Rosita Mining Corporation
(formerly Midlands Minerals Corporation)

Consolidated Financial Statements

As at and for the years ended

December 31, 2015 and 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Rosita Mining Corporation (formerly Midlands Minerals Corporation) (or the "Company"), have been prepared by management in accordance with International Financial Reporting Standards and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained.

The Audit Committee of the Board of Directors (the "Board") has reviewed with the Company's independent auditor the scope and results of the annual audit and the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditor, Schwartz Levitsky Feldman LLP is appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the consolidated financial statements.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), Midlands Minerals Corporation and management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

"John Cook"
President and Chief Executive Officer
April 25, 2016

"Stephen Gledhill"
Chief Financial Officer
April 25, 2016

Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rosita Mining Corporation

We have audited the accompanying consolidated financial statements of Rosita Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of loss, comprehensiveloss, changes in equity (Deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rosita Mining Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 2 in the consolidated financial statements which indicates that the Company has an accumulated deficit of $33,053,943 as at December 31, 2015 and the Company's future success is dependent upon its ability to raise sufficient future financing to meet its work commitments and planned exploration expenditures for its projects. These conditions, along with other matters as set forth in Note 2 indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Schwartz Levitsky Feldman llp

Toronto, Ontario
April 25, 2016

Chartered Accountants
Licensed Public Accountants

Rosita Mining Corporation
(formerly Midlands Minerals Corporation)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	**December 31, 2015**	December 31, 2014
	$	$
Assets		
Current assets		
Cash *(note 8)*	**446,826**	1,549,250
Short-term investment *(note 9)*	**10,000**	60,000
Other receivables and prepaid expenses *(note 10)*	**8,033**	49,591
Total current assets	**464,859**	1,658,841
Non-current assets		
Equipment *(note 16)*	**12,514**	17,742
Total non-current assets	**12,514**	17,742
Total assets	**477,373**	1,676,583
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(note 11)*	**510,057**	82,037
Due to related parties *(note 13)*	**21,509**	23,015
Total current liabilities	**531,566**	105,052
Shareholders' equity (deficiency)		
Share capital *(note 12)*	**19,067,609**	18,199,531
Contributed surplus *(note 12)*	**13,932,141**	13,932,141
Deficit	**(33,053,943)**	(30,560,141)
Total shareholders' equity (deficiency)	**(54,193)**	1,571,531
Total liabilities and shareholders' equity (deficiency)	**477,373**	1,676,583

Going concern *(note 2)*
Related-party transactions and balances *(note 13)*
Commitments and contractual obligations *(note 17)*
Subsequent event *(note 21)*

Approved by the Board on April 25, 2016:

"Nick Tintor"
Director

"John Cook"
Director

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

Rosita Mining Corporation
(formerly Midlands Minerals Corporation)

Consolidated Statements of Loss

(Expressed in Canadian dollars)

	Years ended	
	December 31, 2015	December 31, 2014
	$	$
Operating expenses		
Acquisition costs-rights to explore *(note 18)*	**1,091,326**	-
Depreciation	**4,588**	4,435
Exploration and evaluation expenditures *(note 15)*	**568,147**	845,622
Office and administrative expenses	**298,910**	339,868
Professional fees	**373,154**	117,251
Salaries and consulting fees	**390,756**	402,572
Share-based compensation *(note 12)*	**-**	190,800
Shareholder information	**76,090**	100,780
Total operating expenses	**2,802,971**	2,001,328
Loss before taxes and undernoted items	**(2,802,971)**	(2,001,328)
Gain on sale of property *(note 14)*	**311,500**	-
Gain/(loss) on sale of equipment	**(7,308)**	11,363
Realized gain on sale of investments	**-**	50,086
Interest income	**10,186**	34,675
Foreign exchange loss	**(5,209)**	(13,343)
Loss before taxes	**(2,493,802)**	(1,918,547)
Deferred income taxes *(note 20)*	**-**	(9,349)
Net loss	**(2,493,802)**	(1,927,896)
Basic and fully-diluted loss per common share	**(0.09)**	(0.10)
Weighted average number of common shares outstanding	**27,068,560**	19,422,823

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

Rosita Mining Corporation
(formerly Midlands Minerals Corporation)

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars, except loss per common share)

	Years ended	
	December 31, 2015	December 31, 2014
	$	$
Net loss	**(2,493,802)**	(1,927,896)
Other comprehensive loss:		
Realized loss transferred to statement of loss	**-**	(43,825)
Other comprehensive loss, net of income taxes	**-**	(43,825)
Total comprehensive loss	**(2,493,802)**	(1,971,721)

