MUNDORO

Consolidated Financial Statements

December 31, 2016

Expressed in Canadian Dollars

April 13, 2017

Independent Auditor's Report

To the Shareholders of Mundoro Capital Inc.

We have audited the accompanying consolidated financial statements of Mundoro Capital Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise 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.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mundoro Capital Inc. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Mundoro Capital Inc.

(An exploration stage company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at		December 31, 2016		December 31, 2015
ASSETS				
Current assets				
Cash and cash equivalents	$	**1,567,762**	$	495,553
Short-term investments		**3,012,427**		5,006,081
Amounts receivable (note 5)		**166,722**		57,725
Deposits		**31,826**		19,895
Prepaid expenses		**88,599**		76,294
		4,867,336		5,655,548
Non-current assets				
Restricted cash (note 4)	$	**348,482**	$	438,054
Investments (note 6)		**344,364**		344,364
Equipment and vehicles (note 7)		**121,380**		79,130
Mineral interests (note 8)		**433,374**		459,623
		1,247,600		1,321,171
TOTAL ASSETS	$	**6,114,936**	$	6,976,719
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 10 & 12)	$	**353,209**	$	284,929
TOTAL LIABILITIES	$	**353,209**	$	284,929
EQUITY				
Share capital (note 11)	$	**46,725,684**	$	45,801,709
Contributed surplus		**8,865,334**		8,865,334
Stock options reserve		**683,513**		631,139
Accumulated Other Comprehensive Income		**49,983**		131,314
Deficit		**(50,562,787)**		(48,737,706)
TOTAL EQUITY	$	**5,761,727**	$	6,691,790
TOTAL EQUITY AND LIABILITIES	$	**6,114,936**	$	6,976,719

Subsequent event (note 18)

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

These consolidated financial statements are authorized for issue by the Board of Directors on April 13, 2017.

They are signed on the Company's behalf by:

/s/ Michael Calyniuk Director */s/ Teo Dechev Director*

Mundoro Capital Inc.

(An exploration stage company)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	For the year ended December 31, 2016	December 31, 2015
Exploration and project evaluation (note 9)	**$ 2,388,677**	$ 1,571,886
Less: recoveries	**(1,245,498)**	(49,340)
	1,143,179	1,522,546
EXPENSES		
Corporate governance	**284,893**	350,112
General and administrative	**47,926**	100,861
Accounting and audit	**147,773**	118,027
Corporate communication	**185,345**	156,021
	665,937	725,021
LOSS BEFORE OTHER EXPENSES	**1,809,116**	2,247,567
OTHER (INCOME) EXPENSES		
Interest income	**(61,658)**	(98,325)
Share-based payments (note 11(c))	**52,374**	42,362
Depreciation (note 7)	**30,785**	29,343
Foreign exchange loss	**(1,823)**	2,147
Gain on disposal of fixed assets	**(3,713)**	-
Write-down of mineral properties	**-**	98,696
	15,965	74,223
NET LOSS FOR THE YEAR	**1,825,081**	2,321,790
OTHER COMPREHENSIVE (INCOME) WHICH MAY BE RE-CLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		
Foreign currency translation differences for foreign operations	**81,331**	(86,123)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**$ 1,906,412**	$ 2,235,667
Loss per share		
Basic and diluted loss per share:	**$ (0.04)**	$ (0.05)

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

Mundoro Capital Inc.
(An exploration stage company)
Consolidated Statements of Change in Equity
(Expressed in Canadian Dollars)

	Share capital		Reserves				
	Number of shares	Amount	Contributed Surplus	Stock options reserve	Accum. Other Comprehensive Income	Deficit	Total
Balance at December 31, 2014	**43,786,776**	**$ 45,801,709**	**$ 8,862,637**	**$ 591,474**	**$ 45,191**	**$ (46,415,916)**	**$ 8,885,095**
Reclassification of grant-date fair value on expired options	-	-	2,697	(2,697)	-	-	-
Share-based payments (Note 11(c))	-	-	-	42,362	-	-	42,362
Net comprehensive income (loss) for the year	-	-	-	-	86,123	(2,321,790)	(2,235,667)
Balance at December 31, 2015	**43,786,776**	**45,801,709**	**8,865,334**	**631,139**	**131,314**	**(48,737,706)**	**6,691,790**
Balance at December 31, 2015	**43,786,776**	**$ 45,801,709**	**$ 8,865,334**	**$ 631,139**	**$ 131,314**	**$ (48,737,706)**	**$ 6,691,790**
Units issued for cash - private placement	8,333,333	1,000,000	-	-	-	-	1,000,000
Share issue costs	-	(76,025)	-	-	-	-	(76,025)
Share-based payments (Note 11(c))	-	-	-	52,374	-	-	52,374
Net comprehensive loss for the year	-	-	-	-	(81,331)	(1,825,081)	(1,906,412)
Balance at December 31, 2016	**52,120,109**	**46,725,684**	**8,865,334**	**683,513**	**49,983**	**(50,562,787)**	**5,761,727**

