DESERT GOLD VENTURES, INC

# CONSOLIDATED FINANCIAL STATEMENTS

**(Expressed in US Dollars)**

**Year Ended December 31, 2015**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Desert Gold Ventures Inc.

We have audited the accompanying consolidated financial statements of Desert Gold Ventures Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity and 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 in our audits 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 Desert Gold Ventures Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Desert Gold Ventures Inc.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 28, 2016

**DESERT GOLD VENTURES INC.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(Expressed in US dollars)**

| | Note | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 317,634 | 298,717 |
| GST receivable | | 4,656 | 2,624 |
| Prepaid expenses | | 446 | 7,437 |
| | | 322,736 | 308,778 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 4 | 312,005 | 269,454 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 5 | 16,388,703 | 15,645,600 |
| Subscription receipt | 5 | - | 43,100 |
| Accumulated other comprehensive income | | 185,962 | 179,372 |
| Reserves | 5 | 16,806,863 | 16,806,863 |
| Deficit | | (33,370,797) | (32,635,611) |
| | | 10,731 | 39,324 |
| | | 322,736 | 308,778 |

**Subsequent event (Note 11)**

Approved for issuance by the Board of Directors on April 28, 2016

*"Sonny Janda"*
**Director - Sonny Janda**

*"Jared Scarf"*
**Director - Jared Scarf**

**DESERT GOLD VENTURES INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
**(Expressed in US dollars)**

| **Year ended December 31,** | **Note** | **2015** | **2014** |
|---|---|---|---|
| | | **$** | **$** |
| Expenses | | | |
| Depreciation | | - | 15,029 |
| Office and administration | | 117,335 | 61,612 |
| Professional and consutling fees | 7 | 376,623 | 631,545 |
| Prospecting rights and exploration | | 109,202 | 724,860 |
| Rent | 7 | 74,527 | 73,815 |
| Transfer agent and listing fees | | 33,600 | 15,187 |
| Travel | | 16,532 | 4,400 |
| | | (727,819) | (1,526,448) |
| Finance charges | | (624) | (3,201) |
| Foreign exchange gain (loss) | | (3,411) | 13,997 |
| Impairment of equipment | | - | (36,708) |
| Impairment of subsidiaries | 6 | (3,332) | - |
| Write off of accounts payable | | - | 66,248 |
| Sundry income | | - | 28,500 |
| **Net loss** | | (735,186) | (1,457,612) |
| Other comprehensive loss | | | |
| Foreign exchange translation loss | | 6,590 | (28,607) |
| **Total comprehensive loss** | | (728,596) | (1,486,219) |
| **Weighted average number of outstanding shares, basic and diluted** | | 6,055,003 | 4,406,804 |
| **Loss per share, basic and diluted** | | (0.12) | (0.33) |

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

**DESERT GOLD VENTURES INC.**
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
**(Expressed in US dollars)**

| | Share capital | | Subscription received | Reserves | | | Accumulated other comprehensive income | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Amount | | Others | Warrants | Share-based compensation | | Deficit | Total equity |
| | | $ | $ | $ | $ | $ | $ | $ | $ |
| **December 31, 2013** | 4,406,756 | 15,645,600 | - | 13,755,601 | 486,301 | 2,564,961 | 207,979 | (31,177,999) | 1,482,443 |
| **Subscription received** | - | - | 43,100 | - | - | - | - | - | 43,100 |
| Translation between functional and reporting currency | - | - | - | - | - | - | (28,607) | - | (28,607) |
| Loss for the year | - | - | - | - | - | - | - | (1,457,612) | (1,457,612) |
| **December 31, 2014** | 4,406,756 | 15,645,600 | 43,100 | 13,755,601 | 486,301 | 2,564,961 | 179,372 | (32,635,611) | 39,324 |
| Shares issuance - private placement | 8,507,142 | 743,103 | (43,100) | - | - | - | - | - | 700,003 |
| Translation between functional and reporting currency | - | - | - | - | - | - | 6,590 | - | 6,590 |
| Loss for the year | - | - | - | - | - | - | - | (735,186) | (735,186) |
| **December 31, 2015** | 12,913,898 | 16,388,703 | - | 13,755,601 | 486,301 | 2,564,961 | 185,962 | (33,370,797) | 10,731 |