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

Rosita Mining Corporation

(formerly Midlands Minerals Corporation)

Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in Canadian dollars)

	Share Capital		Reserves			
	Number of shares	Amount	Contributed surplus	Available-for-sale	Accumulated Deficit	Total
		$	$	$	$	$
Balance at January 1, 2014	19,422,823 [1]	18,199,531	13,741,341	43,825	(28,632,245)	3,352,452
Share-based compensation	-	-	190,800	-	-	190,800
Realized losses transferred on sale of investments	-	-		(43,825)	-	(43,825)
Net loss for the year	-	-		-	(1,927,896)	(1,927,896)
Balance at December 31, 2014	19,422,823	18,199,531	13,932,141	-	(30,560,141)	1,571,531
Securities issued to Alder shareholders *(note 18)*	**17,324,959**	**866,268**	**-**	**-**	**-**	**866,268**
Shares issued for option payment *(note 12)*	**36,200**	**1,810**	**-**	**-**	**-**	**1,810**
Net loss for the year	**-**	**-**	**-**	**-**	**(2,493,802)**	**(2,493,802)**
Balance at December 31, 2015	**36,783,982**	**19,067,609**	**13,932,141**	**-**	**(33,053,943)**	**(54,193)**

[1] Restated to account for 1-for-10 share consolidation in 2015

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

Rosita Mining Corporation
(formerly Midlands Minerals Corporation)

Consolidated Statements of Cash Flow

(Expressed in Canadian dollars)

	Years ended	
	December 31, 2015	December 31, 2014
	$	$
Operating activities		
Net loss	**(2,493,802)**	(1,927,896)
Adjustments to non-cash items:		
Acquisition costs-rights to explore *(note 18)*	**1,091,326**	-
Depreciation	**4,588**	4,435
Deferred income tax (recoveries)	**-**	9,349
(Gain)/loss on sale of equipment	**7,308**	(11,363)
Gain on sale of property *(note 14)*	**(311,500)**	-
Cumulative unrealized gains transferred to income statement on sale of investments	**-**	(50,086)
Shares issued for project earn-in *(notes 12 & 15)*	**1,810**	-
Share-based compensation	**-**	190,800
Net change in non-cash working capital items:		
Other receivables and prepaid expenses	**47,209**	(25,853)
Trade payables and accrued liabilities	**281,586**	5,295
Cash used in operating activities	**(1,371,475)**	(1,805,319)
Investing activities		
Investment in debenture for Alder Acquisition *(note 18)*	**(100,000)**	-
Proceeds from sale of project *(note 14)*	**311,500**	-
Proceeds from sale of investments	**-**	17,712
Proceeds from sale of equipment	**9,548**	11,363
Purchase of equipment *(note 16)*	**(491)**	-
Sale of short-term investment	**50,000**	-
Cash provided from investing activities	**270,557**	29,075
Financing activities		
Advances from (repayments to) related parties	**(1,506)**	108,853
Cash provided from (used in) financing activities	**(1,506)**	108,853
Net decrease in cash	**(1,102,424)**	(1,667,391)
Cash at beginning of year	**1,549,250**	3,216,641
Cash at end of year	**446,826**	1,549,250

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

1. Company description and nature of operations

Rosita Mining Corporation ("Rosita" or the "Company"), formerly Midlands Minerals Corporation ("Midlands") is an exploration-stage, publicly-traded Company (TSXV: RSC) incorporated in Ontario, Canada with its registered office address at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1. The Company is a junior prospecting and natural-resource company, focused on growing a mineral asset inventory to build shareholder value. The Company employs responsible exploration methods in politically stable, low-risk and mining-friendly countries. As the Company's assets are located outside North America, they are subject to the risk of foreign investment, including additional local taxation and royalties, renegotiation of contracts, possible expropriation, currency exchange fluctuations and political uncertainty.

At a meeting of its shareholders held on July 20, 2015, shareholders of Rosita approved acquiring all of the outstanding shares of Alder Resources Ltd. ("Alder") (the "Acquisition"), changing the name of Midlands to Rosita Mining Corporation and completing a 1-for-10 share consolidation (the "Consolidation"). The Acquisition was completed on July 24, 2015. See note 18 for details of the Acquisition.

