DURAN VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(Expressed in Canadian dollars)

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(Expressed in Canadian dollars)

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Duran Ventures Inc.

We have audited the accompanying consolidated financial statements of Duran Ventures 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 (income) loss, consolidated statements of accumulated other comprehensive loss, consolidated statements of changes in shareholders' equity 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 Duran Ventures 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 2 in the financial statements which indicates that the Company had a loss during the year ended December 31, 2015 and a cumulative deficit as at December 31, 2015. These conditions along with other matters set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
February 29, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

AS AT

	December 31, 2015 $	December 31, 2014 $
ASSETS		
CURRENT		
Cash	**2,497,888**	4,950,363
Marketable securities (Note 6)	**34,311**	5,000
Prepaid expenses and advances	**58,681**	36,767
Amounts receivable	**63,389**	86,819
Derivative instruments (Note 7)	**-**	62,200
TOTAL CURRENT ASSETS	**2,654,269**	5,141,149
PROPERTY, PLANT AND EQUIPMENT (Note 8)	**420,774**	11,024
PREPAID EXPENSES (Note 8)	**250,921**	-
EXPLORATION AND EVALUATION ASSETS (Notes 9 and 13)	**582,051**	1,470,906
TOTAL ASSETS	**3,908,015**	6,623,079
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**221,583**	188,376
DEFERRED TAX LIABILITY (Note 20)	**-**	111,000
TOTAL LIABILITIES	**221,583**	299,376
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 11(a))	**49,830,521**	49,805,521
WARRANT RESERVE (Note 11(b))	**-**	140,664
SHARE-BASED PAYMENT RESERVE (Note 12)	**1,390,079**	1,790,337
ACCUMULATED OTHER COMPREHENSIVE LOSS	**(137,000)**	(162,000)
DEFICIT	**(47,397,168)**	(45,250,819)
TOTAL SHAREHOLDERS' EQUITY	**3,686,432**	6,323,703
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,908,015**	6,623,079

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 19)

APPROVED ON BEHALF OF THE BOARD:

Signed "Joseph Del Campo" , Director

Signed "Jeffrey Reeder" , Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (INCOME) LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31,

	2015	2014
	$	$
EXPENSES		
Exploration and evaluation expenditures (recovery) (Note 13)	**1,779,705**	(5,662,700)
Write down of exploration and evaluation assets (Note 9)	**888,855**	-
General and administrative (Note 15)	**399,551**	597,227
LOSS (INCOME) before the following:	**3,068,111**	(5,065,473)
Interest income	**(23,440)**	(4,786)
Interest expense (Note 10)	**-**	2,070
Realized gain on derivative instruments (Note 7)	**(308,600)**	-
Change in unrealized gain on derivative instruments (Note 7)	**62,200**	(62,200)
NET LOSS (INCOME) BEFORE TAX	**2,798,271**	(5,130,389)
DEFERRED INCOME TAX RECOVERY (Note 20)	**(129,600)**	(10,500)
NET LOSS (INCOME) FOR THE YEAR	**2,668,671**	(5,140,889)
Other comprehensive (income) loss	**(25,000)**	5,000
COMPREHENSIVE LOSS (INCOME) FOR THE YEAR	**2,643,671**	(5,135,889)
Loss (income) per share – basic and diluted (Note 14)	**0.01**	(0.02)
Weighted average number of common shares Outstanding – basic and diluted	**234,192,336**	234,331,435

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31,

	2015	2014
	$	$
Accumulated other comprehensive loss at beginning of year	**(162,000)**	(157,000)
Items that will subsequently be reclassified to net income (loss)		
Unrealized gain (loss) on marketable securities, net of deferred income tax of $Nil (2014 – $Nil)	**25,000**	(5,000)
Accumulated other comprehensive loss at end of year	**(137,000)**	(162,000)

DURAN VENTURES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31

	Common Shares	Warrants				
	Amount $	Reserve Amount $	Share-based Payment Reserve $	Accumulated Other Comp. Loss $	Deficit $	Total Shareholders' Equity $
Balance, December 31, 2013	49,844,141	220,269	2,264,550	(157,000)	(50,973,646)	1,198,314
Value of warrants and options expired	-	(79,605)	(474,213)	-	553,818	-
Share cancellation	(38,620)	-	-	-	38,620	-
Tax effect of warrants expired	-	-	-	-	(10,500)	(10,500)
Unrealized loss on marketable securities	-	-	-	(5,000)	-	(5,000)
Net income	-	-	-	-	5,140,889	5,140,889
Balance, December 31, 2014	49,805,521	140,664	1,790,337	(162,000)	(45,250,819)	6,323,703
Value of warrants and options expired	-	(140,664)	(400,258)	-	540,922	-
Unrealized gain on marketable securities	-	-	-	25,000	-	25,000
Share issued for debt settlement	25,000	-	-	-	-	25,000
Tax effect of warrants expired	-	-	-	-	(18,600)	(18,600)
Net loss	-	-	-	-	(2,668,671)	(2,668,671)
Balance, December 31, 2015	49,830,521	-	1,390,079	(137,000)	(47,397,168)	3,686,432

