NORTHERNSHIELD
RESOURCES INC.

***(A Development Stage Company)***

# *Annual Consolidated Financial Statements*

*For the years ended December 31, 2015 and 2014*
(All amounts in Canadian Dollars)

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# Independent Auditor's Report

To the Shareholders of
Northern Shield Resources Inc.

We have audited the accompanying consolidated financial statements of Northern Shield Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Shield Resources Inc. as at December 31, 2015 and December 31, 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 modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates that, as at December 31, 2015, the Company had accumulated losses of $24,962,186 and for the year then ended had incurred a net loss of $3,643,542 and had negative operating cash flows of $671,106. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Chartered Professional Accountants
Licensed Public Accountants

April 29, 2016
Ottawa, Ontario

# Audited Consolidated Financial Statements

***For the Years Ended December 31, 2015 and 2014***

**All amounts in Canadian Dollars**


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## NORTHERN SHIELD RESOURCES INC.
### (A Development Stage Company)
### Consolidated Statements of Loss and Comprehensive Loss
**for the years ended December 31, 2015 and 2014**
***(in Canadian Dollars)***

| | **2015** | 2014 |
|---|---|---|
| Expenses | | |
| Expensed exploration (Note 9) | **$ 3,060,962** | $ 3,464,990 |
| General and administrative (Note 9) | **771,877** | 1,054,698 |
| Loss before other income (expenses) | **(3,832,839)** | (4,519,688) |
| Government assistance (Note 14) | **94,796** | 784,948 |
| Impairment of available-for-sale assets | **(7,500)** | - |
| Other income (Notes 3 and 5) | **102,000** | - |
| Loss on sale of mineral property rights (Note 6) | **-** | (628,354) |
| Loss on sale of property, plant and equipment (Note 7) | **-** | (135,747) |
| Interest income | **1** | 3,415 |
| NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS | **(3,643,542)** | (4,495,426) |
| COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS | **(3,643,542)** | (4,495,426) |
| Weighted average common shares outstanding | **154,134,422** | 152,428,668 |
| Basic and diluted loss per share (Note 4) | **$ (0.02)** | $ (0.03) |

*All results are from continuing operations.*
*The accompanying notes are an integral part of the consolidated financial statements.*

APPROVED BY THE BOARD

________________________ Ian C. Bliss, Director

________________________ William J. Kiff, Director

# NORTHERN SHIELD RESOURCES INC.
## (A Development Stage Company)
## Consolidated Statements of Financial Position
**as at December 31, 2015 and 2014**
***(in Canadian Dollars)***

| | **December 31, 2015** | December 31, 2014 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash | **$ 128,691** | $ 709,825 |
| Unbilled receivables | **-** | 89,379 |
| Amounts receivable | **49,433** | 36,690 |
| Prepaid expenses | **21,073** | 20,396 |
| | **199,197** | 856,290 |
| NON-CURRENT ASSETS | | |
| INVESTMENT IN SHARES | **833** | 8,333 |
| MINERAL PROPERTIES (Note 6) | **269,408** | 3,080,737 |
| PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (Note 7) | **116,132** | 144,241 |
| | **$ 585,570** | $ 4,089,601 |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | **$ 114,937** | $ 153,176 |
| Deferred exploration funding (Note 8) | **174,131** | 174,131 |
| | **289,068** | 327,307 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 3) | **22,286,610** | 22,129,020 |
| Reserves | **2,972,078** | 2,951,918 |
| Deficit | **(24,962,186)** | (21,318,644) |
| | **296,502** | 3,762,294 |
| | **$ 585,570** | $ 4,089,601 |

*All results are from continuing operations.*
*The accompanying notes are an integral part of the consolidated financial statements.*

## NORTHERN SHIELD RESOURCES INC.
### (A Development Stage Company)
### Consolidated Statements of Cash Flows
**for the years ended December 31, 2015 and 2014**
***(in Canadian Dollars)***