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

Mundoro Capital Inc.
(An exploration stage company)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		For the year ended December 31, 2016		December 31, 2015
Cash flows provided from (used in):				
OPERATING ACTIVITIES				
Net loss for the year	**$**	**(1,825,081)**	$	(2,321,790)
Adjustments for items not affecting cash:				
Depreciation		30,785		29,343
Share-based payments		52,374		42,362
(Gain) loss on disposal of equipment		(3,713)		111
Write-down of mineral properties		-		98,696
		(1,745,635)		(2,151,278)
Net changes in non-cash working capital items:				
Amounts receivable		(116,792)		119,633
Prepaid expenses		(13,756)		8,348
Deposits		(12,959)		10,956
Accounts payable and accrued liabilities		80,974		(69,443)
Net cash used in operating activities		**(1,808,168)**		(2,081,784)
FINANCING ACTIVITIES				
Issuance of common shares for cash, net of share issue costs		923,975		-
Net cash flows from financing activities		**923,975**		-
INVESTING ACTIVITIES				
Expenditures on resource properties		(6,173)		(22,695)
Net proceeds on redemption and purchase of short-term investments, net of interest earned		1,993,654		2,479,678
Purchase of equipment		(86,866)		(6,511)
Restricted Cash (note 4)		61,623		-
Proceeds on disposition of asset		10,723		1,695
Net cash flows from investing activities		**1,972,961**		2,452,167
Effects of exchange rate changes on cash and cash equivalents		**(16,559)**		38,696
Net increase in cash and cash equivalents		**1,072,209**		409,079
Cash and cash equivalents, beginning of year		**495,553**		86,474
Cash and cash equivalents, end of year	**$**	**1,567,762**	$	495,553

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

1. NATURE OF OPERATIONS

Mundoro Capital Inc. (the "Company" or "MCI" or "Mundoro") is an exploration, development and investment company operating in the mineral resource sector. The Company's current exploration activity is focused on the Tethyan Belt of Serbia and Bulgaria in Southeastern Europe. The business of exploration and development involves a high degree of risk and there can be no assurance that current exploration and development programs will result in discovery or future profitable operations.

The Company was incorporated on March 6, 2008 under the Business Corporations Act of the Province of British Columbia for the purpose of acquiring all of the shares of Mundoro Mining Inc. ("MMI"), through a Plan of Arrangement. The Company's common stock is quoted on the TSX Venture Exchange ("TSXV") under the symbol MUN.

The Company's head office and principal address is 15th floor - 1040 West Georgia Street, Vancouver, British Columbia, Canada V6E 4H1.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Company have been 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").

b) Basis of preparation

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

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its primary subsidiaries, all of which are wholly owned. The Company's principal wholly owned subsidiaries are:

- Stara Planina Resources d.o.o., located in Serbia, which holds eight exploration licenses;
- Bulgaria Alpha EAD, which holds two exploration licenses in Bulgaria; and
- Mundoro de Mexico S.A. de C.V., which holds one mineral concession located in the Mesa Central belt of Mexico.

Intercompany balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

d) Foreign currency translation

These consolidated financial statements are presented in CAD$. The functional currency of the Company and its controlled entities are measured using the currency of the primary economic environment in which each entity operates. The functional currency of the Canadian entities, Mexican entity, Bulgarian entity and Serbian entity are the Canadian dollar (CAD$), Mexican peso (MXN), Bulgarian Lev (BGN) and Serbian dinar (RSD), respectively.