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31,

	2015	2014
	$	$
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net (loss) income for the year	**(2,668,671)**	5,140,889
Add items not requiring cash:		
Write down of exploration and evaluation assets	**888,855**	-
Deferred income tax recovery	**(129,600)**	(10,500)
Amortization	**4,434**	29,202
Decrease (Increase) in derivative instruments	**62,200**	(62,200)
Loss on sale of property, plant and equipment	**-**	81,061
Change in non-cash operating working capital:		
Increase in prepaid expenses and advances	**3,086**	(13,604)
Decrease (Increase) in amounts receivable	**19,119**	(45,158)
Increase (decrease) in accounts payable and accrued liabilities	**33,207**	(307,223)
	(1,787,370)	4,812,467
INVESTING ACTIVITIES		
Purchase of plant equipment	**(414,184)**	-
Deposits paid on property, plant and equipment	**(250,921)**	-
	(665,105)	-
FINANCING ACTIVITIES		
Promissory notes issued	**-**	58,000
Promissory notes repaid	**-**	(58,000)
Payment received on sale of property, plant and equipment	**-**	69,039
	-	69,039
(Decrease) increase in cash	**(2,452,475)**	4,881,506
Cash, beginning of year	**4,950,363**	68,857
Cash, end of year	**2,497,888**	4,950,363
Supplemental information		
Common shares issued for prepaid expenses	**25,000**	-
Marketable securities received for accounts receivable	**4,311**	-
Interest paid	**-**	2,070

1. GENERAL INFORMATION

Duran Ventures Inc. ("Duran" or "the Company") is a publicly listed company originally incorporated in British Columbia and subsequently continued in Ontario under the Canada Business Corporations Act. The Company's common shares have been listed on the TSX Venture Exchange since July 4, 2007, and on the Risk Capital Segment of the Lima Stock Exchange (Segmento de Capital de Riesgo de la Bolsa de Valores de Lima) in Peru, since September 21, 2012, and trade under the symbol "DRV" on both exchanges. The Company, directly and with exploration partners, is engaged in the exploration of mineral properties in Peru. The Company's principal office is located at 40 University Avenue, Suite 606, Toronto, Ontario, Canada M5J 1T1 and substantially all of the Company's corporate and administrative expenses are incurred in Canada.

2. GOING CONCERN

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 recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative 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. The Company's assets are subject to increases in taxes and royalties, renegotiation of contracts, expropriation, currency exchange fluctuations 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. Property title may be subject to government licensing registration or regulations, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

These consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company also had a loss during the year ended December 31, 2015 and a cumulative deficit as at December 31, 2015. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

3. BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company, which is incorporated in Canada under the Canada Business Corporations Act, and its wholly owned subsidiaries, Minera Aguila de Oro SAC ("Madosac"), Corongo Exploraciones SAC, Empresa Querco SAC, Mamaniña Exploraciones SAC and Hatum Minas SAC, all of which were incorporated in Peru. 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. All inter-company balances and transactions have been eliminated. The consolidated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Company has consistently applied the accounting policies used in preparation of these consolidated financial statements throughout all the periods presented. Significant accounting judgements and estimates used by management in the preparation of these consolidated financial statements are presented in Note 5.

The policies applied in these consolidated financial statements are based on the IFRS issued and effective as of December 31, 2015. These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 29, 2016.

(b) Basis of preparation

The consolidated financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis except for marketable securities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not mandatory for accounting periods beginning on or after January 1, 2016 or later periods. Many are not applicable or do not have significant impact to the Company and have been excluded. They have not been early adopted in these consolidated financial statements, and they are not expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application dateas indicated below:

- IFRS 9 Financial Instruments

  IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 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 IAS39. 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 IAS39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS9, 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 IAS39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Share-based payments

The share option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is estimated at the grant date and each tranche is recognized on a graded vesting basis over the period during which the options vest. The fair value of the options granted is estimated using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized in profit and loss is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The offset to the recorded cost is to share-based payments reserve.