**DESERT GOLD VENTURES INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Expressed in US dollars)**

| Year ended December 31, | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **OPERATING ACTIVITIES** | | |
| Loss for the year | (735,186) | (1,457,612) |
| Adjustments for non-cash items: | | |
| Depreciation | - | 15,029 |
| Impairment of plant and equipment | - | 36,708 |
| Impairment of subsidiaries | 3,332 | - |
| Foreign exchange | (7,041) | - |
| Changes in non-cash working capital items: | | |
| GST receivable | (2,654) | 11,867 |
| Prepaid expenses | 6,570 | (7,437) |
| Accounts payable and accrued liabilities | 85,292 | (96,911) |
| **Cash used in operating activities** | (649,687) | (1,498,356) |
| **INVESTING ACTIVITIES** | | |
| Redemption from guaranteed investment certificate | - | 10,754 |
| Collection of receivable - disposition of assets | - | 350,000 |
| **Cash provided by investing activities** | - | 360,754 |
| **FINANCING ACTIVITIES** | | |
| Proceeds from share issuance | 700,003 | - |
| Proceeds from subscriptions received in advance | - | 43,100 |
| **Cash provided by financing activities** | 700,003 | 43,100 |
| **Effect of foreign exchange rate on cash** | (31,399) | 12,070 |
| **Increase (decrease) in cash** | 18,917 | (1,082,432) |
| Cash, beginning of year | 298,717 | 1,381,149 |
| Cash, end of year | 317,634 | 298,717 |
| **Supplementary information:** | | |
| Interest paid in cash | - | 2,048 |
| Income taxes paid in cash | - | - |

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Desert Gold Ventures Inc. (the “Company” or “Desert Gold”) is an exploration stage Company with a corporate office at Suite 200 – 8338, 120th Street, Surrey, BC, Canada. The principal business of the Company is conducting mineral property exploration in Mali and Rwanda.

The Company is an exploration stage Company primarily involved in mining and exploration activities which has incurred recurring losses from inception. These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2015, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from equity and/or debt financing that is sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance the Company’s operations over the next twelve months through a private placement of common shares.

On July 24, 2015, the Company consolidated its common shares on a 10 old to 1 new basis. All shares and per share amounts have been shown on a post consolidated basis.

These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of consolidation and presentation

These consolidated financial statements have been prepared on an historical cost basis, modified where applicable. These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in US dollars, unless otherwise specified.

These consolidated financial statements include the accounts of the Company. and its subsidiaries. All intercompany transactions and balances have been eliminated. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries of the Company are as follows:

| Name | Country of incorporation | Ownership percentage | |
|---|---|---|---|
| | | December 31, 2015 | December 31, 2014 |
| TransAfrika Belgique S.A. | Belgium | 0% | 100% |
| TransAfrika Rwanda Gold S.A.R.L. | Rwanda | 100% | 100% |
| TransAfrika Mali S.A. | Mali | 74% | 74% |
| TransAfrika Senegal S.A. | Senegal | 0% | 100% |
| GoldBanks Nevada Ventures Inc. | USA | 100% | 100% |

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Statement of compliance

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

### c) Functional and reporting currency

These consolidated financial statements are prepared in US dollars which is the Company's reporting currency. The functional currency of the Company is the Canadian dollar. All of the Company's subsidiaries use the US dollar as their functional currency except for TransAfrika Mali which uses the CFA franc.

### d) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

***Critical Judgments***

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1 and the functional currency of the Company and its subsidiaries.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

***Key Sources of Estimation Uncertainty***

*Share-based compensation*

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### d) Use of judgments and estimates (continued)

*Deferred tax assets and liabilities*
The measurement of deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

### e) Mining exploration

Exploration costs incurred prior to the Company obtaining the legal right to explore it are expensed in the period in which they are incurred.

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition and exploration of mineral properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

Exploration and evaluation expenditures for the Company's investments in a resource property are carried forward as an asset provided that one of the following conditions are met; (i) such costs are expected to be recouped in full through successful development and exploration of the mineral property, or alternatively by sale; or (ii) although exploration and evaluation activities in the mineral property have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, active field work and other activities in relation to the mineral property are continuing, or planned for the foreseeable future.

The carrying values of capitalized amounts are reviewed annually or whenever indicators of impairment are present. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for the development of such a property. If a mineral property does not prove viable, all unrecoverable costs associated with the property are charged through the consolidated statement of loss and comprehensive loss at the time that determination is made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mining assets" in property, plant and equipment. Investment in resource property expenditures accumulated to that date are tested for impairment before the mineral property costs are transferred to property, plant and equipment.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### f) Impairment

***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred that have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups of financial assets that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit or loss. Impairment is not reversed in profit or loss if the financial asset is classified as available-for-sale.

***Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### h) Foreign currency translation

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's accumulated other comprehensive income in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

### i) Income taxation

The Company is subject to income taxes in the various jurisdictions in which it operates. Judgment is required in determining the provision for income taxation due to the complexity of legislation. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact the deferred tax and income tax provisions for the period in which such determination is made.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates the ability of the Company to realize the net deferred tax assets recorded on the reporting date could be impacted.

