
Iron South Mining Corp.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed consolidated interim financial statements.

Iron South Mining Corp.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	Note	March 31, 2016 \$	December 31, 2015 \$
ASSETS			
Current assets			
Cash		13,938	7,362
Accounts receivables and prepaid expenses		1,036	610
Total current assets		<u>14,974</u>	<u>7,972</u>
Non-current assets			
Exploration and evaluation assets	3	<u>340,493</u>	<u>340,493</u>
Total non-current assets		<u>340,493</u>	<u>340,493</u>
Total Assets		<u>355,467</u>	<u>348,465</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		22,823	25,530
Interest payable	4	6,512	5,074
Loans payable	4	<u>88,688</u>	<u>66,456</u>
Total liabilities		<u>118,023</u>	<u>97,060</u>
EQUITY			
Share capital	5	14,028,136	14,028,136
Reserves	5	2,327,090	2,327,090
Deficit		<u>(16,117,782)</u>	<u>(16,103,821)</u>
Total equity		<u>237,444</u>	<u>251,405</u>
Total Equity and Liabilities		<u>355,467</u>	<u>348,465</u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 25, 2016. They are signed on the Company's behalf by:

"Nikolaos Cacos" , Director

"Brian McEwen" , Director

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

Iron South Mining Corp.*(An Exploration Stage Company)***Consolidated Statements of Loss and Comprehensive Loss***(Unaudited - Expressed in Canadian Dollars)*

	Note	Three months ended March 31,	
		2016	2015
		\$	\$
Expenses			
Accounting and audit		160	-
Corporate development and investor relations		234	1,441
Foreign exchange (gain) loss		(948)	943
Legal and professional fees		1,559	1,013
Office and sundry		235	236
Transfer agent and regulatory fees		6,702	11,176
Loss from operating activities		7,942	14,809
Other expenses (income)			
Finance expense	4	4,600	5,400
Interest expense	4	1,438	759
Interest income		(19)	(15)
Total loss and comprehensive loss		13,961	20,953
Basic and diluted loss per common share	6	0.00	0.00

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

Iron South Mining Corp.*(An Exploration Stage Company)***Consolidated Statements of Cash Flows***(Unaudited - Expressed in Canadian Dollars)*

	Three months ended March 31,	
	2016	2015
	\$	\$
Cash flows from operating activities		
Loss for the period	(13,961)	(20,953)
Foreign exchange (gain) loss on loan payable	(768)	958
Finance expense	4,600	5,400
Interest expense	1,438	759
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivables and prepaid expenses	(426)	89
(Decrease) in accounts payable and accrued liabilities	(7,307)	(264)
Net cash used in operating activities	(16,424)	(14,011)
Cash flows from financing activities		
Proceeds from loans payable	23,000	27,000
Net cash generated by financing activities	23,000	27,000
Net increase in cash during the period	6,576	12,989
Cash at beginning of period	7,362	3,236
Cash at end of period	13,938	16,225

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

Iron South Mining Corp.
(An Exploration Stage Company)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital		Reserves			Total \$
	Number of shares	Amount \$	Contributed surplus \$	Equity settled share-based payments \$	Deficit \$	
Balance at December 31, 2014	8,171,525	14,028,136	2,265,920	61,170	(16,064,339)	290,887
Stock options expired	-	-	30,963	(30,963)	-	-
Total comprehensive (loss) for the period	-	-	-	-	(20,953)	(20,953)
Balance at March 31, 2015	8,171,525	14,028,136	2,296,883	30,207	(16,085,292)	269,934
Total comprehensive (loss) for the period	-	-	-	-	(18,529)	(18,529)
Balance at December 31, 2015	8,171,525	14,028,136	2,296,883	30,207	(16,103,821)	251,405
Total comprehensive (loss) for the period	-	-	-	-	(13,961)	(13,961)
Balance at March 31, 2016	8,171,525	14,028,136	2,296,883	30,207	(16,117,782)	237,444

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

Iron South Mining Corp.*(An Exploration Stage Company)***Consolidated Schedules of Exploration and Evaluation Assets and Exploration Expenditures***(Unaudited - Expressed in Canadian Dollars)***Acquisition Costs**

	Argentina Fierro	
	March 31, 2016	December 31, 2015
	\$	\$
Balance, beginning of period	340,493	340,493
Balance, end of period	340,493	340,493

Exploration Expenditures

	Argentina Fierro		Other	March 31, 2016	December 31, 2015
	\$	\$		\$	\$
Cumulative exploration costs, beginning of period	180,878	6,465,043		6,645,921	6,645,921
Cumulative exploration costs, end of period	180,878	6,465,043		6,645,921	6,645,921

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

Iron South Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars Unless Otherwise Noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Iron South Mining Corp. (the “Company”) was incorporated on April 11, 2000 in the Province of British Columbia and was transitioned under the Business Corporations Act (BC) on June 17, 2004. The address of the Company’s registered office is Suite 411 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in the Americas and Argentina. The Company presently has no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

The amounts shown as mineral property interests represent costs incurred to date, less option payment proceeds and amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral property interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to interim financial statements and 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.

