

**ELEMENT 79 CAPITAL INC./  
CAPITAL ÉLÉMENT 79 INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**ELEMENT 79 CAPITAL INC./  
CAPITAL ÉLÉMENT 79 INC.**

**FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Element 79 Capital Inc./  
Capital Élément 79 Inc.

We have audited the accompanying financial statements of Element 79 Capital Inc./Capital Élément 79 Inc., which comprise the statement of financial position as at December 31, 2015 and 2014 and the statements of operations and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year ended December 31, 2015 and 2014, a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Element 79 Capital Inc./Capital Élément 79 Inc. as at December 31, 2015 and 2014 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the Company has an accumulated deficit of \$664,337 as at December 31, 2015. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*Nexia Friedman LLP*

Chartered Professional Accountants  
Montreal, Quebec  
April 29, 2016

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A105076

**ELEMENT 79 CAPITAL INC./  
CAPITAL ÉLÉMENT 79 INC.**

**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2014	2015	2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	\$ 41,461	\$ 136,201
Prepaid expenses	22,995	22,995
Loans receivable (note 6)	-	178,603
<b>Total assets</b>	<b>\$ 64,456</b>	<b>\$ 337,799</b>
<b>Liabilities and shareholders' equity (deficiency)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 182,365	\$ 116,181
<b>Shareholders' equity (deficiency)</b>		
Share capital (note 7)	449,390	449,390
Reserves	97,038	97,038
Deficit	(664,337)	(324,810)
<b>Total shareholders' equity (deficiency)</b>	<b>(117,909)</b>	<b>221,618</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>\$ 64,456</b>	<b>\$ 337,799</b>

Going concern (Note 2)

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

On behalf of the Board:

signed Edward Ierfino  
Director

signed Kosta Kostic  
Director

**ELEMENT 79 CAPITAL INC./  
CAPITAL ÉLÉMENT 79 INC.**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

**For the year ended December 31, 2015 and December 31, 2014**

	<b>Number of shares</b>	<b>Share Capital</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance – December 31, 2014</b>	<b>6,012,066</b>	<b>\$ 449,390</b>	<b>\$ 97,038</b>	<b>\$ (324,810)</b>	<b>\$ 221,618</b>
Net loss and comprehensive loss for the year	-	-	-	(339,527)	(339,527)
<b>Balance – December 31, 2015</b>	<b>6,012,066</b>	<b>\$ 449,390</b>	<b>\$ 97,038</b>	<b>\$ (664,337)</b>	<b>\$ (117,909)</b>

	<b>Number of shares</b>	<b>Share Capital</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance – December 31, 2013</b>	<b>6,012,066</b>	<b>\$ 449,390</b>	<b>\$ 97,038</b>	<b>\$ (124,571)</b>	<b>\$ 421,857</b>
Net loss and comprehensive loss for the year	-	-	-	(200,239)	(200,239)
<b>Balance - December 31, 2014</b>	<b>6,012,066</b>	<b>\$ 449,390</b>	<b>\$ 97,038</b>	<b>\$ (324,810)</b>	<b>\$ 221,618</b>

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

**ELEMENT 79 CAPITAL INC./  
CAPITAL ÉLÉMENT 79 INC.**

**STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS**

For the years ended December 31, 2015 and December 31, 2014	2015	2014
<b>Revenue</b>	\$ -	\$ -
<b>Expenses</b>		
Office	2,142	261
Insurance	6,532	2,893
Professional fees	103,313	135,016
Travel and promotion	25,616	23,440
Public company expenses	22,969	43,521
Interest and bank charges	390	227
<b>Loss before undernoted items</b>	<b>(160,962)</b>	<b>(205,358)</b>
Impairment of loans receivable	(180,770)	-
Interest income	2,205	5,119
<b>Net loss and comprehensive loss</b>	<b>\$ (339,527)</b>	<b>\$ (200,239)</b>
<b>Basic and fully diluted loss per share</b>	<b>(0.1687)</b>	<b>(0.0995)</b>
<b>Weighted average number of common shares outstanding for the year</b>	<b>2,012,066</b>	<b>2,012,066</b>