| | **2015** | 2014 |
|---|---|---|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING | | |
| Net loss attributable to owners | **$ (3,643,542)** | $ (4,495,426) |
| Items not affecting cash | | |
| Amortization - administrative | **12,251** | 16,255 |
| Share-based compensation | **-** | 9,500 |
| Impairment in fair value of available-for-sale financial assets | **7,500** | - |
| Other income | **(1)** | (3,415) |
| Changes in non-cash operating working capital items: | | |
| Unbilled receivables | **38,179** | (61,307) |
| Amounts receivable | **(12,743)** | 254,186 |
| Prepaid expenses | **(677)** | 16,200 |
| Accounts payable and accrued liabilities | **(38,239)** | (315,653) |
| Deferred exploration funding | **-** | (167,023) |
| Impairment of mineral properties | **3,060,962** | 3,464,990 |
| Government assistance | **(94,796)** | (784,948) |
| Loss on sale of mineral property rights | **-** | 628,354 |
| Loss on sale of property, plant and equipment | **-** | 135,747 |
| | **(671,106)** | (1,302,540) |
| INVESTING | | |
| Expenditures on mineral properties (Note 6) | **(249,101)** | (727,472) |
| Mineral property funding (Note 6) | **25,000** | 1,531,455 |
| Government assistance | **136,322** | 784,948 |
| Long-term portion of deposit | **-** | 16,000 |
| Purchase of property, plant and equipment | **-** | (30) |
| Proceeds from sale of property, plant and equipment | **-** | 50,330 |
| | **(87,779)** | 1,655,231 |
| FINANCING | | |
| Interest received | **1** | 3,415 |
| Issuance of share capital, net of issuance costs | **177,750** | 4,000 |
| Deferred revenue | **-** | - |
| | **177,751** | 7,415 |
| NET CASH (OUTFLOW) INFLOW | **(581,134)** | 360,106 |
| CASH, BEGINNING OF YEAR | **709,825** | 349,719 |
| CASH, END OF YEAR | **$ 128,691** | $ 709,825 |

*All results are from continuing operations.*

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

# NORTHERN SHIELD RESOURCES INC.
## (A Development Stage Company)
## Consolidated Statements of Changes in Equity
**for the years ended December 31, 2015 and 2014**
***(in Canadian Dollars)***

| | Share Capital (Note 3) | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Share-based Payments | Warrants | Deficit | **Total** |
| | | $ | $ | $ | $ | **$** |
| **Balance at January 1, 2014** | **152,422,093** | **22,125,020** | **2,371,055** | **571,363** | **(16,823,218)** | **8,244,220** |
| Shares issued for mineral property | 200,000 | 4,000 | - | - | - | **4,000** |
| Share-based compensation | - | - | 9,500 | - | - | **9,500** |
| Allocation of value of warrants | - | - | - | - | - | **-** |
| Amount reclassified upon expiry of warrants | - | - | 401,638 | (401,638) | - | **-** |
| Share issue costs | - | - | - | - | - | **-** |
| Loss for the year | - | - | - | - | (4,495,426) | **(4,495,426)** |
| **Balance at December 31, 2014** | **152,622,093** | **22,129,020** | **2,782,193** | **169,725** | **(21,318,644)** | **3,762,294** |
| Shares issued for cash | 6,000,000 | 300,000 | - | - | - | **300,000** |
| Allocation of value of warrants | - | (18,000) | - | 18,000 | - | **-** |
| Flow-through premium | - | (102,000) | - | - | - | **(102,000)** |
| Amount reclassified upon expiry of warrants | - | - | 169,725 | (169,725) | - | **-** |
| Share issue costs | - | (22,410) | - | 2,160 | - | **(20,250)** |
| Loss for the year | - | - | - | - | (3,643,542) | **(3,643,542)** |
| **Balance at December 31, 2015** | **158,622,093** | **22,286,610** | **2,951,918** | **20,160** | **(24,962,186)** | **296,502** |

*All results are from continuing operations.*
*The accompanying notes are an integral part of the consolidated financial statements.*

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Northern Shield Resources Inc. (the “Company" or "Northern Shield"), an exploration and evaluation stage company, incorporated under the *Canada Business Corporations Act*, is a natural resource company engaged in the business of identifying, acquiring and exploring mineral properties located primarily in Ontario and Quebec.

The Company’s head office is situated at Suite 440, 55 Metcalfe Street, Ottawa, Ontario. The Company’s shares trade on the TSX Venture Exchange under the symbol NRN.

The Company has not yet determined whether any of their properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development of the properties, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

As Northern Shield does not have an interest in revenue-producing properties, the Company has no operating income or earnings and, as such, its net loss may not be a meaningful indicator of its performance or potential. Exploration activities and the Company's expenses are financed by the periodic issuance of common shares and other equity securities.

*Going concern*

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2015, the Company had accumulated losses of $24,962,186 and for the year then ended had incurred a net loss of $3,643,542 and had negative operating cash flows of $671,106.