Upon expiry of share options, the recorded value is transferred to deficit from share-based payment reserve.

(e) Income taxes

Income tax for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

<u>Deferred taxes</u>

Deferred income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities.

Deferred income tax assets and liabilities are measured using income tax rates in effect for the period in which those temporary differences are expected to be recovered or settled based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. The effect on deferred income tax assets and liabilities of a change in income tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

<u>Current tax</u>

This is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end adjusted for amendments to tax payable with regards to previous years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Exploration and evaluation assets and expenditures

Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination. Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(g) Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate of the rehabilitation provisions, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Where an item of property, plant and equipment or mine properties comprises significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. Depreciation of the plant will commence when the commissioning is complete and it is available for its intended use.

(h) Impairment of non-financial assets

At each reporting date the carrying amounts of the Company's property, plant and equipment and exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations for the period.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. This generally results in the Company evaluating its non-financial assets on a geographical or license basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign currencies

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. The Company's foreign subsidiaries are considered extensions of the parent company. Monetary assets and liabilities are translated to Canadian dollars at the rate in effect at the statement of financial position date. Non-monetary items are translated at historical rates. Revenue and expenses are translated at the average exchange rate for the period. The resulting gain or loss is included in the consolidated statement of operations.

(j) Financial assets and liabilities

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets and liabilities include cash, marketable securities, derivative instruments, amounts receivable and accounts payable and accrued liabilities.

The Company has designated its cash and amounts receivable as loans and receivables, which are measured at amortized cost. Derivative instruments are classified at fair value through profit and loss. Marketable securities have been classified as available-for-sale ("AFS") and are recorded at their fair values with changes in fair value included in other comprehensive loss until the asset is removed from the statement of financial position or until impairment is assessed as other than temporary. Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Transaction costs associated with fair value through profit and loss financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and other financial liabilities are included in the initial carrying amount of the asset or the liability.

Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive loss and included in shareholders' equity on the consolidated statement of financial position. All other non-derivative financial instruments were recorded at amortized cost, subject to impairment reviews.

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on 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); and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2015 and 2014, the Company had marketable securities that were classified as Level 1. As at December 31, 2014 the Company had derivative instruments classified as Level 2.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of financial assets (continued)

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 estimate 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.

(l) Decommissioning and restoration provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged to profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized costs. Costs rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

The Company did not have any significant decommissioning and restoration provisions as of December 31, 2015 and 2014.

Other provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash flow and timing can be reliably estimated.

(m) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. In the Company's case, diluted loss per share is the same for the years ended December 31, 2015 and 2014 as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

(n) Joint ventures

A portion of the Company's exploration activities may be conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interests in mineral properties. Joint venture accounting is applied by the Company only when the parties have earned their respective interests and enter into formal comprehensive agreements for ownership and exploration participation. The Company was not party to any joint ventures as of December 31, 2015 and 2014.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues, incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company operates in one business segment, mineral exploration and two geographical segments, Peru and Canada, as at December 31, 2015 and 2014.

(p) Foreign exchange forward contracts

Foreign exchange forward contracts are valued at the fair value thereof on the reporting date. The estimated fair value of these forward contracts is the gain or loss that would be realized if, on the reporting date, the positions were to be closed out. When the forward contracts are transferred or expire, realized gains or losses on forward contracts are recognized and are included in profit or loss as net realized gain (loss) on derivative instruments. The fair value of foreign exchange forward contracts is determined using estimated forward currency exchange rates.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges
  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Capitalization of exploration and evaluation costs
  Management has determined that capitalized exploration and evaluation costs have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 9 for details of capitalized exploration and evaluation costs.

- 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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

- Impairment of exploration and evaluation assets
  While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future pre-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

- Estimation of decommissioning and restoration costs and the timing of expenditure
  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.

- Income and other taxes and recoverability of potential deferred tax assets
  The Company is subject to income and other taxes in various jurisdictions. 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 and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. 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 filings are subject to 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. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

- Share-based payments
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies
  See Notes 2 and 19.