<u>Transactions and balances</u>

Foreign currency transactions are translated into the functional currency of the related entity 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.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

d) Foreign currency translation (continued)

Presentation Currency:

The financial results and position of the entities whose functional currency is different from the 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 recorded in accumulated other comprehensive income in the statement changes in shareholders' equity. These differences are recognized in the statement of loss and comprehensive loss in the period in which the operation is disposed of.

e) Equipment and vehicles

Equipment and vehicles are initially recognized at cost. All items of equipment and vehicles are subsequently carried at cost less accumulated depreciation and impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided at the following annual rates:

Computers	30% declining balance
Furniture and fixtures	20% declining balance
Office equipment	20% declining balance
Field equipment	30% declining balance
Vehicles	30% declining balance

Residual value estimates and estimates of useful life are updated as required, but at least annually.

f) Mineral interests

Exploration Assets

Exploration assets include acquired mineral rights for mineral properties held by the Company. The fair value of consideration paid for mineral rights is capitalized. The amounts shown for exploration assets represent costs of acquisition incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against future production or written off if the exploration assets are abandoned or sold.

Exploration and Project Evaluation Costs

Exploration and project evaluation costs, other than acquisition costs, are expensed as incurred until such time as proven and probable reserves are established. Following confirmation of mineral reserves on a project, the project is considered to have demonstrated technical feasibility and commercial viability and the related exploration and evaluation expenditures are capitalized as deferred development assets, after first being tested for impairment

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any impairment indicators exist, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in comprehensive loss.

h) Share-based payments

The Company's share option plan allows directors, officers, 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 equity.

The fair value is measured at 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 measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

i) Financial instruments

<u>Financial Assets</u>

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, loans and receivables, fair value through profit or loss ("FVTPL") or available-for-sale.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its cash and cash equivalents, short-term investments, deposits, and restricted cash, and amounts receivable as loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss. The Company has classified its investments as available-for-sale as the underlying assets are not publicly traded nor does the Company have any intention to sell these investments in the near future. The Company reviews its investment valuations for impairment annually considering factors such as dividends, profitability and underlying asset value.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

j) *Financial instruments (continued)*

Financial Liabilities

Financial liabilities are initially recorded at fair value and designated at inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities as other financial liabilities.

k) *Taxation*

Tax expense comprises the sum of deferred tax and current tax not recognized directly in equity.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization or settlement, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in comprehensive loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

l) *Cash, cash equivalents and short-term investments*

Cash and cash equivalents comprise cash on hand and deposits held on call with banks. Short term investments are highly liquid investments that are readily convertible into cash and which are subject to insignificant risk of changes in value.

m) *Management judgements and key sources of estimation uncertainty*

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are regularly evaluated and are based on management's experience and other factors including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgement that the Company has made in the preparation of the financial statements that could result in a material effect in the next financial year on the carrying amounts of assets and liabilities:

Impairment

The application of the Company's accounting policy for impairment of non-financial assets requires judgment to determine whether indicators of impairment exist including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures or further exploration and project evaluation of resource properties are budgeted, and results of exploration and project evaluation activities on the exploration assets.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

For the year ended December 31, 2016, the Company conducted its analysis and determined that there were no factors indicating impairment of the capitalized acquisition cost for its mineral interests. During the year ended December 31, 2015,
the company made the decision to drop the Chuprene property in Bulgaria and correspondingly wrote off the relevant acquisition cost capitalized for the project (note 8).

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, and amendments to standards, will become effective subsequent to December 31, 2016. Those that are expected to be applicable to the consolidated financial statements of the Company are discussed below.

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

IFRS 2, Share Based Payments: The IASB issued amendments to IFRS 2 Share-Based Payments that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted.

IFRS 16 – Leases. This standard and its consequential amendments will replace *IAS 17 – Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company has not adopted these standards early and is currently assessing the impact they will have on the consolidated financial statements. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. RESTRICTED CASH

	December 31, 2016	December 31, 2015
Mineral Property Guarantee Deposits	**$ 348,482**	$ 438,054

*Restricted cash consists of cash held by the Bulgarian government as guarantees on the mineral licenses in country.

(Expressed in Canadian Dollars)

5. AMOUNTS RECEIVABLE

		December 31, 2016		December 31, 2015
Amounts Receivable				
VAT/GST Receivable	$	120,084	$	39,748
Other Receivable (note 8)		46,638		17,977
	$	**166,722**	**$**	**57,725**

6. INVESTMENTS

China

On October 11, 2011, the Company completed a strategic transaction with China National Gold Group Hong Kong Limited ("CNGHK"). Pursuant to the share purchase agreement, CNGHK acquired 95% of the issued and outstanding shares of MMI, the Company's previously wholly-owned subsidiary, for a cash purchase price of $13,800,000, with the Company retaining 5% of the issued and outstanding shares of MMI.