These factors may cast doubt about the Company’s ability to continue as a going concern. The Company is currently looking to raise additional financing. Should this financing not materialize and profitable operations ultimately not be attained, this may cast doubt as to the Company’s ability to continue as a going concern. Actual realization values may be substantially different from carrying values as shown in the financial statements and the Company’s ability to discharge its liabilities in the normal course of business may be in doubt should the Company be unable to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### *Statement of Compliance*

These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Board of Directors authorized these Financial Statements for issue on April 29, 2016.

### *Basis of Preparation*

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

The policies applied in these Financial Statements are based on IFRS issued and effective as at April 26, 2016 for periods ending on or before December 31, 2015.

### *Basis of Consolidation*

The Financial Statements incorporate the financial statements of the Company and its share of joint ventures.

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics: the parties are bound by a contractual arrangement, and the contractual arrangement gives two or more of those parties joint control of the arrangement. (i.e., when decisions about the relevant activities require the unanimous consent of the parties sharing control.)

When a Company entity undertakes its activities under joint venture arrangements directly, the Company's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Company's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Company and their amount can be measured reliably.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Basis of Consolidation (continued)*

A joint arrangement that is not structured through a separate vehicle is a joint operation. Since none of the Company's joint arrangements are structured through a separate vehicle, all the arrangements are considered joint operations.

The Company recognizes in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. When the investment or asset is classified as held for sale, it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.* The Company's share of the jointly controlled assets is combined with the equivalent items in the Financial Statements on a line-by-line basis.

### *Functional Currency and Foreign Currency Translation*

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is also the Canadian dollar. The functional currency was determined through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of the transactions. At each financial position reporting date, any material monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Any material non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. All gains and losses on transaction of these foreign currency transactions are included in general and administrative expenses in the statement of comprehensive loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial Instruments*

A. Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in net loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with change in fair value recognized through other comprehensive income/loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is recognized in net loss.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in net loss.

*Other financial liabilities* - This category includes accounts payable and accrued liabilities, which are recognized at amortized cost.

The Company's financial instruments consist of cash, unbilled receivables, amounts receivable, investments and accounts payable and accrued liabilities. The Company has designated its cash, unbilled receivables and amounts receivable as loans and receivables, which are measured at amortized cost. Investments are classified as available-for-sale, measured at fair value.

Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

***Property, Equipment and Intangible Assets***

Property, equipment ("property and equipment") and intangible assets are stated at cost and are amortized on a declining-balance basis using the following rates:

| | |
|---|---|
| *Property and Equipment* | |
| Furniture, fixtures and office equipment | 20% |
| Field equipment | 20% |
| *Intangible Assets* | |
| Computer software | 50% |

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Impairment of Non-Financial Assets under IAS 36*

Non-financial assets, including mineral properties and property, equipment and intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's 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 for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in net loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in net loss for the period.

There was no identification of impairment of non-financial assets during the period apart from those specifically addressed in Note 8 below.

### *Exploration and Evaluation*

The Company is in the exploration stage with respect to its investment in mineral properties and has chosen to follow the cost model, capitalizing all costs relating to the acquisition of and exploration for mineral claims and crediting all sale proceeds received against the cost of the related claims. If proceeds exceed capitalized costs, any excess is recorded as deferred exploration funding. Such costs include, but not are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

### *Exploration and Evaluation (continued)*

Exploration and evaluation ("E&E") assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and when the Group has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Consistent with IFRS 6, *Exploration for and Evaluation of Mineral Resources,* industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- title to the asset is expired;
- adverse changes in and variations in commodity prices and markets; and
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

During the year ended December 31, 2015, impairment indicators were identified for two of the properties. Both properties were deemed to be without value to the Company and were consequently written off. Details may be found in Note 6.

### *Income Taxes*

Current income taxes are based on taxable profit (loss) for the year. Taxable profit (loss) differs from profit (loss) as reported in the consolidated statement of comprehensive income/loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current income taxes are calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Income Taxes (continued)*

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit (loss). 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 liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 liabilities and assets are measured at 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Share-Based Compensation Transactions*

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

### *Restoration, Rehabilitation and Environmental Obligations*

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Any material costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, will be provided for and capitalized to the carrying amount of the asset, along with a corresponding liability when any obligation to incur such costs arises. The unwinding of any value of discount will be recognized as a borrowing cost.