(Expressed in Canadian dollars)

6. MARKETABLE SECURITIES

The Company's marketable securities, consist of 100,000 common shares (2014 – 1,000,000 common shares before 10:1 share consolidation) of Quikflo Health Inc. (formerly Viper Gold Ltd.) and 215,560 (2014 – Nil) common shares of Rio Silver Inc.("Rio Silver"). The Company acquired the Rio Silver shares as consideration for settlement of an accounts receivable balance of $10,778. The fair value of the listed available-for-sale investment has been determined directly by reference to published price quotations in an active market.

7. DERIVATIVE INSTRUMENTS

Foreign exchange forward contracts
As of December 31, 2014, the Company was party to foreign exchange forward contracts to purchase US$3,000,000 for Cdn$3,425,900 as follows:

Foreign exchange forward contracts	Buy Amount	Sell Currency	Sell Amount	Maturity Date
USD	$1,000,000	CAD	$1,136,400	29-May-15
USD	$1,000,000	CAD	$1,136,000	29-May-15
USD	$1,000,000	CAD	$1,153,500	29-May-15
	$3,000,000		$3,425,900	

The Company does not apply hedge accounting to account for its foreign exchange forward contracts. On March 31, 2015 the Company settled US$500,000 for a realized net gain of $57,050. On May 26, 2015 the Company settled the remaining US$2,500,000 for a realized net gain of $251,550, resulting in a total realized net gain of $308,600 for the year ended December 31, 2015 (2014 – unrealized gain of $62,200).

(Expressed in Canadian dollars)

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Office furniture and equipment	Computer equipment	Field equipment	Camp equipment and buildings	Plant	Total
	$	$	$	$	$	$
Balance at December 31, 2013	41,128	27,297	68,854	163,060	-	300,339
Disposals	(11,546)	-	(53,706)	(163,060)	-	(228,312)
Balance at December 31, 2014	29,582	27,297	15,148	-	-	72,027
Additions	-	-	-	-	414,184	414,184
Balance at December 31, 2015	29,582	27,297	15,148	-	414,184	486,211

Amortization and impairment	Office furniture and equipment	Computer equipment	Field equipment	Camp equipment and buildings	Plant	Total
	$	$	$	$	$	$
Balance at December 31, 2013	16,366	21,623	31,745	40,279	-	110,013
Additions	18,662	2,839	3,072	4,629	-	29,202
Disposals	(6,737)	-	(26,567)	(44,908)	-	(78,212)
Balance at December 31, 2014	28,291	24,462	8,250	-	-	61,003
Additions	1,291	2,835	308	-	-	4,434
Balance at December 31, 2015	29,582	27,297	8,558	-	-	65,437

Carrying amounts	Office furniture and equipment	Computer equipment	Field equipment	Camp equipment and buildings	Plant	Total
	$	$	$	$	$	$
At December 31, 2014	1,291	2,835	6,898	-	-	11,024
At December 31, 2015	-	-	6,590	-	414,184	420,774

On September 14, 2015 the Company and its wholly-owned subsidiary Madosac entered into an agreement with a private Peruvian company to establish a mineral processing plant in northern Peru. Under the terms of the agreement Duran will invest US$1.5million and establish a line of credit of US$250,000 for the purpose of general working capital for the start-up. The private Peruvian company holds the concessions on which the plant is being built and will hold a 20% interest in Madosac once all permitting has been granted and the concessions have been transferred to Madosac. The Company has the necessary permits in place to construct the mineral processing plant. As at December 31, 2015, the 20% interest in Madosac has not been transferred to the private Peruvian Company. In connection with the plant, the Company has paid $250,921 in deposits, as at December 31, 2015 for equipment received in 2016 (2014-$Nil). See Note 19.

9. EXPLORATION AND EVALUATION ASSETS

	December 31, 2013	Additions (Recoveries)	December 31, 2014	Write-down	December 31, 2015
	$	$	$	$	$
Peru					
Hatum Minas Properties	1,470,906	-	1,470,906	(888,855)	582,051
Total Exploration Properties	1,470,906	-	1,470,906	(888,855)	582,051

(Expressed in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

Hatum Minas Properties
In July 2010, the Company acquired certain mineral properties in Peru (the "Hatum Minas Properties") through an amalgamation with Double Jack Mines Limited ("Double Jack"). The Company issued 9,393,346 common shares (valued at $1,268,102) to the Double Jack shareholders as consideration.

The Hatum Minas Properties include the Ichuña copper-silver project, the Panteria porphyry copper project, and the Don Pancho silver-lead-zinc polymetallic projects. Title to the Hatum Minas Properties is held by the Company's wholly-owned Peruvian subsidiary, Hatum Minas SAC. The Company has been unable to source a joint venture partner for these projects. For financial reporting purposes, due to the absence of sufficient verifiable information to support the existing carrying value of certain of the Hatum Minas properties, the Company recorded a write-down of exploration and evaluation assets of $888,855 during the year ended December 31, 2015 (2014-$Nil).