2. Going concern

These consolidated financial statements (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of exploring and developing its mineral properties and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of exploration and development of its mineral properties. Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. Further, in order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed at their renewal date. These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, the Consolidated Financial Statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

At December 31, 2015, the Company had a working capital deficit of $66,707 (2014 – working capital of $1,553,789), a cash position of $446,826 (2014 – $1,549,250) and an accumulated deficit of $33,053,943 (2014 – $30,560,141) and for the year ended December 31, 2015, cash used in operating activities of $1,371,475 (2014 - $1,805,319), which place considerable concern on the Company's ability to discharge its ongoing obligations. In order to meet its work commitments and planned exploration expenditures for its projects as well as further working capital requirements, it may be required to complete further financings (debt or equity). Management continues to work toward completing additional financings and/or sale of assets. In February 2015, the Company completed the sale of its Kaniago project for gross proceeds of $311,500 (see note 14).

The readers are also directed to review ***note 6 (ii) - Financial Instruments – liquidity risk***.

3. Basis of preparation and significant accounting policies

Basis of preparation

3.1 Statement of compliance

The Consolidated Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee with an effective date of December 31, 2015.

The Consolidated Financial Statements were approved by the Board on April 25, 2016.

3.2 Basis of presentation

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in note 6. The Consolidated Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency and presentation currency of the Company and its subsidiaries is the Canadian dollar.

3.3 Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiaries; Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals Tanzania Limited, Manonga Minerals Limited, Harbour Capital Corporation, Alder Resources Ltd. (since the Acquisition) and ALR Nicaragua S.A. (since the Acquisition). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated statements of operations include losses of the Company's subsidiaries, including those purchased through the Acquisition (see note 18), from the date of acquisition (July 24, 2015) through to year end.

All inter-Company transactions, balances, income and expenses are eliminated on consolidation.

Significant accounting policies

3.4 Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss on financial assets carried at amortized cost as follows: The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows, discounted using the financial instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

3.5 Impairment of non-financial assets

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit or "CGU"). The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that have been impaired previously are reviewed for possible reversal of impairment at each reporting date.

3.6 Exploration and evaluation expenditures

All exploration and evaluation expenditures, the elements of which include: Acquisition of rights to explore; studies of all nature (topographical, geological, geochemical and geophysical), exploratory drilling, coring, sampling, trenching, and in general, all activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

3.7 Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of equipment, less their estimated residual value, using the declining-balance method or unit-of-production method over the following expected useful lives:

• Computer equipment and software	20%
• Office equipment	20%
• Field equipment	20%

Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of profit (loss).

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

3.8 Decommissioning, restoration and similar liabilities (asset retirement obligations)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and P&E, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the declining-balance method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company does not currently have any asset retirement obligations.

3.9 Share-based payments

Share-based payment transactions

The Company has a share-based compensation plan (the "Plan) whereby participants (including directors, senior executives, employees and consultants) may receive a portion of their remuneration or fees in the form of share-based payment transactions. The participants render their services in consideration for equity instruments ("equity-settled transactions").

If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

3.10 Taxation

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income/loss.
Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.11 Earnings (loss) per share

The basic earnings (loss) per share is computed by dividing the net profit (loss) by the weighted average number of common shares outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share-purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2015 and 2014, all the outstanding stock options and warrants were antidilutive and were not included.

2014 comparative loss per share and weighted average number of outstanding common shares has been adjusted to account for the 1-for-10 Consolidation (as defined in note 18).

3.12 Financial assets

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of loss. The Company's cash and short-term investments are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's other receivables (excluding HST recoverable) and due from related parties are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss), net of applicable taxes, except for losses in value that are considered other than temporary.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

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.

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Company policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

3.13 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. 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. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss. At December 31, 2015, the Company has not classified any financial liabilities as FVTPL.

3.14 Impairment of financial assets

At each date of the statement of financial position, the Company assesses whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as 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 asset is then reduced by the amount of the impairment. The amount of the loss is recognized in the statement of comprehensive income/loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income/loss.

In relation to other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

3.15 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income/loss.

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

3.16 Foreign currency transactions

Functional and presentation currency

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit (loss). Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

3.17 Significant accounting judgments and estimates

The preparation of these Consolidated Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; impairment testing of property and equipment, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

3.18 Cash

Cash in the statement of financial position comprise cash at banks and on hand.

3.19 Investment

Short-term investment

Short-term investment consists of an investment certificate with a maturity date greater than three months but less than one year.

3.20 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense and is applied as an offset to the specific obligation on the statement of financial position.