The income tax expense comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) Income taxation (continued)

A deferred tax asset is recognised to the extent that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that is no longer probable that the related tax benefit will be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exist to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same entity and the same taxation authority.

### j) Share-based payments

The Company grants stock options to directors, officers, employees and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model. The fair value of each tranche of the options granted is recognized over the vesting period using the graded vesting method. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Options granted to non-employees are valued at the fair value of goods or services received. If the fair value of the goods or services received cannot be specifically identified, the equity instruments are valued using the Black-Scholes option pricing model.

### k) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Basic loss per common share is calculated by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive

### l) Future change in accounting policies

New accounting standards or amendments to existing standards that have been issued but are not yet effective are either not applicable or not expected to have a significant impact on the Company’s financial statements.

## 3. EQUIPMENT

During the year ended December 31, 2014, the Company determined that the carrying values of the Company’s equipment were not recoverable. As a result, the Company recorded an impairment charges of $36,708.

**(Expressed in US dollars)**

## 4. ACCOUNT PAYABLES AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consist of the following:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Accounts payable | 33,205 | 103,464 |
| Accrued liabilities | 168,747 | 124,657 |
| Due to related parties (Note 9) | 110,053 | 41,333 |
| | 312,005 | 269,454 |

## 5. SHARE CAPITAL

### (a) Share capital

The authorized share capital of the Company consists of unlimited number of shares without par value, and 10,000,000 preferred shares issuable in series with rights and restrictions to be determined by the directors prior to any issuances.

On July 24, 2015, the Company consolidated the number of outstanding shares on a 10 to 1 basis. As a result, the number of outstanding shares, warrants, options, and per share data presented in these financial statements, including comparative figures have been adjusted retrospectively.

On January 8, 2015, the Company issued 800,000 units at CAD$0.50 per unit for proceeds of CAD$400,000 ($338,640). Each unit consist of one common share of the Company and one share purchase warrant. Each warrant can be exercisable into one common share of the Company for a period of five years from closing at CAD$0.50 per share. The Company valued the warrants at $Nil using the residual method. The Company had received CAD$50,000 ($43,100) in advance of this private placement during the year ended December 31, 2014.

On November 20, 2015, the Company issued 7,707,142 units at CAD$0.07 per unit for proceeds of CAD$539,500 ($404,463). Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of CAD$0.09 per share for a period of five years from issuance.

As at December 31, 2015, the Company has no common shares held in escrow (2014 – 692,820).

**(Expressed in US dollars)**

## 5. SHARE CAPITAL (Continued)

### (b) Stock options

Stock option continuity is as follows:

| | Number | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2013 | 437,500 | CAD $ 8.00 |
| Expired/cancelled | (35,000) | 8.00 |
| Balance, December 31, 2014 | 402,500 | CAD $8.00 |
| Expired/forfeited | (270,000) | 8.00 |
| Balance, December 31, 2015 | 132,500 | CAD $8.00 |

Stock options outstanding and exercisable as at December 31, 2015 are summarized as follows:

| (CAD $) Weighted average exercise price | Number of options outstanding and exercisable | Expiry date | Remaining life (years) |
|---|---|---|---|
| 8.00 | 132,500 | December 1, 2016 | 0.92 |

### (c) Warrants

Warrants continuity is as follows:

| | Number | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2013 | 9,000 | CAD $1.50 |
| Expired | (9,000) | 1.50 |
| Balance, December 31, 2014 | - | - |
| Issuance | 8,507,142 | 0.13 |
| Balance, December 31, 2015 | 8,507,142 | CAD $0.13 |

As at December 31, 2015, the weighted average remaining life and exercise price of the Company's outstanding warrants was 4.82 years and CAD$0.13, respectively.

### (d) Reserves

As at December 31, 2015 and 2014, the Company's reserve balance consisted of the following components:

(i) Others - these are reserves to account for the net effect of the corporate restructuring in fiscal 2011.
(ii) Warrants - these are the reserves to account for the issuance of warrants in prior periods.
(iii) Share-based compensation - these are the reserves to account options vested in prior periods.

(Expressed in US dollars)

## 6. PROSPECTING RIGHTS AND EXPLORATION EXPENSES

**Farabantourou and Djimbali Project**

The Company has the Farabantourou exploration and Djimbala permits, through its subsidiary TransAfrika Mali S.A., located in Mali. The permits expire on November 19, 2016, at which time the Company intends to apply for further permit renewals.

During the year ended December 31, 2015, the Company abandoned two of its subsidiaries, Transafrika Belgique S.A. and Transafrika Senegal S.A. As a result of the abandonments, the Company recorded an impairment of $3,332 on the statement of comprehensive loss.