The Company has not been informed by MMI (a private Canadian Company controlled by CNGHK) of any change in (i) status of the licenses for the Maoling Gold Project or (ii) any loan or guarantee provided by CNGHK to MMI. The investment represents the retained 5% ownership interest in MMI. As at December 31, 2016, the balance of the investment was $63,511 (December 31, 2015 - $63,511).

Bulgaria

On June 10, 2013, the Company, through a 100%-owned subsidiary, acquired at a cost of $280,853 less than a 2.9% equity interest in a privately held gold producing company in Bulgaria that operates adjacent to the Company's Zvezda license. As at December 31, 2016, the Company performed an impairment assessment and did not identify any indication that the carrying value of the investment is impaired.

Available for Sale Investments		December 31, 2016		December 31, 2015
Investment in China	$	63,511	$	63,511
Investment in Bulgaria		280,853		280,853
	$	**344,364**	**$**	**344,364**

(Expressed in Canadian Dollars)

7. EQUIPMENT AND VEHICLES

	Office Equipment	Field equipment	Total
Cost			
As at December 31, 2014	**$ 50,821**	**$ 143,479**	**$ 194,300**
Additions	-	6,511	6,511
Disposals	-	(4,974)	(4,974)
Effect of movements in exchange rates	$ 438	$ 9,599	10,037
As at December 31, 2015	**$ 51,259**	**$ 154,615**	**$ 205,874**
Additions	2,186	84,680	86,866
Disposals	-	(28,154)	(28,154)
Effect of movements in exchange rates	(460)	(13,718)	(14,178)
At December 31, 2016	**$ 52,985**	**$ 197,423**	**$ 250,408**
Accumulated depreciation			
As at December 31, 2014	**$ (27,048)**	**$ (67,503)**	**$ (94,551)**
Depreciation for the year	(7,051)	(22,292)	(29,343)
Disposals	-	3,168	3,168
Effect of movements in exchange rates	$ (310)	$ (5,708)	(6,018)
As at December 31, 2015	**$ (34,409)**	**$ (92,335)**	**$ (126,744)**
Depreciation for the period	(6,295)	(24,490)	(30,785)
Disposals	-	21,144	21,144
Effect of movements in exchange rates	369	6,988	7,357
At December 31, 2016	**$ (40,335)**	**$ (88,693)**	**$ (129,028)**
Net book amount			
As at December 31, 2015	$ 16,850	$ 62,280	$ 79,130
At December 31, 2016	**$ 12,650**	**$ 108,730**	**121,380**

8. MINERAL INTERESTS

	European Projects	Mexico Projects	Total
Balance as at December 31, 2015	**$ 452,753**	**$ 6,870**	**$ 459,623**
Acquisition costs	6,173	-	6,173
Effect of movements in exchange rates	(31,114)	(1,308)	(32,422)
Balance at December 31, 2016	**$ 427,812**	**$ 5,562**	**$ 433,374**

(Expressed in Canadian Dollars)

8. MINERAL INTERESTS (continued)

	European Projects	Mexico Projects	Total
Balance as at December 31, 2014	**$ 500,487**	**$ 6,767**	**$ 507,254**
Acquisition costs	22,695	-	22,695
Write-down	(98,696)	-	(98,696)
Effect of movements in exchange rates	28,267	103	28,370
Balance at December 31, 2015	**$ 452,753**	**$ 6,870**	**$ 459,623**

Serbian Properties

The Company holds eight 100%-owned exploration licenses which include: (i) Zeleznik, (ii) Padina, (iii) Borsko Jezero, (iv) Savinac, (v) Bacevica, (vi) Osnic, (vii) Sumrakovac, and (viii) Dubrava-Ostrelj. These properties are located in Northeastern Serbia east of Belgrade and are held in the name of Stara Planina d.o.o., Mundoro's 100%-owned Serbian company. To maintain title to the exploration licenses in Serbia, the Company has ongoing annual exploration expenditure commitments and is obligated to pay annual property taxes and other related costs associated with holding the properties. During the year ended December 31, 2016, such holding costs amounted to $55,389 (2015 - $62,408).