The Company has no material restoration, rehabilitation and environmental obligations, as the disturbance to date is immaterial.

### *Flow-Through Shares*

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the market price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in other income. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

### *Loss Per Share*

The Company presents the basic loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Significant Accounting Judgments*

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (see paragraph immediately below), that have the most significant effect on the amounts recognized in the Company's financial statements, are related to the economic recoverability of the mineral properties and the going concern assumption.

### *Significant Accounting Estimates*

The preparation of these annual Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The Financial Statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

- the recoverability of amounts receivable and prepayments which are included in the statement of financial position;
- impairment of non-financial assets;
- the estimated useful lives of property, plant and equipment which are included in the statement of financial position and the related depreciation included in the statement of comprehensive loss;
- the inputs used in accounting for share-based compensation expense in the statement of comprehensive loss;
- the inputs used in determining the various commitments and contingencies accrued in the statement of financial position; and
- the inputs used in accounting for warrant value associated to reserves.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Government assistance***

Government assistance, consisting of investment tax credits and grants is recorded as a reduction of the related expense over the period in which the related expense occurs, or is recorded as a reduction of the cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program. Investment tax credits are recorded when there is reasonable assurance that they will be realized.

***New and revised IFRS in issue but not yet effective:***

***IFRS 15 Revenue from Contracts with Customers***

In May 2014, the IASB issued a new IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. In September 2015, the IASB deferred the effective date of the standard to annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact this standard is expected to have on its Financial Statements.

***IFRS 9 Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. New disclosure requirements will also be required. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact this standard is expected to have on its Financial Statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

***IFRS 16 Leases***

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

## 3. SHARE CAPITAL

*Authorized and Issued*

An unlimited number of voting common shares are authorized for issue and, subject to priority rights of other share classes, are entitled to receive dividends when and if declared by the Board of Directors. There were 158,622,093 voting common shares issued and outstanding at December 31, 2015 (2014 - 152,622,093)

An unlimited number of preferred shares are authorized for issue in series. There were no preferred shares issued at December 31, 2015 (2014 - nil).

During the year ended December 31, 2015, a total of 6,000,000 flow-through units were issued (2014 - nil), each unit consisting of one common share and one half of one non-flow-through warrant for $0.05/unit for gross proceeds of $300,000. A market value of $18,000 was ascribed to the warrants (see below). The difference between the issue price of the units and the market values of the shares and warrants on the dates of issuance, $102,000, was recorded as deferred flow-through premium liability, and reversed to other income when the renouncement of exploration expenditures made with the funds generated from the share issue was completed.

In 2015, there were 6,000,000 common shares issued for gross proceeds of $300,000 (2014 - 200,000 common shares issued for gross proceeds of $4,000).

During the year ended December 31, 2015, a total of $22,410 of share issue expenses were incurred (2014 - $nil), including 360,000 broker warrants valued at $2,160.

## 3. SHARE CAPITAL (continued)

*Warrants*

During the year ended December 31, 2015, 3,360,000 warrants were issued (2014 - nil) as part of the above-mentioned unit offering--including 360,000 broker warrants. These warrants were valued at $20,160 using an option pricing model with the following variables: strike price of $0.075, share price of $0.03, life of two years, volatility of 82%, nil dividend rate and interest rate of 0.51%.

The following continuity summarizes the Company's outstanding warrant obligations over the period covered by these Financial Statements:

| | Quantity | Weighted Average Exercise Price | Weighted Average Expiry Date |
|---|---|---|---|
| **Balance, January 1, 2014** | **15,309,090** | **$ 0.29** | **July 26, 2014** |
| Expired during the year | (13,490,908) | 0.32 | June 18,2014 |
| **Balance, December 31, 2014** | **1,818,182** | **$ 0.11** | **May 9, 2015** |
| Expired during the year | (1,818,182) | 0.11 | May 9, 2015 |
| Issued during the year | 3,360,000 | 0.075 | September 23, 2017 |
| **Balance, December 31, 2015** | **3,360,000** | **$ 0.075** | **September 23, 2017** |

*Stock options*

The Company has established a Stock Option Plan (the "Plan") to develop the interest and incentive of eligible employees, directors and consultants in the Company's growth and development. The aggregate number of share options which may be issued and outstanding at any time under this plan shall not exceed 10% of the total number of issued and outstanding shares of the Company unless the Company receives the permission of the TSX Venture Exchange and its shareholders. As at December 31, 2014, 15,262,209 common share options were authorized to be issued and outstanding under the Plan (2014 - 15,242,209). Stock options are granted with an exercise price equal to the underlying common stock's fair market value at the time of grant. Once vested, options may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination if the option holder ceases to be a director, officer, employee or consultant of the Company.