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

**ELEMENT 79 CAPITAL INC./  
CAPITAL ÉLÉMENT 79 INC.**

**STATEMENT OF CASH FLOWS**

For the years ended December 31, 2015 and December 31, 2014	<b>2015</b>	2014
<b>Cash flows for operating activities</b>		
Net loss and comprehensive loss	\$ (339,527)	\$ (200,239)
Items not affecting cash:		
Impairment of loans receivable	180,770	-
Investment income recognized in net loss	(2,205)	(5,119)
	<b>(160,962)</b>	<b>(205,358)</b>
Net change in non-cash working capital items (note 10)	<b>66,184</b>	69,385
<b>Net cash used in operating activities</b>	<b>(94,778)</b>	<b>(135,973)</b>
<b>Cash flows for investing activities</b>		
Loans receivable	-	(175,000)
Investment income	38	5,119
<b>Net cash provided by (used in) investing activities</b>	<b>38</b>	<b>(169,881)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(94,740)</b>	<b>(305,854)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>136,201</b>	442,055
<b>Cash and cash equivalents, end of year</b>	<b>\$ 41,461</b>	<b>\$ 136,201</b>

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**1. Nature of business**

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The Company, incorporated under the Canada Business Corporations Act on February 6, 2013, is classified as a Capital Pool Company, as defined by TSX Venture Exchange ("TSX-V") Policy 2.4.

The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in such assets or business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On November 14, 2013, the Company completed its initial public offering by issuing 2,012,066 common shares at \$0.15 per share for gross proceeds of \$301,810 and is now trading on the TSX-V under the stock symbol "EMS.P".

The address of the Company's registered and head office is 1000 Sherbrooke St. West, Suite 2700, Montreal, Quebec, Canada.

**2. Going concern**

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The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern. Accordingly, they do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue its operations and therefore be required to realize its assets and discharge its liabilities and commitments in other than the ordinary course of business.

The Company does not currently have operations or assets capable of generating revenue or cash flows. As at December 31, 2015, the Company incurred a net loss of \$339,527 with an accumulated deficit of \$664,337, had a negative cash flow from operations of \$94,778 and expects to incur further losses in the development of its business. There is no assurance that it will complete a Qualifying Transaction within the time period specified by TSX-V Policy 2.4. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or business, which would be a "Qualifying Transaction". Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**2. Going concern...cont'd.**

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On December 31, 2013, the Company signed a non-binding letter of intent (the “LOI”) with Canadian Gold Resources Ltd. (“CanGold”), a corporation existing under the laws of Canada, which outlines the general terms and conditions pursuant to which the Company and CanGold would be willing to complete a transaction that will result in a reverse take-over of the Company by the shareholders of CanGold (the “CanGold Transaction”).

The CanGold Transaction remained subject to, among other conditions, completion of due diligence investigations to the satisfaction of each of the Company and CanGold and receipt of requisite regulatory approval, including the approval of the TSX-V.

In contemplation of CanGold Transaction, the Company agreed to provide CanGold a secured loan in the principal amount of up to \$150,000 as soon as possible following TSX-V approval of same and agreement on standard loan and security documentation acceptable to the Company and CanGold, each acting reasonably. As at December 31, 2015, the Company advanced \$175,000 to CanGold (see Note 6 below).

Due to the delay that was expected to be necessary to resolve certain title registration issues with the Mexican General Bureau of Mining involving CanGold’s material mining property, the Company decided not to proceed with the CanGold Transaction.

**New Qualifying Transaction with Benton Resources Inc.**

On February 23, 2015, the Company signed a letter of intent (the “LOI”) with Benton Resources Inc. (“Benton”) to acquire a right to earn a 100% interest in Benton’s right, title, and interest and to the nine contiguous, non-surveyed, unpatented mining claims totaling 67 units comprising Benton’s Abernethy gold project (the “Property”) situated approximately 10 km WSW of Kenora, Ontario (the “Transaction”). The LOI Transaction under the policies of the TSV-V.