See Exploration and Evaluation Expenditures (Note 13).

10. PROMISSORY NOTES AND INTEREST EXPENSE

In March and April 2014 the Company issued a total of $58,000 in unsecured promissory notes bearing interest at an annual rate of 18% and repayable on demand. As at December 31, 2014 the promissory notes and accumulated interest of $2,070 had been repaid (Note 16).

11. CAPITAL STOCK AND WARRANT RESERVE

a) Authorized, Issued and Outstanding shares

Authorized - unlimited number of common shares with no par value,
- 100,000,000 preferred shares with no par value

A summary of common shares outstanding as at December 31, 2015 and 2014 and changes during the years then ended are presented below:

	Shares #	Amount $
Balance, December 31, 2013	234,331,435	49,844,141
Share cancellation (i)	(181,565)	(38,620)
Balance, December 31, 2014	234,149,870	49,805,521
Issued for services (ii)	500,000	25,000
Balance, December 31, 2015	234,649,870	49,830,521

(i) During the year ended December 31, 2014, the Company cancelled 181,565 shares relating to entitlement to unexchanged predecessor shares following the expiry of the period of surrender related to the acquisition of MacMillian Gold Corp. in October 2008.

(ii) In December 2015 the Company received TSX Venture approval to settle an aggregate of $25,000 indebtedness owed to Alpha Resources Advisors S.A.C. ("Alpha") through the issuance of 500,000 common shares at a deemed price of $0.05 per common share. The common shares issued in connection with this shares for debt transaction are subject to a hold period of four months and one day from the date of issuance.

(Expressed in Canadian dollars)

11. CAPITAL STOCK AND WARRANT RESERVE (continued)

b) Share Purchase Warrants

A summary of warrants outstanding as at December 31, 2015 and 2014 and changes during the years then ended are presented below:

	Warrants #	Amount $	Weighted average exercise price $
Balance December 31, 2013	11,051,667	220,269	0.17
Expired	(2,500,000)	(79,605)	0.25
Balance December 31, 2014	8,551,667	140,664	0.21
Expired	(8,551,667)	(140,664)	0.21
Balance December 31, 2015	-	-	

12. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

The Company has adopted a share option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors.

The aggregate number of share options shall not exceed 10% of the issued and outstanding common shares of the Company, and if any option granted under the Plan expires or terminates for any reason in accordance with the terms of the Plan without being exercised, that option shall again be available for the purpose of the Plan. In addition, the exercise price of options granted under the Plan shall not be lower than the exercise price permitted by the TSX Venture Exchange, and all options granted under the plan will have a term not to exceed five years after issuance. All options issued since May 2010 have vested 100% on the date of grant.

A summary of the status of the Plan as at December 31, 2015 and 2014, and changes during the years ended on those dates are presented below:

	Number of options #	Weighted average exercise price $
Balance, December 31, 2013	17,995,000	0.19
Expired	(3,995,000)	0.18
Balance, December 31, 2014	14,000,000	0.19
Expired	(4,150,000)	0.15
Balance, December 31, 2015	9,850,000	0.21

(Expressed in Canadian dollars)

12. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN (continued)

As at December 31, 2015, the Company had outstanding share options issued to directors, officers and employees of the Company as follows:

Date of Grant	Options Outstanding #	Options Vested #	Exercise Price $	Expiry Date
March 14, 2011	4,050,000	4,050,000	0.29	March 14, 2016
June 29, 2011	1,400,000	1,400,000	0.215	June 29, 2016
January 11, 2012	600,000	600,000	0.24	January 10, 2017
April 18, 2012	500,000	500,000	0.15	April 18, 2017
June 28, 2012	2,750,000	2,750,000	0.10	June 28, 2017
August 20, 2012	200,000	200,000	0.10	August 20, 2017
February 19, 2013	350,000	350,000	0.10	February 18, 2018
	9,850,000	9,850,000		

The weighted average remaining contractual life of options issued and outstanding as at December 31, 2015 was 1.81 years (December 31, 2014 was 1.80 years).