The Company has experienced recurring operating losses and has an accumulated operating deficit of \$16,117,782 and shareholders’ equity of \$237,444 at March 31, 2016. In addition, the Company had a working capital deficiency of \$103,049 at March 31, 2016. Working capital is defined as current assets less current liabilities and provides a measure of the Company’s ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management’s plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standard 34 ‘Interim Financial Reporting’.

These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”) and included in Part 1 of the Handbook of the Chartered Professional Accountants of Canada.

Iron South Mining Corp.

(An Exploration Stage Company)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent annual consolidated financial statements and were consistently applied to all the periods presented unless otherwise noted.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on May 25, 2016.

Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	Place of Incorporation	Principal Activity
Amera-Chile Sociedad Contractual Minera	Chile	Holding company
Amera Resources (BVI) Inc.	British Virgin Islands	Holding company
Amera Resources (US) Inc.	United States of America	Exploration company
Hierros Del Peru S.A.C.	Peru	Holding company
Hierros Del Sur S.A.	Argentina	Holding company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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Notes to the Condensed Consolidated Interim Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

Critical accounting judgments

- i. Presentation of the condensed consolidated interim financial statements which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.
- ii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- iii. The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- iv. Management is required to assess impairment in respect to the Company's intangible mineral property interests. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves.

New Accounting Standards and Interpretations

The International Accounting Standards Board has issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements. The following is a brief summary of the new and amended standards and interpretations:

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. In July 2014 IFRS 9, Financial Instruments (“IFRS 9”) was issued. The completed standard provides revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. This final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

3. EXPLORATION AND EVALUATION ASSETS

The following represents the exploration and evaluation assets the Company is continuing to explore as at March 31, 2016:

Fierro Property, Rio Negro Province, Argentina

On October 21, 2011, the Company entered into an option agreement with a non-arm’s length private company whereby the Company will have the right to earn a 100% interest in the Fierro Property. The agreement received approval from the TSX Venture Exchange (TSX-V) on April 4, 2012. On April 4, 2013, the option agreement was amended to provide for a one year extension of the Company’s first year’s required expenditures on the property in consideration of the issuance of an additional 83,332 common shares of the Company for a total of 333,332 common shares. On April 4, 2014, the option agreement was further amended to accelerate the earn-in provisions such that the Company earned an immediate 100% interest in the property resulting in the Optionor waiving the remaining work commitments in exchange for accelerating and completing the issuance of 1,166,666 common shares.

On the commencement of commercial production, the Property will be subject to a 2% Net Smelter Royalty (“NSR”) of which 1% can be purchased for \$2,000,000 at any time.

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4. LOANS PAYABLE

At March 31, 2016, the Company had the following loans payable:

	March 31, 2016		
	Maturity	Currency	Amount
Unsecured, non-interest bearing	On demand	United States dollar	\$11,688
Unsecured, non-interest bearing	On demand	Canadian dollar	\$12,000
Unsecured, 12% annual interest rate (1)	On demand	Canadian dollar	\$7,000
Unsecured, 12% annual interest rate (2)	On demand	Canadian dollar	\$20,000
Unsecured, 12% annual interest rate (3)	On demand	Canadian dollar	\$15,000
Unsecured, 12% annual interest rate (4)	On demand	Canadian dollar	\$23,000
			<u>\$88,688</u>

At December 31, 2015, the Company had the following loans payable:

	December 31, 2015		
	Maturity	Currency	Amount
Unsecured, non-interest bearing	On demand	United States dollar	\$12,456
Unsecured, non-interest bearing	On demand	Canadian dollar	\$12,000
Unsecured, 12% annual interest rate (1)	On demand	Canadian dollar	\$7,000
Unsecured, 12% annual interest rate (2)	On demand	Canadian dollar	\$20,000
Unsecured, 12% annual interest rate (3)	On demand	Canadian dollar	\$15,000
			<u>\$66,456</u>

(1) \$7,000 Unsecured, 12% annual interest rate & finance expense

On January 13, 2015, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is \$7,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on demand. As additional consideration for providing the loan, the Company will pay to the lender an arrangement fee in an amount equal to 20% of the principal amount of the loan totalling \$1,400. Such amount is payable at the election of the lender in cash or common shares, or a combination of both. Payment of all or any part of the arrangement fee in common shares is subject to TSX Venture Exchange approval.

(2) \$20,000 Unsecured, 12% annual interest rate & finance expense

On March 10, 2015, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is \$20,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on demand. As additional consideration for providing the loan, the Company will pay to the lender an arrangement fee in an amount equal to 20% of the principal amount of the loan totalling \$4,000. Such amount is payable at the election of the lender in cash or common shares, or a combination of both. Payment of all or any part of the arrangement fee in common shares is subject to TSX Venture Exchange approval.