## 3. SHARE CAPITAL (continued)

The following summarizes the Company's outstanding option obligations over the period covered by these Financial Statements:

| | Quantity | Weighted Average Exercise Price |
|---|---|---|
| **Balance, January 1, 2014** | **8,656,000** | **$0.22** |
| Options expired during the period | (1,835,000) | $0.18 |
| **Balance, December 31, 2014** | **6,730,000** | **$0.22** |
| Options expired during the period | (2,580,000) | $0.19 |
| **Balance, December 31, 2015** | **4,150,000** | **$0.22** |

At December 31, 2015, the remaining pool of options available for grant was 11,112,209 (2014 - 8,532,209).

Additional information regarding options outstanding at year-ends:

| Issue Date | Exercise Price | Quantity | Expiry Date | Exercisable |
|---|---|---|---|---|
| ***As at December 31, 2015:*** | | | | |
| October 5, 2011 | $ 0.25 | 2,150,000 | October 5, 2016 | 2,150,000 |
| March 26, 2012 | $ 0.25 | 1,750,000 | March 26, 2017 | 1,750,000 |
| July 3, 2012 | $ 0.20 | 250,000 | July 3, 2017 | 250,000 |
| | | **4,150,000** | | **4,150,000** |
| ***As at December 31, 2014:*** | | | | |
| October 29, 2010 | $ 0.18 | 2,055,000 | October 29, 2015 | 2,055,000 |
| October 5, 2011 | $ 0.25 | 2,450,000 | October 5, 2016 | 2,450,000 |
| March 26, 2012 | $ 0.25 | 1,850,000 | March 26, 2017 | 1,850,000 |
| July 3, 2012 | $ 0.20 | 375,000 | July 3, 2017 | 375,000 |
| | | **6,730,000** | | **6,730,000** |

*Share-based compensation*

The Black-Scholes option pricing model, used by the Company to calculate option values, was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's option awards. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values, summarized in the table below.

| ***Assumptions*** | **2015** | 2014 |
|---|---|---|
| Lifetime | n/a | n/a |
| Interest Rate | n/a | n/a |
| Annual Volatility | n/a | n/a |
| Dividends | n/a | n/a |

## 3. SHARE CAPITAL (continued)

*Stock options (continued)*

During the year ended December 31, 2015, the Company incurred no expense relating to options granted during the current period (2014 - $9,500) as all options were fully vested at the beginning of the year and there were no option grants during the year. All of the amounts were attributable to the General and Administration function.

## 4. LOSS PER SHARE

The treasury stock method is used for the calculation of diluted loss per share. Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year. As the Company has recorded a loss in each of the years presented, the following table presents the anti-dilutive effect of securities excluded from the loss per share computation for the years ended December 31, 2015 and 2014:

| | **2015** | 2014 |
|---|---|---|
| Stock options | **6,059,118** | 7,583,329 |
| Stock purchase warrants | **2,077,602** | 8,079,402 |
| | **8,136,720** | 15,662,731 |

## 5. DEFERRED TAXES

During the year, the Company renounced $300,000 of flow-through expenditures (2014 - $nil) on eligible Canadian Exploration Expenditures ("CEE").

*Tax reconciliation*

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings from continuing operations before taxes. These differences result from the following items:

| | **2015** | 2014 |
|---|---|---|
| Loss before income taxes | **$(3,102,016)** | $(4,495,426) |
| Expected recovery of tax | **(822,034)** | (1,191,288) |
| Increase resulting from: | | |
| Renounced expenditures | **79,500** | - |
| Permanent differences - share-based compensation | | 2,518 |
| Permanent differences - meals and donations | **321** | 1,573 |
| | **79,821** | 4,091 |
| Unrecorded benefit of loss carryforward and timing differences | **671,744** | 1,212,905 |
| Provision true-up | **86,400** | (26,793) |
| Other | **(15,930)** | 1,085 |
| **Tax recovery recorded** | **$ -** | **$ -** |

The overall Canadian income tax rate has remained consistent in fiscal years 2014 and 2015 at 26.5%.