13. EXPLORATION AND EVALUATION EXPENDITURES

Total exploration and evaluation expenditures are as follows:

	$
Balance, December 31, 2013	19,900,566
Additions	1,500,919
Recovery	(7,163,619)
Balance, December 31, 2014	14,237,866
Additions	1,848,905
Recovery	(69,200)
Balance, December 31, 2015	16,017,571

During the year ended December 31, 2015, the Company had net exploration and evaluation expenditures of $1,779,705 (2014 – net recovery of $5,662,700 due to the sale of the Aguila and Corongo projects on May 8, 2014).

Mamaniña Project
The Company holds a 100% interest in the Mamaniña copper/gold project located in north central Peru. Title to the concessions comprising this project is held by the Company's wholly owned subsidiary, Mamaniña Exploraciones, SAC.

Panteria Project
The Company holds a 100% interest in the Panteria phorphyry copper project located in south central Peru. Title to the concessions comprising this project is held by the Company's wholly owned subsidiary, Hatum Mines SAC.

Don Pancho Project
The Company holds a 100% interest in the Don Pancho silver-lead-zinc project located in central Peru. Title to the Don Pancho Project is held by Hatum Minas SAC, the Company's wholly-owned Peruvian subsidiary.

In December 2012, the Company entered in a Definitive Agreement (the "Option Agreement") with a private Peruvian mining Company (the "Optionee") whereby the Optionee could earn a 70% interest in the Company's Don Pancho Project for total cash consideration of US$250,000 up to December 31, 2012.

(Expressed in Canadian dollars)

13. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Don Pancho Project (continued)
In August 2014 the Company was advised by the Optionee that it was terminating the Option Agreement on the Don Pancho property.

Ichuña Project
The Company holds a 100% interest in the Ichuña copper/silver project, located in southern Peru. Title to the Ichuña Project is held by Hatum Minas SAC, the Company's wholly-owned Peruvian subsidiary.

Minasnioc Project
The Minasnioc Gold Project concessions are located in the Department of Huancavelica, approximately 300 kilometres southeast of Lima. Title to the Minasnioc Gold Project property is held by the Company's wholly-owned Peruvian subsidiary, Empresa Querco SAC.

In January 2013, the Company signed a Definitive Agreement with Rio Alto Mining Limited ("Rio Alto"), whereby Rio Alto had the option to acquire a 51% interest in the Minasnioc property. In November 2014 Rio Alto advised the Company that it would not exercise its option on the Minasnioc Gold Project.

In December 2015 the Company entered into an agreement with a private Peruvian mining company (the "Optionee") whereby the Optionee can earn a 100% interest in the Minasnioc Project by paying Duran US$750,000 ($1,038,000) (US$50,000 received ($69,200)) by December 2017, subject to the Optionee receiving approval from the local Minasnioc community. The Company will also be entitled to a 1.0% Net Smelter Royalty on all concessions except for certain concessions acquired from Barrick Gold Corp. in April 2012.

Huachocolpa Properties
The Company holds a 100% interest in the Huachocolpa Properties, which consist of 82 contiguous and non-contiguous mining concessions in the Department of Huancavelica, approximately 260 kilometres southeast of Lima.

Aguila and Corongo Projects
On May 8, 2014, the Company sold its 100% interest in the Aguila mining concessions and related assets, exploration camp and storage facilities, and its 50% interest in the Corongo project for gross proceeds to the Company of US$7,000,000 ($7,163,619).

14. LOSS (INCOME) PER SHARE

a) Basic
Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares in issue during the year.

	Year Ended December 31, 2015	2014
Net loss (income) for the year	2,643,671	(5,135,889)
Weighted average number of common shares outstanding	234,192,336	234,331,435
Loss (income) per share	0.01	(0.02)

(Expressed in Canadian dollars)

14. LOSS (INCOME) PER SHARE (continued)

b) Diluted

Diluted loss per common share is equal to the basic loss per common share for the year ended December 31, 2015 as all of the stock options and warrants outstanding are anti-dilutive.

Diluted income per common share is equal to the basic income per common share as the exercise price of the stock options and warrants outstanding was higher than the Company's share price during the year end December 31, 2014.

15. GENERAL AND ADMINISTRATIVE

	2015 **$**	2014 **$**
Management and consulting fees	299,168	305,004
Directors fees	35,500	-
Professional fees	64,349	169,228
Accounting and administration	64,540	75,886
Shareholder and filing fees	95,492	94,854
Office and general	20,176	14,776
Insurance	33,921	26,059
Telephone and communication	11,341	9,356
Travel	55,386	54,255
Rent	28,482	29,459
Foreign exchange gain	(313,238)	(291,913)
Amortization	4,434	29,202
Loss on sale of fixed assets	-	81,061
	399,551	597,227

16. RELATED PARTY TRANSACTIONS

Related parties include officers of the Company, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including the directors of the Company. The remuneration of key management personnel of the Company for the years ended December 31, 2015 and 2014 were as follows.