3.21 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related-party transaction when there is a transfer of resources or obligations between the related parties. Related-party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

4. New accounting standards and interpretations

At the date of authorization of the Consolidated Financial Statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and for which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). In November 2009, the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009) and subsequently issued various amendments in October 2010, IFRS 9 Financial Instruments (2010) and November 2013 IFRS 9 Financial Instruments (2013). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

- In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective January 1, 2018.

5. Capital management

The Company considers its capital to be its equity, which is comprised of share capital, reserve accounts and deficit. As at December 31, 2015, shareholders' deficit totaled $54,193 (2014 – shareholders' equity of $1,571,531). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company.

There were no changes in the Company's approach to capital management during the year ended December 31, 2015. The Company is not subject to externally imposed capital restrictions.

(Expressed in Canadian dollars)

6. Financial instruments

Fair value

The Company has designated its cash and short-term investment as fair-value-thorough-profit-and-loss ("FVTPL"), which is measured at fair value. Other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost that approximates fair value. Trade payables and accrued liabilities, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value. Fair values of the Company's financial instruments have been characterized below using a fair value hierarchy that reflects the significance of the inputs used in make the measurements.

	Level 1	Level 2	Level 3
	$	$	$
Cash	446,826	-	-
Short-term investment	10,000	-	-
Other receivables	-	8,033	-
Trade payables and accrued liabilities	-	(510,057)	-
Due to related parties	-	(21,509)	-

As at December 31, 2015, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates

A summary of the Company's risk exposures as it relates to financial instruments are detailed below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. **Cash and short-term investment** – Cash is held with major Canadian, Ghanaian and Nicaraguan banks and investment institutions and therefore have minimal risk of loss. Short-term investment is held with a major Canadian bank and therefore has minimal risk of loss. In Management's opinion, the risk of loss is minimal with foreign banking institutions and is limited to the amount carried on statement of financial position. Cash held with foreign banks at December 31, 2015, totals $8,712 (December 31, 2014 - $17,700).

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2015, the Company had a working capital of deficit of $66,707 (2014 – working capital of $1,553,789). In order to meet its future working capital and property exploration expenditures, the Company intends on securing further financing, as required, to ensure that those obligations are properly discharged. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit some or all of its interests and reduce or terminate its operations therein.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short to mid-term guaranteed investment certificates, as appropriate.

b. Currency risk

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars, Ghanaian Cedi and the Tanzanian Shilling. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

c. Price risk

The Company is not subject to price risk.

7. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year:

The Company's funds are kept in Canadian dollars, US dollars, Ghanaian Cedi and Nicaraguan Córdoba at major Canadian, Ghanaian and Nicaraguan financial institutions.

As at December 31, 2015, the Company's exposure to foreign currency balances is as follows:

(Expressed in Canadian dollars)

As at		Dec. 31, 2015	Dec. 31, 2014
Account	**Foreign Currency**	**Exposure ($CDN)**	
Cash	US dollar	**4,699**	9,727
Cash	Ghanaian Cedi	**-**	7,973
Cash	Nicaraguan Córdoba	**8,712**	-
Accounts payable	Ghanaian Cedi	**(606)**	(1,280)
Accounts payable	Nicaraguan Córdoba	**(10,852)**	-
		1,953	16,420

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net loss for the period by approximately $195 (December 31, 2014 - $1,640).

8. Cash

The balance at December 31, 2015, consists of $446,826 (2014 - $1,549,250) on deposit with major Canadian and Ghanaian banks.

9. Short-term investment

As at December 31, 2015, short-term investment consists of a guaranteed investment certificate of $10,000 (2014 - $60,000), which bears interest at rate of 0.65% per annum and had a maturity date of January 28, 2016. On maturity, the certificate was automatically renewed for another year on the existing terms.

10. Other receivables and prepaid expenses

The Company's receivables arise from four main sources: Advances to Reservoir, harmonized sales tax ("HST") recoverable from the Canada Revenue Agency, prepaid amounts to suppliers and interest receivable from short-term investment. These are broken down as follows:

	December 31, 2015	December 31, 2014
	$	$
Advances to Reservoir	**-**	37,318
HST recoverable	**4,583**	8,383
Prepaid insurance	**3,450**	3,450
Interest receivable	**-**	440
Total	**8,033**	49,591

11. Trade payables and accrued liabilities

Trade payables and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

(Expressed in Canadian dollars)

The following is an analysis of the trade payables and accrued liabilities balances:

As at	**December 31, 2015**	December 31, 2014
	$	$
Exploration expenditures	**20,503**	26,592
Office and administrative	**36,320**	13,704
Professional fees	**434,379**	41,117
Shareholder information	**18,855**	624
Total	**510,057**	82,037

12. Share capital

Authorized

Authorized share capital consists of an unlimited number of common shares of which 36,783,982 (2014 – 19,422,823, adjusted for the Acquisition, see note 18) are issued and outstanding.