The following deferred tax assets have not been recognized at the reporting date:

| | |
|---|---|
| Tax losses | $2,236,521 |
| Resource assets and property and equipment | 2,067,599 |
| Undeducted share issuance costs | 20,482 |
| Unused tax credits | 903,581 |

The unrecognized tax losses will expire between 2015 and 2034. The unused tax credits will expire between 2023 and 2034.

*Deferred income tax liabilities*

In accordance with IFRS, the Company has not recognized a future tax asset or liability on initial recognition of the asset or liability that affects neither accounting nor taxable profit and loss. The Company is in a deferred income tax asset position as at December 31, 2015. Deferred tax assets and liabilities have been offset where they relate to the same taxation authority and the Company has the legal right to offset. The remaining deferred tax assets have not been recognized, as the Company does not have a history of taxable earnings.

## 6. MINERAL PROPERTIES

The following table summarizes the exploration expenditures incurred on each of the Company's mineral properties:

| | Storm | Idefix | Ikertoq | Huckleberry | Highbank Lake | Wabassi | Max | Other Properties | Total |
|---|---|---|---|---|---|---|---|---|---|
| ***Percent Ownership*** | *100%* | *100%* | *0%* | *100%* | *0%* | *0%* | *0%* | *100%* | |
| **At December 31, 2013** | **$ 3,496,410** | **$ 13,565** | **$ 1,835,306** | **$ -** | **$ 500,000** | **$ 1,696,893** | **$ 250,000** | **$ 144,670** | **$ 7,936,844** |
| Expenditures | | | | | | | | | |
| Acquisition | 765 | 12,510 | - | 4,181 | - | 765 | - | 47,849 | **66,070** |
| Exploration | 17,428 | 25,485 | 169,889 | 74,645 | - | 148,446 | 846 | 265,883 | **702,622** |
| Total Expenditures | 18,193 | 37,995 | 169,889 | 78,826 | - | 149,211 | 846 | 313,732 | **768,692** |
| External Funding | (25,000) | (37,995) | - | - | - | (1,368,460) | (100,000) | - | **(1,531,455)** |
| Write-Down | (872,400) | - | (1,755,195) | - | (500,000) | - | - | - | **(3,127,595)** |
| Loss on Disposal | - | - | - | - | - | (477,644) | (150,710) | - | **(628,354)** |
| Expense of Current Exploration | - | - | - | - | - | - | (136) | (337,259) | **(337,395)** |
| **At December 31, 2014** | **$ 2,617,203** | **$ 13,565** | **$ 250,000** | **$ 78,826** | **$ -** | **$ -** | **$ -** | **$ 121,143** | **$ 3,080,737** |
| Expenditures | | | | | | | | | |
| Acquisition | - | 15,672 | - | 2,280 | - | - | - | (12,708) | **5,244** |
| Exploration | 32,408 | 12,289 | 2,128 | 173,949 | - | - | - | 38,941 | **259,715** |
| Total Expenditures | 32,408 | 27,961 | 2,128 | 176,229 | - | - | - | 26,233 | **264,959** |
| External Funding | 51,200 | (41,526) | (25,000) | - | - | - | - | - | **(15,326)** |
| Write-Down | (2,700,811) | - | (227,128) | - | - | - | - | (94,082) | **(3,022,021)** |
| Expense of Current Exploration | - | - | - | - | - | - | - | (38,941) | **(38,941)** |
| **At December 31, 2015** | **$ -** | **$ -** | **$ -** | **$ 255,055** | **$ -** | **$ -** | **$ -** | **$ 14,353** | **$ 269,408** |

Although the Company holds a 100% stake in its Storm property, two agreements are in place that may affect the Company's future ownership share:

1) Callinan Royalties Corporation ("Callinan") has paid the Company $300,000 to acquire a royalty option on one of the six Storm properties of its choosing. The royalty option allows Callinan to acquire a 1% Net Smelter Royalty ("NSR") by paying the Company $2,000,000 at any time up to the later of five years from the date of the option agreement (November 14, 2012) or the beginning of the mine development stage. The Company will also grant to Callinan a Right of First Refusal on the sale of any other royalties on the Storm property group owned by the Company.

2) In 2014, pursuant to a sale transaction of the Wabassi and Max properties, the Company granted Great Lakes a First Right of Refusal on the Storm property. $25,000 was allocated to the First Right of Refusal and recorded as External Funding.

## 6. MINERAL PROPERTIES (continued)

During the year, the Company charged write-downs to various properties totaling $3,022,021 (2014 - $3,127,595). The details are as follows:

1) The Company decided to discontinue exploration in its Ikertoq property. Initially the Company searched for another party to take possession of the property; however, no such party was found, which resulted in the decision to discontinue exploration. A charge was taken of $227,128.