On July 27, 2016, the Company amended its binding interim agreement (the "Interim Agreement") with Japan Oil, Gas and Metals National Corporation ("JOGMEC") and granted to JOGMEC an earn-in option on four of Mundoro's exploration licenses: Dubrava, Padina, Zeleznik and Borsko Jezero (the "Timok North Projects") located within the Timok Magmatic Complex in northeastern Serbia. JOGMEC has the option to earn a 51% interest in the Timok North Projects by making US$4 million in expenditures within three years (March 2019) ("Stage One Earn-in"). JOGMEC is under a firm commitment to expend US$1 million of this amount by March 2017 (completed). Following the Stage One Earn-in, JOGMEC has a right to acquire an additional 24% interest in the Timok North Projects, for a total of 75% interest, by funding the completion of a Feasibility Study (up to US$32 million) by the eighth anniversary of the Interim Agreement (March 2024) ("Stage Two Earn-in)"). On completing the Stage Two Earn-In, JOGMEC will have a right, exercisable for a period of 60 days, to purchase an additional 5% interest in the Timok North Projects from Mundoro, for a total of 80% interest. The purchase price for the 5% interest will be determined by an independent appraisal of fair market value. JOGMEC will be responsible for future expenditures on the Timok North Projects through to production if it completes Stage Two Earn-in, including Mundoro's share of capital expenditures. Mundoro's portion of capital expenditures shall be repaid from 50% of the cash flow that Mundoro would otherwise be entitled to receive on a pro rata basis from the joint venture. If either party dilutes below 10%, their interest will convert into a 2% NSR of which up to 1% NSR will be re-purchasable for a total of US$4 million. Mundoro is the initial operator of the Timok North Projects. A management committee has been formed and is comprised of two representatives from each of Mundoro and JOGMEC.

As at December 31, 2016, the Company reported a receivable of $46,638 which was netted against the exploration expenditures on the Timok North Projects, recognized in the Company's statement of loss (2015 - $11790 receivable recognized pursuant to a separate option agreement entered into by the Company during its fiscal 2015).

8. MINERAL INTERESTS (continued)

Bulgarian Properties

The Company holds two (2015 – two) 100%-owned exploration licenses which include: (i) Zvezda and (ii) Byalo. The Zvezda and Byalo licenses are located in southeastern Bulgaria known as the Rhodopes region. To maintain title to the exploration licenses in Bulgaria, the Company has ongoing annual exploration expenditure commitments and is obligated to pay annual property taxes and related costs associated with holding the properties. During the year ended December 31, 2016, the Company paid $29,635 (2015 - $23,588) for the purpose. The Zvezda exploration license has a two-year term to April 2018 while the Byalo exploration license has a three-year term ending in January 2017 with an application for a two-year extension to January 2019. The Company submitted an application for renewal in January 2017.

Mexico Properties

As of December 31, 2016, the Company had filed relinquishment applications for all its Mexican properties except for Camarago, which the Company believes has the potential for porphyry gold-copper style mineralization. To maintain the Camargo mineral concession, the Company has an ongoing annual exploration expenditure commitment and is obligated to pay approximately $4,000 semi-annually in government property tax payments. During 2016, the Company focused on maintaining the Camargo concession in good standing and preparing the property for joint ventures or another form of transaction. The Company has a database of the geological information which is being used for joint venture discussions.

(Expressed in Canadian Dollars)

9. EXPLORATION AND PROJECT EVALUATION

The following is a summary of expenditures incurred on the Company's projects during the year:

	Europe				
	Serbia	Bulgaria	Mexico	Other Project Evaluation	Total
For the year ended December 31, 2016					
Corporate (1)	$ 85,573	$ 65,883	$ 18,601	$ -	$ 170,057
Land holding (2)	55,389	29,635	7,440	-	92,464
Government and community relations (3)	21,913	46,972	-	-	68,885
Field related (4)	145,588	38,180	-	-	183,768
Personnel (5)	485,605	132,601	-	-	618,206
Technical Services (6)	866,805	146,707	-	-	1,013,512
Project evaluation (7)	146,867	18,235	-	76,683	241,785
Total expenditures	1,807,740	478,213	26,041	76,683	2,388,677
Less: recoveries	(1,245,498)	-	-	-	(1,245,498)
	$ 562,242	$ 478,213	$ 26,041	$ 76,683	$ 1,143,179