The Transaction is subject to receipt of requisite regulatory approval, including the approval of the TSX-V and standard closing conditions, the approval of the directors of each of the Company and Benton of a definitive option agreement in respect of the Property (the “Option Agreement”), the completion of due diligence investigations to the satisfaction of each of the Company and Benton, as well as the conditions described below.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**2. Going concern...cont'd.**

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**Conditions to Transactions**

Prior to completion of the Transaction (and as conditions of closing):

- The parties will prepare a filing statement in accordance with the rules of the TSX-V, outlining the terms of the Transaction.
- Benton and the Company will enter into the Option Agreement in respect of the Transaction on or before April 24, 2015, which condition was met on May 22, 2015.
- All requisite regulatory approvals relating to the Transaction, including, without limitation, TSX-V approval, will have been obtained.
- The Company completes a concurrent financing (described below) for minimum gross proceeds of \$1,000,000.

**The Proposed Transaction**

Pre-Closing Capitalization of the Company

As of the date hereof, the Company has 6,012,066 common shares (“Element 79 Shares”) issued and outstanding, and securities exercisable or exchangeable for, or convertible into, or other rights to acquire, an aggregate of 601,206 Element 79 Shares at an exercise price of \$0.15 per Element 79 Share.

**Terms of the Transaction**

The Company proposes to acquire an initial fifty-one percent (51%) interest in the Property by:

- (i) issuing 400,000 Element 79 Shares, a deemed value of a minimum of \$0.17 per Element 79 Share, to Benton upon closing of the Transaction (the “Closing”) and
- (ii) incurring a minimum of \$500,000 in exploration expenditures on the Property within twelve (12) months of Closing.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**2. Going concern...cont'd.**

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In addition, the Option Agreement shall stipulate that Element 79 will have the right to acquire an additional:

- (i) nineteen percent (19%) interest in the Property by (A) issuing an additional 600,000 Element 79 Shares to Benton at the market price of the Element 79 shares on the TSX-V at the time that the right is exercised and (B) incurring a minimum of \$500,000 in additional exploration expenditures on the Property with eighteen (18) months of Closing; and
- (ii) thirty percent (30%) interest in the Property by paying Benton \$750,000, which payment may be made in cash or, subject to applicable regulatory approvals, in Element 79 Shares, at the sole discretion of Element 79 (together, the Element 79 Shares that may be issued as consideration to Benton in addition to the initial 400,000 Element 79 Shares, collectively referred to as the "Additional Shares"), within 180 days following the date upon which Element 79 acquires an aggregate seventy percent (70%) interest in the Property, failing which Element 79 and Benton will remain 70%/30% joint venture partners in respect of the Property.

Should Element 79 acquire a one hundred percent (100%) interest in the Property, Benton shall be granted a three percent (3%) net smelter return royalty (NSR), half of which may be repurchased by Element 79 by paying Benton \$1,000,000.

The Company will not assume any of the liabilities or obligations of Benton of any nature or kind whatsoever, contingent or otherwise relating to the Property.

It is expected that the Resulting Issuer will be classified as a Tier 2 Mining Issuer.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**2. Going concern...cont'd.**

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**Concurrent Private Placement**

Element 79 has engaged Jones, Gable & Company Ltd. (the “Agent”) to act as agent, on a best efforts basis, in connection with a brokered private placement (the “Private Placement”) of securities of Element 79 that will close concurrently with, and as a condition of, the Transaction. Pursuant to the Private Placement, Element 79 intends to issue a minimum of 5,882,353 Element 79 Shares and a maximum of 8,823,530 Element 79 Shares at a price of \$0.17 per Element 79 Share for minimum gross proceeds of \$1,000,000 and maximum gross proceeds of \$1,500,000.

In connection with the Private Placement, the Agent will receive (i) a cash commission of 10% of the total proceeds of the Private Placement, and (ii) compensation options (the “Agent’s Options”) to acquire such number of Element 79 Shares which is equal to 10% of the aggregate number of Element 79 Shares issued and sold pursuant to the Private Placement. Each Agent’s Option shall entitle the Agent to acquire one additional Element 79 Share at an exercise price of \$0.17 per Element 79 Share for a period of two years from the completion of the Transaction.

It is management’s opinion, given the current level of funding and projected levels of expenditures, the Company does not have sufficient cash resources to continue for the next twelve months.