Issued

In November 2015, the Company issued 36,200 shares with a value of $1,810, to Calibre Mining Corporation ("Calibre"), as a condition of its final earn-in to the Rosita project (note 15).

In July 2015, contemporaneous with the acquisition of Alder, the Company completed a 1-for-10 share consolidation (see note 18 for details on the acquisition of Alder and the share consolidation).

Contributed surplus

The Company has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the stock option plan is a maximum of 10% of the issued and outstanding common shares of the Company. As at December 31, 2015, the Company had 1,569,431 options available for issuance (December 31, 2014 – 979,782, adjusted for the Consolidation, see note 18).

A continuity of the outstanding options to purchase common shares is as follows:

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(Expressed in Canadian dollars)

	December 31, 2015		December 31, 2014 (adjusted for the Consolidation (note 18))	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
	$		$	
Outstanding at beginning of period	**0.60**	**1,062,500**	1.10	1,245,000
Transactions during the period:				
Granted[1]	**0.97**	**1,367,817**	0.50	1,015,000
Expired	**(2.10)**	**(186,350)**	1.20	(337,500)
Forfeited	**(0.50)**	**(135,000)**	1.00	(860,000)
Outstanding at end of period	**0.71**	**2,108,967**	0.60	1,062,500
Exercisable at end of period	**0.71**	**2,108,967**	0.60	1,062,500

[1]All the granted options were issued for outstanding Alder options pursuant to the Acquisition.

The following table provides additional information about outstanding stock options at December 31, 2015:

Range of Exercise Prices	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**
$0.28 - $0.50	1,212,497	3.33	0.44
$0.51 - $1.00	298,265	1.44	0.68
$1.01 - $1.50	543,905	1.09	1.22
$1.51 - $2.50	54,300	0.07	1.66
$0.28 - $2.50	**2,108,967**	**2.40**	**0.71**

Share-based compensation

The fair value of the stock options vested for the year ended December 31, 2015, was $nil (2014 – $190,800), which amount has been expensed in the consolidated statements of loss.

i) On April 30, 2014, the Company granted 915,000 stock options (adjusted for the Consolidation, note 18) to eligible participants of the Company's stock option plan. The options have a term of

(Expressed in Canadian dollars)

5 years, are exercisable at $0.50 per share (adjusted for the Consolidation, note 18) and vested immediately. The grant-date fair value of the options was $183,000 and was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate 1.64%, expected dividend yield of 0%, volatility 263% and expected option life of five years. Share-based compensation for this period for the vested portion on these options amounted to $nil (2014 -$183,000).

ii) On November 17, 2014, the Company granted 100,000 stock options (adjusted for the Consolidation, note 18) to eligible participants of the Company's stock option plan. The options have a term of 5 years, are exercisable at $0.50 per share (adjusted for the Consolidation, note 18). The grant-date fair value of the options was zero and was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate 1.13%, expected dividend yield of 0%, volatility 285% and expected option life of five years. Share-based compensation for this period for the vested portion on these options amounted to $nil (2014 - $nil).

iii) On July 24, 2015 (the Acquisition date), the Company issued 1,367,817 (adjusted for the Consolidation, note 18) Rosita options to Alder option holders as a result of the Acquisition. Immediately, the options issued were consolidated on a 1 for 10 basis pursuant to the Consolidation. The grant-date fair value of the options was $nil and was calculated using the Black-Scholes option pricing model with assumptions as disclosed in note 18.

Warrants

As a result of the Acquisition and Consolidation, the Company has 524,900 warrants outstanding as at December 31, 2015, with an exercise price of $0.387 each, expiring on May 30, 2017.

The outstanding issued warrants balance at December 31, 2015, is comprised of the following item:

Date of expiry	Number of warrants	Exercise price $	Weighted average remaining life (years)
May 30, 2017	524,900	0.387	1.4

13. Related-party transactions and balances

During the year ended December 31, 2015, $180,000 (2014 - $180,000) of management fees were paid or payable to RG Mining Investments Inc. ("RGMI"). RGMI provides management and administrative services to the Company pursuant to an agreement that had an original term of 1 year and expired on September 30, 2012. It has been renewed for successive 12-month periods. The agreement may be terminated upon 60 days prior notice by either party or upon the criminal conviction, death, disability, incapacity, bankruptcy, insolvency, gross negligence, gross dereliction of duty or gross misconduct, of RGMI. The Company's Chairman of the Board and CFO beneficially own RGMI.