	Europe				
	Serbia	Bulgaria	Mexico	Other Project Evaluation	Total
For the year ended December 31, 2015					
Corporate (1)	$ 117,613	$ 97,803	$ 29,347	$ -	$ 244,763
Land holding (2)	62,408	23,588	8,168	-	94,164
Government and community relations (3)	35,738	46,478	-	-	82,216
Field related (4)	69,973	22,705	218	-	92,896
Personnel (5)	386,537	175,480	(300)	5,987	567,704
Technical Services (6)	86,203	7,072	-	-	93,275
Project evaluation (7)	155,859	62,231	6,096	172,682	396,868
Total expenditures	914,331	435,357	43,529	178,669	1,571,886
Less: recoveries	(49,340)	-	-	-	(49,340)
	$ 864,991	$ 435,357	$ 43,529	$ 178,669	$ 1,522,546

1) Corporate expenses include legal fees, and general and administrative costs related to the projects.
2) Land holding costs include property taxes and related costs associated with holding the properties.
3) Government and community relations relates to the costs of communicating with governing bodies in the local jurisdictions.
4) Field related expenses include items such as field equipment costs, and lodging for field personnel.
5) Personnel costs for conducting exploration work include consultants and employees, full-time and allocated.
6) Technical Services expenditures include activities such as geochemical sampling and assaying, geophysical surveys and interpretation, and drilling and assaying.
7) Project evaluation expenditures capture those costs incurred in analysis of existing mineral projects and evaluating new mineral project opportunities.

(Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016		December 31, 2015	
Trade payables	$	285,678	$	172,864
Accrued liabilities		67,531		112,065
	$	**353,209**	**$**	**284,929**

11. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At December 31, 2016, there were 52,120,109 issued and fully paid common shares (December 31, 2015 – 43,786,776).

On September 7, 2016, the Company completed a private placement raising gross proceeds of $1,000,000 by the issuance of up to 8,333,333 units ("Units") at $0.12 per Unit. Each Unit comprises one common share of the Company and one-half of one share purchase warrant. Each whole share purchase warrant ("Warrant") is exercisable into one common share at a price of $0.20 per share for a period of 2 years (Note 11 (d)). The expiry of the warrants may be accelerated if the closing price of the Company's shares equals or exceeds C$0.30 for 15 consecutive trading days. The proceeds of $1,000,000 were entirely allocated to common shares based on their fair value on the date of issuance of the Units.

A total of $45,000 was paid as a finder's fee to certain qualified registrants equal to 5% of the gross proceeds raised by such finders. Total costs incurred by the Company in connection with the private placement amounted to $76,025.

c) Stock options

At the Company's 2009 Annual General Meeting ("AGM"), the shareholders approved a stock option plan for the Company's directors, officers, employees and consultants. The stock option plan was approved by shareholders on May 27, 2011, and amended by the Board on March 26, 2012 and on January 18, 2017.

The changes in options during the year ended December 31, 2016 were as follows:

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

c) Stock options (continued)

	December 31, 2016			December 31, 2015		
	Number outstanding		Weighted average exercise price	Number outstanding		Weighted average exercise price
Opening Balance, January 1, 2016	**2,815,000**	**$**	**0.35**	2,822,500	$	0.42
Granted	1,107,500		0.125	522,500		0.21
Expired	(700,000)		0.47	(225,000)		1.33
Forfeited	(135,000)		0.33	(305,000)		0.03
Closing Balance, December 31, 2016	**3,087,500**	**$**	**0.24**	2,815,000	$	0.35

The following summarizes information about stock options outstanding and exercisable at December 31, 2016:

Expiry date	Options outstanding	Options exercisable	Exercise price ($)	Weighted average remaining contractual life (in years)
February 7, 2017	37,500	37,500	0.41	0.10
April 3, 2017	225,000	225,000	0.37	0.25
May 21, 2017	250,000	250,000	0.38	0.39
November 14, 2017	70,000	70,000	0.34	0.87
April 3, 2018	162,500	162,500	0.28	1.25
December 2, 2018	747,500	747,500	0.30	1.92
January 13, 2020	487,500	325,000	0.21	3.04
June 27, 2021	1,107,500	369,166	0.125	4.49
	3,087,500	**2,186,666**	**0.24**	**2.69**

On June 28, 2016, the Company granted incentive stock options to certain directors, officers, and staff to purchase up to 1,107,500 common shares of the Company at an exercise price of $0.125 per share, over a five-year term.