**3. Basis of preparation**

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The financial statements were authorized for issuance on April 29, 2016 by the Board of Directors of the Company.

**Statement of compliance**

These audited condensed financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

**Basis of measurement**

The financial statements have been prepared under the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss or available for sale which are measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**3. Basis of preparation...cont'd.**

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**Accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions about the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates and such differences could be significant.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. Key areas of estimation, where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include the valuation of share based payments, accrued liabilities and deferred taxes.

**4. Summary of significant accounting policies**

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**Share-based payments**

The Company uses the fair-value method of accounting for all equity-settled share-based payments. Stock-based payments to directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes option pricing model, which includes estimates of the number of awards that are expected to vest over the vesting period. Where granted share options vest in installments over the vesting period (defined as graded vesting), the Company treats each installment as a separate share option grant. Share-based compensation expense is recognized over the vesting period, or as specific vesting conditions are satisfied, and credited to equity settled employee benefits reserve. When stock options are exercised, the proceeds, together with the amount recorded in stock option reserve, are recorded in share capital.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**4. Summary of significant accounting policies...cont'd.**

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Details of the Company's stock option plan and related disclosures are described in Note 8.

The Company granted stock options to Agents in connection with the issuance of shares ("Agents' Options") using the fair value method. Under this method, the fair value of the broker options is first determined based on the value of the goods or services received. In situations where some or all of the goods and services received by the Company as consideration cannot be specifically identified, the fair value of Agents' Options is then determined using the Black-Scholes option pricing model as described above. The fair value of Agents' Options is recognized as a cost of the shares issued and recorded in share capital.

**Income taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the tax bases of assets and liabilities and the corresponding carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured, on a non-discounted basis, using the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**4. Summary of significant accounting policies...cont'd.**

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**Cash and cash equivalents**

Highly liquid investments with a maturity of three months or less from the date of purchase are classified as cash and cash equivalents. Highly liquid investments which the Company cannot use for current operations because they are pledged as security or otherwise restricted are excluded from cash and cash equivalents.

**Loss per share**

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing the applicable net loss by the sum of the weighted average number of shares outstanding during the year and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year. The treasury stock method is used to compute the dilutive effect of stock options, warrants and similar instruments.

The computation of diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of the stock options and warrants.

**Financial instruments**

**Financial assets**

Financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term; if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**4. Summary of significant accounting policies...cont'd.**

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A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company has classified all of its financial assets as follows:

<b>Financial Asset</b>	<b>Classification</b>	<b>Subsequent Measurement</b>
Cash and cash equivalents	Held for trading	Fair value
Short-term investment	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**4. Summary of significant accounting policies...cont'd.**

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**Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

**Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**Financial liabilities and equity instruments issued by the Company**

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**4. Summary of significant accounting policies...cont'd.**

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**Financial liabilities and equity instruments issued by the Company...cont'd.**

A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; if the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or if it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income.

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and December 31, 2014

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**4. Summary of significant accounting policies...cont'd.**

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**Financial liabilities and equity instruments issued by the Company...cont'd.**

The Company has classified all of its financial liabilities as follows:

<b>Financial Liability</b>	<b>Classification</b>	<b>Subsequent Measurement</b>
Trade and other payables	Other financial liability	Amortized cost

**Derecognition of financial liabilities**

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

**Future accounting changes**

In November 2009, the IASB issued IFRS 9 "Financial Instruments: Classification and Evaluation", which represents a new standard for the classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 has two categories of evaluation: amortized cost and fair value. Debt instruments are valued at amortized cost only if the entity has the objective to collect the contractual cash flows and the cash flows represent principal and interest. Otherwise, they are measured at fair value through profit and loss.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would be generally recorded in other comprehensive income.

This new standard applies to fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating any impact that this new standard may have on the Company's financial statements.