During 2015, the Company made a severance payment of $50,000, regarding the Acquisition, to a director of Alder that continued as a director of the Company.

(Expressed in Canadian dollars)

During the year ended December 31, 2015, $237,331 (2014 - $420,732) was earned or paid to key management personnel or to companies controlled by them, with regard to professional fees and salaries and benefits. The Company identifies key management personnel as current and former officers of the Company including the President and CEO and VP Exploration as well as current and former directors of the Company. The Company's CFO is also considered key management but payments are made to RGMI (noted above) pursuant to the management services agreement.

During the year ended December 31, 2015, officers and directors earned non-cash, share-based compensation of $nil (2014 - $190,800).

Due to related-parties

As at December 31, 2015, the statement of financial position includes a balance of $21,509 (2014 – $23,015) comprising of $nil (2014 - $6,298) due to a current director of the Company and $21,509 (2014 - $16,717) due to officers of the Company.

14. Sale of Kaniago project

On February 11, 2015, the Company announced that it has sold its Kaniago gold project in Ghana to a subsidiary of neighbor Asanko Gold Inc., Keegan Resources (Ghana) Limited ("KRGL"). The sale of the non-core asset was an important part of the Company's strategy to reduce costs, liabilities and risk, and to restore liquidity. In January 2015, the Company was granted an outstanding license renewal application from the Minerals Commission in Ghana which fulfilled a pre-condition for the sale, transfer and disposal of all of its right, title and interest in the concessions to KRGL. KRGL will be responsible for any conveyance and registration costs, including any income taxes on the transfers and renewal fees that may arise during the transfer process. The sale proceeds amounted to US$250,000 (C$311,500), with such amounts received by the Company in February, 2015 and representing a gain on sale.

15. Exploration and evaluation expenditures

The exploration and evaluation expenditures for the Company are broken down as follows:

	Year ended		
	December 31, 2015	December 31, 2014	**Cumulative to-date(3)**
	$	$	**$**
Serbia:			
Parlozi project	**78,854**	702,922	**-**
Total	**78,854**	702,922	**-**
Ghana:			
Kaniago(1)	**-**	12,972	**-**
Others(2)	**74,564**	129,728	**1,844,903**

(Expressed in Canadian dollars)

Total	**74,564**	142,700	**1,844,903**
Nicaragua:			
Rosita project[4]	**414,729**	**-**	**414,729**
Total	**414,729**	**-**	**414,729**
Exploration and evaluation expenditures	**568,147**	845,622	**2,259,632**
Acquisition costs-rights to explore[5] (note 18)	**1,091,326**	**-**	**1,091,326**

(1) The Kaniago project was sold in February 2015 - see note 14.

(2) Current expenditures under this category include office and admin expenses not directly related to any of the listed projects. Comparative and cumulative amounts include all expenditures that are not directly related to any of the listed projects.

(3) Only current properties are included in cumulative-to-date amounts.

(4) Expenditures included from July 24, 2015 to December 31, 2015. In addition, see note 18 regarding the expenditures incurred to acquire the rights to explore the Rosita project.

(5) See note 18 regarding the expenditures incurred to acquire the rights to explore the Rosita project.

Parlozi project

On April 3, 2014, Midlands entered into a definitive agreement (the "Option Agreement"), with Reservoir Minerals Inc. for an option to acquire up to a 75% interest in Reservoir's Parlozi lead-zinc-silver project in Serbia. The Option Agreement was terminated on May 6, 2015.

Rosita project

On August 29, 2011, Alder entered into an option agreement with Calibre to earn a 65% interest in the Rosita project.

To exercise the option, Alder (and now Rosita) must pay Calibre:

(i) An aggregate of 1,000,000 Alder common shares as follows:

a) 200,000 common shares of Alder within 5 business days of the TSX Venture Exchange approval of the option agreement (issued);
b) 200,000 common shares of Alder on or before October 3, 2012 (issued);
c) 200,000 common shares of Alder on or before October 3, 2013 (issued);
d) 200,000 common shares of Alder on or before October 3, 2014 (issued);
e) 200,000 common shares of Alder on or before October 3, 2015 (Rosita shares issued as adjusted for the Arrangement and the Consolidation, notes 12 and 18);

and incur

(ii) An aggregate of $4,000,000 in expenditures on the property as follows:

a) $500,000 on or before October 3, 2012 (incurred);
b) An additional $750,000 on or before October 3, 2013 (incurred);

(Expressed in Canadian dollars)

c) An additional $1,250,000 on or before October 3, 2014 (incurred); and
d) An additional $1,500,000 on or before October 3, 2015 (incurred) (see below regarding these expenditures).