2) A variety of small stakeholdings (within "Other Properties") were also deemed not prospective enough to continue exploration work on. These were written off and the Company took a charge of $94,082.

3) The Company decided that it would no longer actively pursue work on its Storm property. The balance of $2,700,811 was written down.

## 7. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

| | Field Equipment | Furniture and Fixtures | Office Equipment | Software | Total |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| **December 31, 2013** | $ 504,342 | $ 29,980 | $ 113,370 | $ 33,207 | **$ 680,899** |
| Additions | - | - | - | - | **-** |
| Disposals | (303,160) | - | (300) | - | **(303,460)** |
| **December 31, 2014** | 201,182 | 29,980 | 113,070 | 33,207 | **377,439** |
| Additions | - | - | - | - | **-** |
| **December 31, 2015** | $ 201,182 | $ 29,980 | $ 113,070 | $ 33,207 | **$ 377,439** |
| ***Accumulated Amortization*** | | | | | |
| **December 31, 2013** | $ (191,886) | $ (18,897) | $ (59,254) | $ (23,098) | **$ (293,135)** |
| Amortization | (41,220) | (2,056) | (10,016) | (4,183) | **(57,475)** |
| Disposals | 117,412 | | | | **117,412** |
| **December 31, 2014** | (115,694) | (20,953) | (69,270) | (27,281) | **(233,198)** |
| Amortization | (15,858) | (1,674) | (8,125) | (2,452) | **(28,109)** |
| **December 31, 2015** | $ (131,552) | $ (22,627) | $ (77,395) | $ (29,733) | **$ (261,307)** |
| ***Carrying Values*** | | | | | |
| **December 31, 2013** | $ 312,456 | $ 11,083 | $ 54,116 | $ 10,109 | **$ 387,764** |
| **December 31, 2014** | $ 85,488 | $ 9,027 | $ 43,800 | $ 5,926 | **$ 144,241** |
| **December 31, 2015** | $ 69,630 | $ 7,353 | $ 35,675 | $ 3,474 | **$ 116,132** |

## 7. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (continued)

As part of the divestiture of the Wabassi and Max mineral exploration properties in 2014, the Company sold its 49% stake in the Mink Lake Camp, used as a base of operations for exploration in Northern Ontario. The Company allocated $50,000 of the total sale price of $1,400,000 to the camp, which had a carrying value of $185,748 ($303,160 of cost and $117,412 of accumulated depreciation). The result was a loss on disposal of $135,747.

Amortization of exploration-related assets in the amount of $15,858 was allocated to mineral properties during the year ended December 31, 2015 (2014 - $41,220).

## 8. DEFERRED EXPLORATION FUNDING

Pursuant to an agreement with an external party, the Company owes this amount of Quebec government tax refunds relating to exploration funded by the party. The amount is repayable on demand.

## 9. NATURE OF EXPENSES

General and administrative expenses comprised the following during the years ended December 31:

| | **2015** | 2014 |
|---|---|---|
| Remuneration and consulting fees | **$ 361,216** | $ 506,252 |
| Share-based compensation | **-** | 9,500 |
| Office expenses | **248,488** | 270,621 |
| Travel expenses | **50,877** | 79,666 |
| Marketing expenses | **56,866** | 66,841 |
| Professional fees | **31,390** | 101,566 |
| Public company expenses | **27,914** | 31,145 |
| Insurance expenses | **19,126** | 27,337 |
| | **$ 795,877** | $ 1,092,928 |
| General and administrative recovery | **(24,000)** | (38,230) |
| | **$ 771,877** | $ 1,054,698 |

Included in the 2014 general and administrative recovery is $14,230 of external funding amounts received related to general and administrative expenses. In 2015, no similar amount was received.