<b>5. Cash and cash equivalents</b>	<b>2015</b>	<b>2014</b>
Cash	<b>\$ 36,461</b>	\$ 131,201
Cashable guaranteed investment certificates with the Company's bank bearing interest at 0.65%, maturing within one year and whose market value approximate cost.	<b>5,000</b>	5,000
	<b>\$ 41,461</b>	\$ 136,201

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

<b>6. Loans receivable</b>	<b>2015</b>	<b>2014</b>
Unsecured, non-interest bearing loan to CanGold in contemplation of the letter of intent described in note 2. This advance is due on demand.	<b>\$ 25,000</b>	\$ 25,000
Loan to CanGold in contemplation of the Transaction described in note 2, bearing interest at the rate of 6% per annum, maturing no later than July 28, 2015 and is secured by a general security over the assets of CanGold, its parent company Ontop Capital Limited and CanGold's wholly-owned subsidiary, Minera Bestep S.A. de C.V.	<b>150,000</b>	150,000
Accrued interest on loan	<b>5,770</b>	3,575
Impairment of loans	<b>180,770 (180,770)</b>	178,575 -
	<b>\$ -</b>	<b>\$ 178,575</b>

Following the termination of the agreement with CanGold referred to in note 2, and as a result of changes in market conditions impacting the value of the assets of CanGold, its parent company Ontop Capital Limited and CanGold's wholly-owned subsidiary, Minera Bestep S.A. de C.V., management has determined, as described more fully in note 14, that it is possible that not all of the funds may be recoverable and accordingly, has provided for impairment of the loans.

<b>7. Share capital</b>	<b>2015</b>	<b>2014</b>
<b>Authorized:</b>		
An unlimited number of common shares and an unlimited number of preferred shares without nominal or par values.		
<b>Issued:</b>		
6,012,066 Common shares	<b>\$ <u>449,390</u></b>	<b>\$ <u>449,390</u></b>

**ELEMENT 79 CAPITAL INC./  
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**NOTES TO FINANCIAL STATEMENTS**

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**7. Share capital...cont'd.**

**Capital stock transactions are summarized as follows:**

	<b>Number of shares</b>	<b>\$</b>
On May 17, 2013, the Company issued 4,000,000 common shares to directors and officers and founding shareholders of the Company at a price of \$0.075 per share for gross proceeds of \$300,000.	<b>4,000,000</b>	<b>300,000</b>
On November 14, 2013, the Company completed its initial public offering ("IPO") and issued 2,012,066 common shares at a price of \$0.15 per share for gross proceeds of \$301,810 less fees.	<b><u>2,012,066</u></b>	<b><u>149,390</u></b>
Balance - December 31, 2015	<b><u>6,012,066</u></b>	<b><u>\$ 449,390</u></b>

As of December 31, 2015, 4,000,000 of the issued and outstanding shares are subject to escrow conditions.

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Outstanding shares that are contingently returnable are excluded from the calculation of basic earnings per share. A summary of the weighted average number of common shares outstanding are as follows:

	<b>2015</b>	2014
Weighted average number of common shares outstanding	<b>6,012,066</b>	6,012,066
Weighted average of contingency returnable shares	<b>4,000,000</b>	4,000,000
Weighted average number of non-contingency returnable shares	<b><u>2,012,066</u></b>	<u>2,012,066</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

**8. Share-based payments**

On November 14, 2013, the Company established an incentive stock option plan (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares. These options may vest over a period determined by the Board of Directors when granted and expire after a period of up to ten years, provided that the number of common shares reserved for issuance under the Stock Option Plan does not exceed 601,206 shares. The Board of Directors determines the price per common share and the number of common shares that may be allotted to each director, officer, employee and consultant of the Company and all other terms and conditions of the options granted under the Stock Option Plan. During the years ended December 31, 2014 and December 31, 2015, there were no options granted to directors and officers.

A summary of changes in the Company's common share purchase options is presented below:

	2015		2014	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance - beginning of year	802,413	0.1500	802,413	0.1500
Expired during the year	(201,207)	0.1500	-	-
Balance - end of year	601,206	0.1500	802,413 <sup>1</sup>	0.1500
Balance exercisable - end of year	601,206	0.1500	802,413	0.1500

<sup>1</sup> The total of 802,413 of outstanding options consists of 601,206 options issued under the Stock Option Plan in addition to 201,207 which were issued to the Agents on November 14, 2013.