On January 14, 2015, the Company granted incentive stock options to independent directors, officers and consultants of the Company to purchase up to 522,500 common shares of the Company at an exercise price of $0.21 per share, over a five-year term.

The incentive stock options granted by the Company during the years ended December 31, 2016 and 2015 are subject to vesting such that 1/3rd vest at the time of the grant, 1/3rd vest after 12 months from the date of the grant and remaining 1/3rd vest after 24 months from the date of the grant.

The estimated value of the options granted during the years ended December 31, 2016 and 2015 was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

c) *Stock options (continued)*

	For the year ended December 31, 2016	For the year ended December 31, 2015
Risk-free interest rate	0.62%	1.02%
Expected annual volatility	75%-83%	61% - 64%
Expected life (in years)	3 - 5	3 - 5
Expected dividend yield	0%	0%
Grant date fair value per option	$0.07-$0.08	$0.05 - $0.08

d) *Warrants*

The change in warrants in the year ended December 31, 2016 is as follows:

	December 31, 2016 Number outstanding	December 31, 2016 Price per Share
Opening Balance, January 1, 2016	-	$ -
Issued	4,166,667	0.20
Closing Balance, December 31, 2016	**4,166,667**	**$ 0.20**

A summary of the Company's warrants outstanding as at December 31, 2016 is as follows:

Warrants outstanding	Price per Share	Expiry Date
4,166,667	**$ 0.20**	**September 7, 2018**

The expiry of the warrants may be accelerated if the closing price of the Company's shares equals or exceeds C$0.30 for 15 consecutive trading days.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

a) *Related party balances*

The balances due to related parties included in accounts payables and accrued liabilities were $41,352 as at December 31, 2016 (December 31, 2015 – $36,839). These amounts are for reimbursement of expenses and service fees.

b) *Related party transactions*

	For the year ended	
	December 31, 2016	**December 31, 2015**
Directors' fees	**$ 71,446**	$ 106,343
Management salaries and benefits	**285,594**	358,463
Share based payments - Directors	**31,415**	19,176
Share based payments - Management	**13,663**	13,091
	$ 402,118	$ 497,073

13. COMMITMENTS

Office Lease

In December of 2014, the Company entered into a 3-year lease agreement ending March 31, 2018. In August 2015, the Company signed a sublease agreement over the remaining period of the lease to cover 85% of the lease costs and entered into a month-to-month agreement to rent office space at a lower rate. The Company also has leased offices in Serbia and Bulgaria and rented storage space in Mexico. The Mexican storage and Bulgarian office can be terminated with 30 days' notice while the lease agreement for the office in Serbia can be terminated with 60 days' notice. As of December 31, 2016, the minimum obligations under these leases are as follows:

	Canada
2017	**$ 72,925**
2018	**18,231**
	$ 91,156

During the year ended December 31, 2016, the Company paid $74,387 (2015 - $79,746) for such longer-term lease commitment.

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

The Company has the following geographic segments: the Mexico exploration program ("Mexico"), the Serbian and Bulgarian exploration programs ("Europe") and, corporate administrative functions in Canada. The Company's total assets and net losses by geographic segment are as follows:

	Canada	Mexico	Europe	Total
Assets				
At December 31, 2016				
Non-current	$ 92,613	$ 5,562	$ 1,149,425	**$ 1,247,600**
Current	4,280,612	38,846	547,878	**4,867,336**
Total Assets	$ 4,373,225	$ 44,408	$ 1,697,303	**$ 6,114,936**
As at December 31, 2015				
Non-current	$ 95,616	$ 6,870	$ 1,218,685	**$ 1,321,171**
Current	5,461,143	75,472	118,933	**5,655,548**
Total Assets	$ 5,556,759	$ 82,342	$ 1,337,618	**$ 6,976,719**
Net loss for the year:				
For the year ended December 31, 2016	$ 1,221,451	$ 26,041	$ 577,589	**$ 1,825,081**
For the year ended December 31, 2015	$ 1,517,461	$ 36,025	$ 768,304	**$ 2,321,790**

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company continuously reviews the shareholders' equity, cash and cash equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company expects its current capital resources will be sufficient to carry its activities through the current operating period.