	2015 $	2014 $
Aggregate cash compensation	604,537	595,188
Director's fees	35,500	-
	640,037	595,188

As at December 31, 2015, a balance of $76,018 (2014 - $Nil) was due to certain officers and directors of the Company.

During the year ended December 31, 2015 interest of $Nil (2014 - $2,070) on promissory notes was paid to an officer of the Company.

No stock options were granted to related parties under the Company's stock option plan during the years ended December 31, 2015 and 2014.

17. FINANCIAL RISK FACTORS

The Company may be exposed to risks of varying degrees of significance that could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below. There have been no significant changes in the risks, objectives, policies and procedures from the previous period.

a) Credit risk management

Credit risk relating to cash and amounts receivable arises from the possibility that any counterparty to an instrument fails to perform. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and receivables.

b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Cash includes cash on hand and balances with banks. The deposits are held in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank.

As of December 31, 2015, the Company had a cash balance of $2,497,888 (2014 - $4,950,363) to settle current accounts payable and accrued liabilities of $221,583 (2014 - $188,376). The Company's other current assets consist of marketable securities of $34,311 (2014 - $5,000), amounts receivable of $63,389 (2014 - $86,819), derivative instruments of $Nil (2014 - $62,200) and prepaid expenses and advances of $58,681 (2014 - $36,767).

c) Market risk

At the present time, the Company does not hold any interest in a mining property that is in production. The Company's viability and potential success depends on its ability to develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future mining operations in which the Company is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Company's control. The fair value of the Company's marketable securities is also influenced by these factors and is therefore subject to market risk. A change of plus or minus 5% in Canadian equity prices would affect comprehensive income (loss) by approximately $1,716 based on the fair value of marketable securities held at December 31, 2015.

d) Foreign exchange risk

The Company's financings are in Canadian dollars. Certain of the Company's transactions with its subsidiaries are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in exchange rates.

As at December 31, 2015, the Company had cash balances of $1,865,369 (US$1,347,810) (2014 - $512,989 (US$442,195)) in U.S. dollars, and $18,202 (S/.44,876) (2014 - $32,597 (S/. 83,626)) in Peruvian New Sol ("PNS"); and accounts payable of $111,611 (S/.275,176) (2014 – $41,981 (S/.110,388)) in PNS.

(Expressed in Canadian dollars)

17. FINANCIAL RISK FACTORS (continued)

d) Foreign exchange risk (continued)

Sensitivity to a plus or minus 5% change in the foreign exchange rate would have affected the net loss by approximately $70,279 for the year ended December 31, 2015 based on the net foreign currency monetary assets as at December 31, 2015.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposure associated with the Company's foreign currency-denominated cash balances. The Company utilizes foreign exchange forward contracts to manage foreign exchange risks from time to time, at the determination of management.

e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's cash balances earn interest at fixed rates over the next three to twelve months. It is management's opinion that the Company is not exposed to significant interest rate risk. The Company has no interest bearing debt.

A sensitivity analysis has determined that an interest rate fluctuation of 1% would not have resulted in significant fluctuation in the interest income during the year ended December 31, 2015.

f) Fair value of financial assets and liabilities

The book values of the cash, amounts receivable and accounts payable and accrued liabilities, approximate their respective fair values due to the short-term nature of these instruments.

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Carrying amount	Fair Value	Carrying amount	Fair Value
	As at December 31, 2015		As at December 31, 2014	
	$	$	$	$
Cash	2,497,888	2,497,888	4,950,363	4,950,363
Marketable securities	34,311	34,311	5,000	5,000
Amounts receivable	47,738	47,738	86,819	86,819
Derivative instruments	-	-	62,200	62,200
Accounts payable and accrued liabilities	(221,583)	(221,583)	(188,376)	(188,376)

18. CAPITAL RISK MANAGEMENT

The Company defines capital as shareholders' equity which at December 31, 2015 was $3,686,432 (2014 - $6,323,703). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operation activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at December 31, 2015 and 2014, the Company had no bank debt.