## 7. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere are as follows:

a) Transactions with key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. The aggregate values of transactions relating to key management are as follows:

| | Service | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| | | $ | $ |
| Chief executive officer | Consulting | 14,167 | - |
| Former chief executive officer [1] | Consulting | 98,819 | 111,957 |
| Chief financial officer | Consulting | 60,170 | 81,522 |
| VP exploration and a related company | Consulting | 23,475 | 56,159 |
| VP exploration and a related company | Prospecting rights and exploration expense | 5,000 | - |
| | | 201,631 | 249,638 |

(1) The chief executive officer resigned on July 10, 2015

b) Transactions with other related parties:

During the year ended December 31, 2015, the Company paid rent of $46,886 (2014 - $51,760) for office space owned by a company with a common director, paid consulting fees of $49,844 (2014 - $Nil) to accompany owned by a common director.

c) Balances due to related parties:

Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The Company's accounts payable and accrued liabilities included the following balances owing to related parties:

**(Expressed in US dollars)**

## 7. RELATED PARTY TRANSACTIONS (Continued)

| **Due to Related parties** | **Nature** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| | | **$** | **$** |
| Former chief executive officer | Consulting fees | 71,459 | 22,584 |
| Company related to a director | Consulting fees | 36,083 | 18,749 |
| Directors | Consulting fees | 2,511 | - |
| | | 110,053 | 41,333 |

## 8. FINANCIAL INSTRUMENTS

### Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

| | **December 31, 2015** | **December 31, 2014** |
|---|---|---|
| | **$** | **$** |
| FVTPL: | | |
| Cash | 317,634 | 298,717 |

Financial liabilities included in the statement of financial position are as follows:

| | **December 31, 2015** | **December 31, 2014** |
|---|---|---|
| | **$** | **$** |
| Non-derivative financial liabilities: | | |
| Trade payables | 33,205 | 103,464 |
| Due to related parties | 110,053 | 41,333 |
| | 143,258 | 144,797 |

### Fair value

At the respective reporting dates, all of the Company's financial instruments had maturities less than one year. As a result, the carrying amount of trade payables and due to related parties approximate their fair values due to their short-term maturities.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is measured at fair value using level 1 inputs.

## 8. FINANCIAL INSTRUMENTS (Continued)

**Risk management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments:

*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's approach to managing liquidity risk is to ensure as far as possible that it will always have sufficient cash on demand to meet its liabilities when they fall due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

*Interest rate risk*

As at December 31, 2015, the Company did not have any significant exposure to the risk of changes in market interest rates as the Company did not have any financial instruments that are exposed to changes in interest rates.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The potential concentration of credit risk consists mainly of cash. The Company limits its counterparty exposures from its cash by only dealing with well-established financial institutions of a high quality credit standing.

*Foreign currency risk*

Foreign currency risk arises from holdings of financial assets and liabilities in currencies other than the function currency to which they relate. The Company and its subsidiaries have minimal such holdings, consequently foreign currency risk is considered low.

## 9. CAPITAL DISCLOSURE

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the exploration and development of its exploration and evaluation assets and to sustain future development of the business. The capital structure of the Company consists of equity and debt obligations, net of cash and cash equivalents.

There were no changes in the Company's approach to capital management during the year.

The Company is not exposed to any external capital requirements.

(Expressed in US dollars)

## 10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported dates is as follows:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Loss for the year | (735,186) | (1,457,612) |
| | 26% | 26% |
| Expected income taxes recovery at statutory | (191,000) | (379,000) |
| Non-deductible items | - | 14,000 |
| Impact of different foreign statutory tax rates on earnings of subsidiaries | (15,000) | 26,000 |
| Adjustments to prior year versus statutory returns | 43,000 | - |
| Foreign exchange, expired losses, and other | 570,000 | - |
| Change in unrecognized deductible temporary differences | (407,000) | 339,000 |
| | - | - |

The significant components of the Company's deferred tax assets that have not been set up are as follows:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Evaluation and exploration assets | 642,000 | 792,000 |
| Capital assets | - | 3,000 |
| Non-capital losses | 2,044,000 | 2,298,000 |
| | 2,686,000 | 3,093,000 |
| Unrecognized deferred tax assets | (2,686,000) | (3,093,000) |
| Net deferred tax assets | - | - |

The Company has approximately $3,808,000 in Canadian non-capital losses which expire between 2026 and 2035, $2,584,000 in foreign non–capital losses which expire between 2016 and 2020.

Tax attributes are subject to revision and potential adjustment by tax authorities.

## 11. SUBSEQUENT EVENT

The Company granted 1,100,000 incentive stock options to directors on January 26, 2016. These options are exercisable at CAD$0.20 per share and will expire on January 26, 2021.