Northern Superior Resources Inc.

Annual Financial Statements

(Expressed in Canadian dollars)

For the years ended December 31, 2015 and 2014

JAMES STAFFORD

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Independent Auditor's Report

To the Shareholders of Northern Superior Resources Inc.

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Superior Resources Inc. as at 31 December 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Northern Superior Resources Inc. to continue as a going concern.

Chartered Professional Accountants

Vancouver, Canada

31 March 2016

Northern Superior Resources Inc.
Financial Statements
(Expressed in Canadian dollars)

Statements of Financial Position

As at December 31,	*Notes*	**2015**	2014
Assets			
Current assets			
Cash and cash equivalents		**$1,615,034**	$3,615,065
Prepaids and receivables	*4*	**236,289**	513,491
Available for sale investment	*5*	**2,000**	1,750
		$1,853,323	$4,130,306
Non-current assets			
Receivables	*4*	**$3,241**	$49,796
Equipment	*6*	**10,523**	21,321
Exploration and evaluation properties	*7*	**3,580,917**	5,672,479
		$5,448,004	$9,873,902
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	*8*	**$34,004**	$189,880
Shareholders' Equity			
Share Capital		**62,799,807**	62,784,407
Reserve - Stock options		**4,661,234**	4,600,764
Accumulated other comprehensive income		**(3,250)**	(1,500)
Deficit		**(62,043,791)**	(57,699,649)
		5,414,000	9,684,022
		$5,448,004	$9,873,902

Commitments and contingencies notes 7 and 14

APPROVED AND AUTHORIZED FOR ISSUE BY THE BOARD ON MARCH 24, 2016

"Alan C. Moon" *"Arnold Klassen"*

Director Director

See accompanying notes to financial statements

(Expressed in Canadian dollars)

Statements of Loss and Comprehensive Loss

For the years ended December 31,	*Notes*	**2015**	2014
Expenses			
Consulting fees	*10(d)*	**$108,917**	$108,154
Depreciation	*6*	**10,798**	11,213
Legal and accounting		**114,172**	102,177
Office expense	*10(d)*	**540,047**	653,321
Shareholder information		**114,041**	143,383
Travel		**17,421**	40,289
Loss before the undernoted		**(905,396)**	(1,058,537)
Interest income		**26,065**	51,272
Ontario litigation costs	*7*	**(916,362)**	(286,230)
Severance	*11*	**-**	(135,000)
Writedown of exploration properties	*7*	**($2,548,449)**	(9,236,060)
Net loss for the period		**(4,344,142)**	($10,664,555)
Other comprehensive loss			
Items that may be classified subsequently to profit or loss			
Change in available for sale investment	*5*	**(1,750)**	(1,500)
Total comprehensive loss		**($4,345,892)**	($10,666,055)
Basic and diluted loss per share		**($0.02)**	($0.06)
Weighted-average number of common shares outstanding	*10(e)*		
Basic		**189,207,051**	188,771,124
Diluted		**189,207,051**	188,771,124

See accompanying notes to financial statements

Northern Superior Resources Inc.
Financial Statements
(Expressed in Canadian dollars)

Statements of Equity

		Share Capital		Reserves			
	Note	Number of Shares	Amount	Stock options	Investment revaluation reserve	Deficit	Equity
Balance, December 31, 2013		**188,654,889**	**$62,704,407**	**$4,462,802**	**$-**	**($47,035,094)**	**$20,132,115**
Common shares issued for properties	*10(b)*	307,694	80,000	-	-	-	80,000
Share based payments	*10(d)*	-	-	137,962	-	-	137,962
Change in available for sale investment	*5*	-	-	-	(1,500)	-	(1,500)
Net loss		-	-	-	-	($10,664,555)	($10,664,555)
Balance, December 31, 2014		**188,962,583**	**62,784,407**	**$4,600,764**	**($1,500)**	**($57,699,649)**	**$9,684,022**
Common shares issued for properties	*10(b)*	615,386	15,400				15,400
Share based payments	*10(d)*	-	-	60,470	-	-	60,470
Change in available for sale investment		-	-	-	(1,750)	-	(1,750)
Net loss	*5*	-	-	-	-	(4,344,142)	(4,344,142)
Balance, December 31, 2015		**189,577,969**	**$62,799,807**	**$4,661,234**	**($3,250)**	**($62,043,791)**	**$5,414,000**

See accompanying notes to financial statements

(Expressed in Canadian dollars)

Statements of Cash Flows

For the years ended December 31,	*Notes*	**2015**	2014
Operating Activities			
Net loss for the period		**($4,344,142)**	($10,664,555)
Items not involving cash:			
Writedown of exploration properties		**2,548,449**	9,236,060
Depreciation		**10,798**	11,213
Share based payments	*10(d)*	**52,215**	91,885
Change in non-cash operating working capital items:			
Decrease in prepaids and receivables		**27,266**	45,490
(Increase) decrease in trade payables and accrued liabilities		**(162,996)**	87,734
Cash used in operating activities		**($1,868,410)**	(1,192,173)
Investing Activities			
Exploration and evaluation expenditures		**(502,545)**	(1,301,913)
Recovery of exploration and evaluation expenditures		**370,924**	718,607
Cash used in investing activities		**(131,621)**	(583,306)
Decrease in cash during the year		**(2,000,031)**	(1,775,479)
Cash, beginning of year		**3,615,065**	5,390,544
Cash, end of year		**$1,615,034**	$3,615,065

Supplemental cash flow information note 12

See accompanying notes to financial statements

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Northern Superior Resources Inc. (“Northern Superior” or the “Company”) is an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of gold properties in Ontario and Québec. The Company has not determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and attaining future profitable production from the properties or proceeds from disposition.