18. CAPITAL RISK MANAGEMENT (continued)

Management reviews its capital management approach on an ongoing basis. There were no significant changes in the Company's approach to capital management during the years ended December 31, 2015 and 2014. The Company and its subsidiaries are not subject to externally imposed capital requirements other than Policy 2.5 of the TSX Venture Exchange, which requires adequate working capital or financial resources to maintain operations and cover general and administrative expenses for a period of 6 months.

19. COMMITMENTS AND CONTINGENCIES

Aguila Norte Plant
As at December 31, 2015 the Company had contractual commitments to pay US$79,431 ($109,933) for acquisition of plant equipment and US$164,220 ($227,280) for plant construction.

Lease agreements
The Company signed a lease agreement for office space expiring on May 31, 2016. The remaining lease payments net of sub-lease revenue are approximately $12,762. Effective December 1, 2014, the Company entered into an agreement to sub-lease this office space for annual lease payments receivable of approximately $125,200, expiring on May 31, 2016.

Effective December 1, 2014 the Company entered into an agreement to sub-lease additional office space expiring on July 30, 2016. The annual lease payment, before sub-lease income, is approximately $48,000. There are lease payments of $28,000 remaining on this sub-lease.

The Company's subsidiary, Madosac, has annual office rental obligations of US$20,400 ($28,234).

Advisory services contract
The Company has engaged Alpha to provide financial and strategic corporate advisory services for a period of twelve months. As at December 31, 2015 there were remaining monthly payment obligations of US$33,000 ($45,672).

Management contracts
Effective January 1, 2015, the Company entered into certain management and consulting contracts. Minimum annual payments are approximately $415,000. These contracts also require that additional payments of up to $1,206,200 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

Environmental matters
The Company's 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 has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Legal proceeding
The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2015 and 2014, no amounts have been accrued related to such matters.

(Expressed in Canadian dollars)

20. INCOME TAXES

a) Provision for Income Taxes

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

	2015 $	2014 $
(Loss) income before income taxes	(2,798,271)	5,130,389
Expected income tax recovery based on statutory rate	(742,000)	1,360,000
Adjustments to expected income tax benefit:		
Expiry and use of non-capital losses	151,000	152,000
Effect of tax rates in foreign jurisdictions	(49,000)	228,000
Foreign exchange	(147,000)	(38,000)
Other	(393,000)	48,500
Deferred tax assets previously not recognized	699,000	(1,972,000)
Tax benefits not recognized	352,000	211,000
Income tax (recovery)	(129,000)	(10,500)
Deferred taxes recognized directly in equity	18,000	10,500
Total taxation	111,000	-

b) Deferred Income Tax Balances

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities approximate the following:

Recognized deferred tax assets and liabilities

	2015 $	2014 $
Non-capital losses	-	5,000
Exploration and evaluation assets	-	(116,000)
Total	-	(111,000)

Unrecognized deferred tax assets

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

	2015 $	2014 $
Non-capital loss carry-forwards – Canada	10,312,000	9,109,000
Non-capital loss carry-forwards – Peru	9,316,000	7,558,000
Capital losses	659,000	1,244,000
Share issue costs	53,000	125,000
Exploration and evaluation assets – Canada	8,469,000	12,012,000
Exploration and evaluation assets – Peru	2,629,000	632,000
Marketable securities	137,000	162,000
Other	114,000	149,000
	31,689,000	30,991,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(Expressed in Canadian dollars)

20. INCOME TAXES (continued)

c) Tax Loss Carry-Forwards

As at December 31, 2015, the Company had resource pools of approximately $8,500,000 in Canada and (S/. 6,520,000) $2,600,000 in Peru, which under certain circumstances, may be utilized to reduce taxable income of future years. The Company has approximately $10,312,000 of non-capital losses in Canada and approximately (S./ 22,915,000) $9,176,000 of non-capital losses in Peru, which can be used to reduce taxable income in future years. If not utilized, the non-capital losses in Canada and Peru will expire as follows:

Year of Expiry	Canada Amount $	Peru Amount S./	Peru Amount $
2016	-	38,000	5,000
2017	-	115,000	46,000
2018	-	1,333,000	534,000
2019	-	1,253,000	502,000
2025	18,000		
2026	507,000	-	-
2027	966,000	-	-
2028	734,000	-	-
2029	685,000	-	-
2030	1,032,000	-	-
2031	776,000	-	-
2032	1,612,000	-	-
2033	847,000	-	-
2034	1,604,000	-	-
2035	1,531,000	-	-
Indefinite	-	20,176,000	8,079,000
	10,312,000	22,915,000	9,166,000