16. FINANCIAL INSTRUMENTS

a) *Financial Risk Management*

The Company is exposed to a variety of financial instrument related risks. The types of risk exposure and the way in which such exposure is managed are as follows:

Credit risk

The Company is exposed to credit risk with respect to its cash, cash equivalents, short-term investments and other receivable. Cash, cash equivalents and short-term investments have been placed on deposit with major Canadian financial institutions. Other receivable consists of amounts recoverable from the Company's joint venture partners as part of the their earn-ins in the Company's exploration projects in Serbia.

16. FINANCIAL INSTRUMENTS (continued)

a) *Financial Risk Management (continued)*

The risk arises from the non-performance of counter parties of contractual financial obligations. The Company manages credit risk, in respect of cash, cash equivalents and, short-term investments by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution. The Company establishes alliance with partners only with high credit-worthiness with respect to exploration on its projects, and deems the credit risk related to other receivable to be low.

Concentration of credit risk exists as the majority of cash and short-term investments are held at a single Canadian financial institution and also because other receivable as at December 31, 2016 pertains to amounts due from JOGMEC.

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 manages its liquidity risk requirements for its exploration, development and other corporate activities, and ensuring that it has sufficient cash and cash equivalents on hand to meet its short-term business requirements. Management and the Board of Directors annually review, plan and approve annual budgets and significant expenditures and commitments. The Company believes that it has sufficient cash, cash equivalents and short-term investments to meet its short-term business requirements. In the long-term, the Company may have to raise funds through the issuance of equity, assumption of debt, or other financing alternatives to complete development of its current projects and any projects acquired by the Company in the future. There are no assurances that the Company would be successful in its efforts to secure any required future financing.

The Company maintained sufficient cash and cash equivalents, and short-term investments at December 31, 2016 in the amount of $1,567,762 and $3,012,427 respectively, in order to meet short-term business requirements. At December 31, 2016 the Company had accounts payable and accrued liabilities of $353,209, which are expected to be paid within three months.

Market Risk
The significant market risks to which the Company is exposed are interest rate risk and currency risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash, cash equivalents and, short-term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2016. As at December 31, 2016, the Company holds $4,580,189 in short-term investments and interest bearing cash deposits. Based on this net exposure as at December 31, 2016, and assuming that all other variables remain constant, a 10% change in the interest rate the Company is currently receiving would result in an increase or decrease of approximately $4,200 in the Company's net loss.

Currency risk
The Company primarily operates in Canada, Mexico, Serbia, Bulgaria and The Netherlands, and its expenses are incurred in CAD$, US$, MXN, EUR, BGN and RSD, whereas the functional currency of the Canadian entity, Mexican entity, Bulgarian entity and Serbian entity are the CAD$, MXN, BGN and RSD, respectively. The Company is affected by currency transaction risk, which may affect the Company's operating results as exchange rates fluctuate. The Company has not hedged its exposure to currency risk.

The Company maintains its funds in Canadian dollars and purchases foreign currencies to meet current operating needs.

(Expressed in Canadian Dollars)

17. INCOME TAXES

a) Income tax expense

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 26.0% (2015 – 26.%) as follows:

	2016	2015
Expected tax recovery	**$ (475,000)**	$ (593,000)
Share based compensation and other differences	**(170,000)**	238,000
Foreign exchange rate and tax rate differences	**218,000**	64,000
Tax assets which have not been recognized	**427,000**	291,000
Income tax expense	**$ -**	$ -

b) Deferred income tax assets

As at December 31, 2016 no deferred tax assets are recognized on temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets.

As at December 31, 2016, the unrecognized amount of deferred tax asset arising from the deductible temporary differences are as follows:

	December 31, 2016	December 31, 2015
Tax loss carryforwards and resource pools	**4,011,000**	3,779,000
Other	**123,000**	108,000
	4,134,000	3,887,000

The Company has tax losses in Canada of approximately $10,009,000 expiring in various amounts from 2028 to 2036. The Company also has tax losses in Mexico of approximately $2,537,000 expiring from 2021 to 2026, tax losses in Serbia of approximately $4,035,000 expiring in 2017 to 2021, and tax losses in Bulgaria of approximately $2,371,000 expiring from 2017 to 2021.

18. SUBSEQUENT EVENT

On January 18, 2017, the Company granted stock options to directors, officers, employees and contractors to purchase up to 938,000 common shares of the Company at an exercise price of $0.13 per share, over a five-year term.