Common share purchase options outstanding, exercisable, granted to directors, officers, consultants and Agents of the Company as at December 31, 2015 are summarized as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Range of Expiry Date	Weighted Average Remaining Contractual Life
601,206	601,206	0.15	November 14, 2023	95 months

**ELEMENT 79 CAPITAL INC./  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

**9. Income taxes** **2015** **2014**

a) Reconciliation of current income taxes:

The impact of differences between the Company's reported income tax expense on operating loss and the expense that would otherwise result from the application of statutory rates is as follows:

Loss before income taxes for the year	\$ <b><u>(339,527)</u></b>	\$ <u>(200,239)</u>
Income tax recovery at statutory rates	<b>91,333</b>	53,864
Permanent differences	<b>(47,912)</b>	(467)
Future tax impact on current temporary differences	<b>(7,346)</b>	(7,346)
Tax benefit not realized	<b><u>(36,075)</u></b>	<u>(46,051)</u>
Deferred income tax recovery	\$ <u>-</u>	\$ <u>-</u>

b) The significant components of deferred income tax assets are as follows:

Deferred income tax asset:		
Non-capital loss carry-forward	\$ <b>128,000</b>	\$ 79,000
Share issue costs	<b><u>14,692</u></b>	<u>22,038</u>
	<b>142,692</b>	101,038
Unrecognized deferred income taxes	<b><u>(142,692)</u></b>	<u>(101,038)</u>
Net deferred income taxes	\$ <u>-</u>	\$ <u>-</u>

c) The Company has an income tax losses available which can be used to reduce future years' taxable income. Future income tax benefits which may arise as a result of these losses have not been recognized in these financial statements. These loss-carry forwards will expire as follows:

	Federal	Quebec
2033	\$ 70,000	\$ 70,000
2034	216,000	214,000
2035	<u>189,000</u>	<u>189,000</u>
	\$ <u>475,000</u>	\$ <u>473,000</u>

d) The Company has accumulated \$54,618 of share issue costs which can be used to reduce future years' taxable income. These share issue costs will be deductible over the following two fiscal years.

**ELEMENT 79 CAPITAL INC./  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**9. Income taxes...cont'd.**

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- e) The Company has accumulated capital losses of \$175,000. There is uncertainty as to the Company's ability to realize the benefits from these losses. As a result, the Company has determined that its valuation allowance would effectively reduce the amount of the future tax asset to \$nil.

<b>10. Statement of cash flows</b>	<b>2015</b>	<b>2014</b>
Changes in non-cash working capital items:		
Accrued interest receivable	\$ -	\$ (3,237)
Accounts payable and accrued liabilities	<u>66,184</u>	<u>72,622</u>
	<b>\$ 66,184</b>	<b>\$ 69,385</b>

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**11. Related party transactions**

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Upon inception, the Company issued 1,493,334 common shares at \$0.075 per share for total proceeds of \$112,000 to the following related parties:

- a) 1,253,334 common shares to a company controlled by a director and officer of the Company;
- b) 80,000 common shares to each of the two other directors and the Chief Financial Officer of the Company.

During the year, the Company incurred approximately \$91,000 (2014 - \$99,000) in legal fees for services provided by a law firm whose partner is a director of the Company.

These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**12. Capital disclosures**

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The Company's objectives when managing capital are:

- a) to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders;
- b) to maintain sufficient cash resources to support its ongoing activities;
- c) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable level of risk.

In the management of capital, the Company considers the items included in shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets. The Company, upon the approval of the Board of Directors, will balance its overall capital structure through the issue of new shares, acquiring or disposing of assets, or by undertaking other activities as deemed appropriate under specific circumstances.

The proceeds raised from the issue of shares may only be used to identify and evaluate assets or business for future investments with the exception that up to \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the TSX-V.

The Company is not exposed to any externally imposed capital requirements.

**13. Compensation of key management**

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Key management includes the roles of CEO, President and CFO. During the year, no compensation was paid to key management.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**14. Financial instrument and risk management**

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**Fair value**

The carrying values of cash and cash equivalents, short-term investment and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The determinable of the fair value of cash and cash equivalents was calculated using level 1 of the fair value hierarchy.