As at December 31, 2015, the Company (including previous expenditures by Alder) had fulfilled the requirements under the option agreement and it had earned its 65% interest in the Rosita project.

On June 30, 2014, Alder (assumed by Rosita upon close of the Acquisition) entered into a royalty agreement with Forbes & Manhattan, Inc. (“Forbes”) for the settlement of a dated accounts payable totaling $508,500 (including HST). Alder recorded the consideration of reducing the outstanding amount, by credited the carrying value of the Rosita project. The royalty is a 0.5% net smelter royalty (“NSR”) on its 65% interest in the Rosita project (see note 17). The royalty became effective upon the Company earning the 65% interest in the Rosita project. The Company may reacquire the NSR by paying Forbes $1,000,000 plus $508,500.

16. Equipment

Equipment is comprised as follows:

Cost	$
Balance at January 1, 2014	30,802
Additions	-
Balance December 31, 2014	**30,802**
Additions (Acquisition – note 18)	15,724
Additions	491
Disposals	(30,802)
Balance December 31, 2015	**16,215**

Accumulated depreciation	$
Balance at January 1, 2014	(8,625)
Depreciation	(4,435)
Balance December 31, 2014	**(13,060)**
Depreciation	**(4,588)**
Disposals	**13,947**
Balance December 31, 2015	**(3,701)**

Net book value	$
Balance December 31, 2014	**17,742**
Balance December 31, 2015	**12,514**

17. Commitments and contractual obligations

The Company is obligated to pay a 0.5% net smelter royalty ("NSR") on its 65% interest in the Rosita project (see note 15).

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees. At present, the Company has complied with existing laws with regard to environmental legislation.

The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

18. Acquisition of Alder Resources Ltd.

On July 24, 2015, Rosita and Alder completed the Acquisition by way of a plan of arrangement (the "Arrangement"). Pursuant to the Arrangement, shareholders of Alder received consideration of 1.81 common shares of Rosita (each whole common share, a "Rosita Share") per Alder share outstanding (the "Alder Shares"), calculated on a pre-Consolidation basis.

Each holder of a warrant to acquire Alder Shares (each, an "Alder Warrant") outstanding immediately prior to July 24, 2015, will receive on subsequent exercise of such holder's Alder Warrant, in accordance with its terms, for the same aggregate consideration payable on exercise of such warrant, 1.81 of a Rosita Share, calculated on a pre-Consolidation basis.

Each holder of an Alder option to acquire Alder Shares (each, an "Alder Option") outstanding immediately prior to July 24, 2015, will receive on subsequent exercise of such holder's Alder Option, in accordance with its terms, for the same aggregate consideration payable on exercise of such option, 1.81 of a Rosita Share, calculated on a pre-Consolidation basis.

In addition, Rosita has paid further consideration by acquiring $100,000 of unsecured, non-convertible debentures (the "Debenture") bearing interest at a rate of 10% per annum, from Alder. The Debenture matured on July 24, 2015.

Upon completion of, and in connection with, the Arrangement, Rosita consolidated the outstanding Rosita Shares (including the Rosita Shares issued to former holders of Alders Shares under the Arrangement) on the basis of one new common share for every ten existing common shares (1-for-10) (the "Consolidation") and changed its name to Rosita Mining Corporation.

(Expressed in Canadian dollars)

Purchase price consideration

The Acquisition is being treated as an asset acquisition for accounting purposes as Alder does not meet the definition of a business, as defined in IFRS 3, *Business Combinations*. The purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed as at July 24, 2015. The fair value of the purchase consideration was based on the closing stock price of Rosita (then Midlands) on July 23, 2015 (being the day prior to the closing of the Acquisition), as quoted on stockwatch.com on July 24, 2015.