Iron South Mining Corp.

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Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars Unless Otherwise Noted)

4. LOANS PAYABLE (continued)

(3) \$15,000 Unsecured, 12% annual interest rate & finance expense

On September 17, 2014, the Company entered into a loan agreement with a private company. The principal amount of the loan is used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on demand. As additional consideration for providing the loan, the Company will pay to the Lender an arrangement fee in an amount equal to 20% of the principal amount of the loan totalling \$3,000. Such amount is payable at the election of the Lender in cash or common shares, or a combination of both. Payment of all or any part of the arrangement fee in common shares is subject to TSX Venture Exchange approval.

(4) \$23,000 Unsecured, 12% annual interest rate & finance expense

On March 7, 2016, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is \$23,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on demand. As additional consideration for providing the loan, the Company will pay to the lender an arrangement fee in an amount equal to 20% of the principal amount of the loan totalling \$4,600. Such amount is payable at the election of the lender in cash or common shares, or a combination of both. Payment of all or any part of the arrangement fee in common shares is subject to TSX Venture Exchange approval.

All loans payable may be repaid in whole or in part at any time, without notice or penalty.

5. CAPITAL AND RESERVES

Authorized Share Capital

The Company's authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX-V. Share purchase options granted generally vest immediately, and are subject to a four-month hold period and are generally exercisable for a period of up to ten years.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the three months ended March 31, 2016 is as follows:

Expiry date	Exercise Price	December 31, 2015	Granted	Exercised	Expired/ cancelled	March 31, 2016	Options exercisable
July 29, 2017	\$0.54	100,000	-	-	-	100,000	100,000
		100,000	-	-	-	100,000	100,000
Weighted average exercise price		\$0.54	-	-	-	\$0.54	\$0.54
Weighted average contractual remaining life (years)		1.6	-	-	-	1.3	1.3

The continuity of share purchase options for the three months ended March 31, 2015 is as follows:

Expiry date	Exercise Price	December 31, 2014	Granted	Exercised	Expired/ cancelled	March 31, 2015	Options exercisable
March 12, 2015	\$0.39	99,999	-	-	(99,999)	-	-
July 29, 2017	\$0.54	100,000	-	-	-	100,000	100,000
		199,999	-	-	(99,999)	100,000	100,000
Weighted average exercise price		\$0.47	-	-	\$0.39	\$0.54	\$0.54
Weighted average contractual remaining life (years)		1.4	-	-	-	2.3	2.3

6. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended March 31, 2016 and 2015 was based on the following:

	Three months ended March 31,	
	2016	2015
Loss attributable to common shareholders (\$)	13,961	20,953
Weighted average number of common shares outstanding	8,171,525	8,171,525

Diluted loss per share for the three months ended March 31, 2016 did not include the effect of 100,000 (March

7. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in the Americas and Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the three months ended March 31, 2016.

The Company's total non-current assets are segmented geographically as follows:

	March 31, 2016		December 31, 2015	
	Argentina	Total	Argentina	Total
Exploration and evaluation assets (\$)	340,493	340,493	340,493	340,493

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(Expressed in Canadian Dollars Unless Otherwise Noted)

8. FINANCIAL RISK MANAGEMENT

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Fair Values

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, interest payable and loans payable. The fair value of cash, receivables, accounts payable and accrued liabilities, interest payable and loans payable approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

At March 31, 2016 the Company's financial instruments measured at fair value are as follows:

		Level 1	Level 2	Level 3
		\$	\$	\$
	Carrying amount	Fair value		
	March 31, 2016	March 31, 2016		
Recurring measurements				
Financial Assets				
Cash	13,938	13,938	-	-

At December 31, 2015 the Company's financial instruments measured at fair value are as follows:

		Level 1	Level 2	Level 3
		\$	\$	\$
	Carrying amount	Fair value		
	December 31, 2015	December 31, 2015		
Recurring measurements				
Financial Assets				
Cash	7,362	7,362	-	-

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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8. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by depositing its cash with financial institutions that operate globally.

As the majority of the Company's receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and anticipates doing so again in the future. See Note 1 for further information.

Market risk

(i) Currency risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations in cash, accounts payable and loans payable usually denominated in US Dollars. The sensitivity of the Company's net and comprehensive loss due to changes in the exchange rate between the Canadian dollar and the US dollar is not material for the three months ended March 31, 2016.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest. The fair value of cash approximates its carrying value due to the immediate or short-term maturity of this financial instrument.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing or have prescribed interest rates.

(c) Capital Management

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of evaluation and exploration assets and support any expansionary plans.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

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8. FINANCIAL RISK MANAGEMENT (continued)

To effectively manage the Company's capital requirements, management has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop the project and anticipates doing so again in the future.

The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

The Company is not subject to any external covenants. There were no changes in the Company's approach to capital management during the three months ended March 31, 2016.

Additional information regarding capital management is disclosed in Note 1.