**Credit risk**

The Company is exposed to credit risk through its cash and cash equivalents and its loans receivable described in notes 5 and 6 respectively. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Cash and cash equivalents are maintained with a high quality financial institution. As the Company's cash is held by a single Canadian bank, there is a concentration of credit risk. The carrying amount of cash equivalents represents the Company's maximum credit exposure.

Loans receivable from CanGold of \$175,000 were advanced in anticipation of the CanGold Transaction described in notes 2 and 6. The proposed CanGold Transaction has been terminated and the Company has entered into a letter of intent for a new Qualifying Transaction with Benton Resources Inc.

Following the termination of the transaction with CanGold, CanGold has advised the Company that it continues to work toward monetizing its assets, including the mining claims held by its wholly-owned subsidiary, Minera Bestep S.A. de C.V. ("Minera"). Notwithstanding these efforts, CanGold has further advised the Company that as a result of the deterioration of the value of its assets due to worsening market conditions, including the decrease in the price of gold, it was not in a position to repay the loans on July 28, 2015. The loans are secured by a general security over the assets of CanGold, its parent company, Ontop Capital Limited, and CanGold's wholly-owned subsidiary, Minera; however, in order to realize upon the security, the Company will need to incur additional professional fees and related expenses, and there can be no guarantee that the Company will be able to realize sufficient value to satisfy the full amount of the loans receivable and accrued interest net of such additional fees and expenses. Accordingly, management has determined that an impairment of the loans is necessary and has reduced the carrying amount of the loans receivable to \$nil. Management will continue to evaluate the situation with the goal of maximizing the amount of the loans collected.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**14. Financial instrument and risk management...cont'd.**

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**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages its short-term investments based on its cash flow needs. A change in the interest rates of 1% will not have a significant impact on the operations and cash flows of the Company.

**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 ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by continuously forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

**15. Subsequent events**

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The following events occurred subsequent to December 31, 2015:

As discussed in note 2, the Company signed a non-binding letter of intent (the "LOI") with Benton Resources Inc. The Transaction is meant to constitute the Company's "Qualifying Transaction" pursuant to Policy 2.4 of the TSXV. In response to market and other conditions which have changed since that date, the Terms of the Transaction described in the note have been amended to reflect the following:

The issuance 400,000 Element 79 common shares to acquire an initial fifty-one percent (51%) interest in the Property shall have a deemed value of a minimum of \$0.15 per Element 79 Share.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and December 31, 2014

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**15. Subsequent event...cont'd.**

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The concurrent Private Placement has been amended as follows:

Concurrently with the Closing, Element 79 will complete a brokered private placement of units of Element 79, consisting of:

- a minimum of 3,000,000 hard cash units at a price of \$0.15 per unit (each, a “Hard Cash Unit”) and a minimum of 2,800,000 flow-through units at a price of \$0.18 per unit (each, a “Flow-Through Unit”), for minimum combined gross proceeds of \$954,000 (the “Minimum Offering”); and
- a maximum of 3,300,000 Hard Cash Units at a price of \$0.15 per Hard Cash Unit and a maximum of 5,500,000 Flow-Through Units at a price of \$0.18 per Flow-Through Unit, for maximum combined gross proceeds of \$1,485,000 (the “Maximum Offering”).

Each Hard Cash Unit shall consist of one (1) Element 79 Share and one common share purchase warrant in the capital of Element 79 entitling the holder thereof to acquire one (1) Element 79 Share at an exercise price of \$0.20 for a period of thirty-six (36) months following Completion of the Transactions.

Each Flow-Through Unit shall consist of one (1) common share in the capital of Element 79 that is a “flow-through share” as defined in subsection 66(15) of the Income Tax Act (Canada), as amended from time to time and one half (1/2) common share purchase warrant in the capital of Element 79, which each whole common share purchase warrant entitling the holder thereof to acquire one (1) Element 79 Share at an exercise price of \$0.20 for a period of twelve (12) months following completion of the Transactions.

All other conditions described in note 2 remain the same.

The TSX-V granted, on March 4, 2016, an extension to the Company, until August 24, 2016, in order to complete the Transaction with Benton Resources Inc. If the Company does not complete the Transaction within the foregoing deadline, then the common shares will either be transferred to the NEX board or delisted from the TSX-V.