	Fair value
	$
Consideration:	
17,324,959(1) common shares of Rosita at $0.05(1) per share	866,268(1)
Fair value of Alder's options and warrants(2)	-
Other acquisition costs (the Debenture)	100,000
Purchase consideration	**966,268**

	Purchase price allocation
	$
Cash	427
Other receivables and prepaids	5,225
Equipment	15,724
Acquisition costs-rights to explore(3) (note 15)	1,091,326
Account payable and accrued liabilities	(125,934)
Loans payable	(20,500)
Purchase consideration	**966,268**

(1)After adjusting for the Consolidation and non-issuance of fractional shares.

(2)Options issued to Alder option holders were revalued using the Black-Scholes weighted average parameters below. The subsequent value was not material and therefore no adjustment was made. The warrants issued to Alder warrant holders were valued using the Black Scholes option pricing model with the following weighted-average parameters: Dividend yield – nil; expected volatility – 214.1%, risk-free interest rate – 0.60%, expected life (years) – 1.81 and Rosita common share price - $0.005.

(3)In completing the Acquisition, the Company acquired the "rights" to explore the Rosita project. For accounting purposes, the Company considers these to be acquired rights to explore pursuant to IFRS 6 and accordingly has expensed these costs pursuant to its accounting policy (note 3.6).

19. Segmented information

Operating Segments

As at December 31, 2015, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Ghana, Nicaragua and Serbia. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment. As the operations comprise a single reporting segment, amounts disclosed in the Consolidated Financial Statements also represent operating segment amounts.

(Expressed in Canadian dollars)

Geographic Segments

Management has organized the Company's reportable segments by geographic area. The Ghanaian, Serbian and Nicaraguan segments are responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. Information concerning Rosita's reportable segments is as follows:

	Years ended	
	December 31, 2015	December 31, 2014
	$	$
Net loss		
Canada	**(1,934,780)**	(1,082,274)
Ghana	**(74,564)**	(142,700)
Nicaragua	**(405,604)**	-
Serbia	**(78,854)**	(702,922)
	(2,493,802)	(1,927,896)

Significant non-cash items		
Canada:		
Acquisition costs (note 18)	**1,091,326**	-
Cumulative unrealized gains on sale of investments	**-**	50,086
Share-based compensation	**-**	190,800
	1,091,326	240,886

As at	**December 31, 2015**	December 31, 2014
Identifiable assets		
Canada	**456,147**	1,604,790
Ghana	**-**	34,475
Nicaragua	**21,226**	-
Serbia	**-**	37,318
	477,373	1,676,583

(Expressed in Canadian dollars)

20. Income taxes

Current income taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates and Nicaraguan statutory income tax rate with the Company's effective tax rate is as follows:

	2015		2014	
	$	**%**	$	%
Loss before income taxes	**(2,493,802)**		(1,918,547)	
Combined statutory rate	27.1%		26.5%	
Expected income (tax) benefit	675,054	27.1	508,415	26.5
Increase (decrease) in income taxes resulting from:				
Stock-based compensation	-	-	(50,562)	(2.6)
Share issue costs	51,191	2.1	84,915	4.4
Other permanent differences	(303,470)	(12.2)	(23,556)	(1.2)
Tax benefits not recognized	(422,775)	(17.0)	(528,561)	(27.1)
Deferred income tax recoveries	-	-	(9,349)	0.2

The Canadian statutory income tax rate of 26.5% (2014 – 26.5%) is comprised of the federal income tax rate at approximately 15% (2014 – 15%) and the provincial income tax rate of approximately 11.5% (2014 – 11.5%). The Nicaraguan statutory income tax rate is 30%.

The Company also has non-capital loss-carry forwards of $19,806,000 (2014 - $14,717,000) for which no benefit has been recognized in these Consolidated Financial Statements. These non-capital losses expire as follows:

	Canada	**Nicaragua**
	$	**$**
2016	-	537,000
2017	-	326,000
2018	-	30,000
2026	900,000	-
2027	996,000	-
2028	1,182,000	-
2029	889,000	-
2030	2,748,000	-
2031	4,914,000	-
2032	2,582,000	-
2033	2,017,000	-
2034	1,445,000	-
2035	1,240,000	-

(Expressed in Canadian dollars)

	18,913,000	893,000

Deferred income taxes

Deferred income taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2015	December 31, 2014
Unrecognized deferred income tax asset (liability):	**$**	$
Non-capital losses carry forward	5,275,893	3,900,005
Share issue costs	-	51,191
Plant and equipment	7,140	3,461
Resource property costs	380,328	229,700
Unrecognized net deferred income tax asset	5,663,361	4,184,357

21. Subsequent event

On January 1, 2016, 838,392 options with varying exercise prices and expiry dates, were forfeited.