31, 2014 |
|--------------------------|---------------------|--------------|
| Canada | \$ 351,332 | \$ 309,336 |
| United States of America | 10 | 10 |
| Mexico | - | - |
| | \$ 351,342 | \$ 309,346 |

14. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide opportunities for growth benefiting its shareholders and key stakeholders. The company's capital structure is comprised of components of shareholders' equity, as well as loans from related parties, cash and cash equivalents and receivables. Since the company is in the exploration stage, in order to maintain or adjust its capital structure, the Company may issue new shares, obtain further financing from related companies or dispose of assets. The Company is not subject to externally imposed capital restrictions.

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15. Income taxes

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes (recovery) is as follows:

| | 2015 | 2014 |
|--|--------------|----------------|
| Loss for the year | \$ (449,769) | \$ (1,704,816) |
| Expected income tax (recovery) at statutory rates: (2015 — 26.0%; 2014 — 26.0%) | (116,939) | (443,252) |
| Deductible and non-deductible items, net | 1,979 | 434,852 |
| Non-capital losses expired | - | - |
| Change in statutory tax rate | - | - |
| Unrecognized benefit of non-capital losses | 114,960 | 8,400 |
| Total future income taxes recovery | \$ - | \$ - |

The Company has available non-capital losses of approximately \$3,868,000 which may be carried forward to apply against future income for tax purposes. In addition, the Company has discretionary deduction pools for resource related expenditures and equipment balances with a tax basis exceeding net book value. The possible future benefit to the Company of utilizing these losses has not been recognized in these financial statements; except to the extent that future income tax recoveries were recognized on flow-through shares. The carry-forward losses expire as follows:

| Available to | Amount (\$) |
|---------------------|--------------------|
| 2015 | 190,000 |
| 2026 | 255,000 |
| 2027 | 396,000 |
| 2028 | 286,000 |
| 2029 | 278,000 |
| 2030 | 488,000 |
| 2031 | 630,000 |
| 2032 | 476,000 |
| 2033 | 360,000 |
| 2034 | 67,000 |
| 2035 | 442,000 |
| | <u>3,868,000</u> |

See accompanying notes to the Financial Statements

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| | 2015 | 2014 |
|---|--------------------|--------------------|
| Potential future tax assets | | |
| Non capital losses carried forward | 3,868,000 | 3,700,000 |
| Canadian exploration expenses | 636,000 | 636,000 |
| Canadian development expenses | 691,000 | 691,000 |
| Canadian oil and gas property expenses | 114,000 | 114,000 |
| Foreign exploration expenses | 1,203,000 | 1,203,000 |
| Tax value of equipment in excess of book value | 66,000 | 62,000 |
| | <u>6,578,000</u> | <u>6,406,000</u> |
| Potential tax recovery at substantially enacted rate of 26.0% (2014 – 26.0%) | <u>1,710,000</u> | <u>1,666,000</u> |
| Net potential future income tax assets | 1,710,000 | 1,666,000 |
| Valuation allowance (100%) | <u>(1,710,000)</u> | <u>(1,666,000)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

The conditions required to recognize potential future tax assets based on establishment of likely future profitability have not been met. Accordingly, a 100% valuation allowance has been provided.

See accompanying notes to the Financial Statements

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16. Fair Value Measurement

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - 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 3 - inputs for the asset or liability that are not based on observable market data.

At December 31, 2015, the levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the balance sheet at fair value are categorized are as follows:

| | Level 1 | Level 2 |
|-----------------------|-----------|---------|
| Cash | \$ 82,065 | \$ - |
| Marketable securities | 1 | - |

17. Reclamation Bond and Commitment

As at December 31, 2015, the Company has provided a \$1,000 security bond to the Province of British Columbia as security against future reclamation which will be required on the Company's mineral properties once abandoned.

The Company is responsible for the reclamation of certain mineral claims and mining leases to the satisfaction of government authorities. The amount of the reclamation liability at this date is not determinable. Failing to comply with their responsibilities for the required reclamation would result in the regulatory authorities seizing the Company's security bond in order to perform the necessary work.

18. Write-Off of Exploration and Evaluation Asset

Because of uneconomical prospects, in the years ended December 31, 2015 and 2014, the Company wrote off the Santa Lucia property located in the Northwest Region of Mexico and the Bonsai property located in Province of British Columbia, Canada.

See accompanying notes to the Financial Statements

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19. Subsequent Events

1) On January 12, 2016, a total of 134,500 options exercisable at \$1 each expired.

2) On February 16, 2016, the Company closed the second tranche of the non-brokered private placement for gross proceeds of \$151,500 through the issuance of 2,525,000 non-flow-through (NFT) units at a price of \$0.06 per unit. Each NFT unit consists of one common share and one transferable share purchase warrant which entitles the holder to purchase one additional common share in the capital of the Company for a period of eighteen months from the closing date at a purchase price of \$0.10 per share. The warrants are subject to an early acceleration clause, which provides that if the closing price of Copper Creek's common shares on the TSX Venture Exchange (following the expiry of the required statutory hold period) is equal to, or greater than, 15 cents for a period of 10 consecutive trading days, the Company may accelerate the warrant expiry date to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The warrants will automatically expire if the warrant holders do not exercise them within this 30-days period. No finder's fees were paid.

3) On February 25, 2016 a total of 40,000 stock options exercisable at \$1 each were voluntarily cancelled. There are no stock options existing under the Company's stock option plan.

4) On April 5, 2016, the Company announced a non-brokered private placement to raise gross proceeds of up to \$300,000 through the issuance of 5,000,000 non-flow-through (NFT) units at a price of \$0.06 per unit. Each NFT unit consists of one common share and one transferable share purchase warrant which entitles the holder to purchase one additional common share in the capital of the Company for a period of eighteen months from the closing date at a purchase price of \$0.10 per share. The warrants are subject to an early acceleration clause, which provides that if the closing price of Copper Creek's common shares on the TSX Venture Exchange (following the expiry of the required statutory hold period) is equal to, or greater than, 15 cents for a period of 10 consecutive trading days, the Company may accelerate the warrant expiry date to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The warrants will automatically expire if the warrant holders do not exercise them within this 30-days period. The Private Placement is subject to approval of the TSX Venture Exchange.

See accompanying notes to the Financial Statements