## 9. NATURE OF EXPENSES (continued)

Expensed exploration comprised the following during the years ended December 31:

| | 2015 | 2014 |
|---|---|---|
| Expensed prospecting activities | **$ 38,941** | $ 337,395 |
| Write-down of mineral properties | **3,022,021** | 3,127,595 |
| | **$ 3,060,962** | $ 3,464,990 |

## 10. RELATED PARTY TRANSACTIONS

The following table presents the legal fees that the Company incurred with a law firm at which one of the Company's directors is a partner and the Company's corporate secretary is an associate. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

| | 2015 | 2014 |
|---|---|---|
| Fees incurred during the year | **$ 5,306** | $ 66,024 |
| Amounts payable as at year-end | **$ -** | $ 8,141 |

## 11. KEY MANAGEMENT COMPENSATION

The following table presents the compensation earned by key members of management during the years ended December 31, noted below:

| | 2015 | 2014 |
|---|---|---|
| Salaries | **$ 245,750** | $ 323,869 |
| Benefits | **8,654** | 9,948 |
| Share-based payments | **-** | 3,679 |
| | **$ 254,404** | $ 337,496 |

## 12. COMMITMENTS

The Company is committed to operating leases as follows:

| | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|
| Premises lease | $ 186,252 | $ 181,152 | $ 135,864 | **$ 503,268** |

## 13. EMPLOYEE COMPENSATION

The following table presents the compensation earned by the employees (including key management during the years ended December 31, noted below:

| | **2015** | 2014 |
|---|---|---|
| Salaries | **$ 410,751** | $ 564,256 |
| Benefits | **34,289** | 44,280 |
| Share-based payments | **-** | 6,154 |
| | **$ 445,040** | $ 614,690 |

The expenses in the above table were partially recorded as General and Administration expenses, the remainder capitalized to Mineral Properties.

## 14. GOVERNMENT ASSISTANCE

An amount of $136,322 in government resource tax credits was received in the current year (2014 - $784,948).

## 15. SEGMENT INFORMATION

The Company has one operating segment involved in the exploration of resource properties. All of the Company's exploration activities were located in Canada.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

*Market risk*

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the Company’s income (loss) or the value of its financial instruments.

The Company is not exposed to significant currency or interest rate risks arising from its financial instruments.

*Interest rate risk*

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

*Foreign exchange risk*

The Company is not exposed to significant foreign exchange risk due to the low volume of foreign currency transactions.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's unbilled receivables.

*a) Concentration of credit risk*

Counterparties expose the Company to credit-related losses in the event of non-performance. By dealing with only creditworthy counterparties, the Company's credit exposure is minimized. There were no unbilled receivable amounts at December 31, 2015 (2014 - $89,379 from two business partners).

*b) Credit risk exposure*

The carrying amounts of the cash, unbilled receivables and amounts receivable represent the maximum exposure to credit risk. The maximum exposure to credit risk at December 31, 2015 was $178,124 (2014 - $835,894). The cash is held by the Company's banks, two of the large Canadian chartered banks. Since the inception of the Company, no losses have been suffered in relation to cash held in the bank.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. As at December 31, 2015, the Company had a cash balance of $128,691 (2014 - $709,825). To date, the Company has incurred significant operating losses. The Company's ability to continue as a going concern is dependent on its ability to generate sufficient capital through either revenues or through further financings.

The Company accrues expenses when incurred. Accounts are deemed payable once an event occurs that requires payment by a specific date. As at December 31, 2015, more than 100% (2015 - 50%) of accounts payable were under sixty days.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

*Fair values*

a) The fair value of cash, unbilled receivables, amounts receivable, accounts payable and accrued liabilities is approximately equal to their carrying value due to their short-terms to maturity.

b) Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The fair value of the investment in private company is determined based on recent market transactions for similar instruments issued by that company. The investment in shares is a level 1 instrument. All other financial instruments are classified as level 2 instruments.

## 17. CAPITAL MANAGEMENT

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to fund future exploration and maintain the ability to continue as a going concern. Capital is defined as the Company's shareholders' equity. The Company does not have any long-term debt and the Company does not intend to assume any until any given development project warrants it. The Board of Directors does not establish quantitative capital criteria for management; but rather promotes the use of periodic equity financing events as the primary method of funding administrative operations and exploration and development. Other methods open to management to fund exploration include extending joint venture or earn-in opportunities to other parties relating to specific properties.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

## 18. SUBSEQUENT EVENT

On April 12, 2016, the Company completed a non-brokered private placement for gross proceeds of $500,000 by issuing 16,666,667 units at $0.03 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable for one common share at a price of $0.05 per common share for a period of 12 months. If the common shares trade on the TSX Venture Exchange for 20 consecutive trading days at a price equal to or more than $0.10, the warrants will expire 30 days later.

A cash fee of $4,860 was paid, and 93,000 share purchase warrants were issued to certain finders in connection with the private placement. Each such warrant is exercisable under the same terms as the warrants issued as part of the private placement units.