The head office, principal address and registered and records office of the Company is 1351C Kelly Lake Road, Unit 7, Sudbury, Ontario, Canada, P3E 5P5.

2. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements were approved by the Board of Directors of the Company on March 24, 2016.

These financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value, as set out in the accounting policies in note 3.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3(m).

As at December 31, 2015, the Company has cash and cash equivalents of $1,615,034 and working capital of $1,819,319. While the Company has enough funds to allow it to continue its planned activities in the normal course, the Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties. If the Company is unable to raise additional capital in the future and/or attracting joint venture partners for further exploration on its properties, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern beyond 2017.

These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

b) Changes in Accounting Policies

The Company has adopted the following new standard, along with any consequential amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions.

IFRS 8, *Operating Segments*

On December 12, 2013 the IASB amended IFRS 8, *Operating Segments* ("IFRS 8"). The amendments add a disclosure requirement for the aggregation of operating segments and clarify the reconciliation of the total reportable segments' assets to the entity's assets. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments to the standard did not have any impact on the Company's financial statements.

c) Accounting Standards Issued but not yet Effective

IFRS 15, *Revenue from Contracts and Customers*

IFRS 15, *Revenue from Contracts and Customers* ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard.

On July 22, 2015, the IASB deferred the mandatory effective date of IFRS 15 by one year to January 1, 2018 (with earlier application still permitted). The Company does not expect the implementation of IFRS 15 to impact its financial statements.

IFRS 9, *Financial Instruments*

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the IASB on July 24, 2014, and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effectively for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38*, Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization*

On May 12, 2014, the IASB issued Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*. In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for fiscal years beginning on or after January 1, 2016 with early application permitted. These amendments will not impact the Company's financial statements.

IFRS 11, *Joint Arrangements*

On May 6, 2014 the IASB amended IFRS 11, *Joint Arrangements* ("IFRS 11"). The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. These amendments will not impact the Company's financial statements.

IAS 1, *Presentation of Financial Statements*

On December 18, 2014 the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"). The amendments to existing IAS 1 requirements relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after January 1, 2016. These amendments will not impact the Company's financial statements.

IAS 19, *Employee Benefits*

On November 13, 2013 the IASB amended IAS 19, *Employee Benefits* ("IAS 19"). The amendments provide additional guidance to IAS 19 on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendments are effective for annual periods beginning on or after July 1, 2014. IAS 19 was further amended on July 30, 2014. The amendments to IAS 19 clarify the application of the requirements of IAS 19 on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency. The amendments are effective for annual periods beginning on or after January 1, 2016. The amendments will not impact the Company's financial statements.

IFRS 16, *Leases*

IFRS 16, *Leases* ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. The new Standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15, *Revenue from Contracts with Customers,* has been applied. The Company does not expect the implementation of IFRS 16 to impact its financial statements.

IAS 7, *Statement of Cash Flows*

On January 29, 2016, the International Accounting Standards Board (IASB) published amendments to IAS 7, *Statement of Cash Flows*. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. The Company is currently evaluating the impact of IAS 7 on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents includes cash and short-term money market instruments that are readily convertible to cash with original terms of three months or less. Interest income is recorded as earned on the accrual basis at the stated rate of interest over the term of the investment.

b) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes party to the contracts that give rise to them and are classified as loans and receivables, financial instruments fair valued through profit or loss, held to maturity, available for sale financial assets and other liabilities, as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management.

Available for sale financial assets

Available for sale (“AFS”) financial assets are those non-derivative financial assets that are designated as such or are not classified as loans and receivables, held to maturity investments or financial assets at FVTPL. AFS financial assets are measured at fair value upon initial recognition and at each period end, with unrealized gains or losses being recognized as a separate component of equity in other comprehensive income (loss) until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in reserves is included in net loss. The Company has classified its investments in certain public companies as available for sale.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivable. Loans and receivable are initially recognized at the transaction value and subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income (loss) when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Other financial liabilities

Other financial liabilities, including borrowings, are recognized initially at fair value, net of transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net loss when the liabilities are derecognized as well as through the amortization process. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, and are derecognized when, and only when, the Company's obligations are discharged or they expire.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in the statement of comprehensive income (loss). The Company does not hold or have any exposure to derivative instruments.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

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

If an available for sale financial asset is impaired, the change in fair value is transferred from equity to net loss, including any cumulative gains or losses previously recognized in other comprehensive income (loss). Reversals of impairment in respect of equity instruments classified as available for sale are not recognized in net loss but included in other comprehensive income (loss).

c) Share based Payments

The fair value of the estimated number of stock options awarded to employees, officers and directors that will eventually vest, is recognized as share based compensation expense or capitalized in exploration and evaluation properties if appropriate, over the vesting period of the stock options with a corresponding increase to equity. Share based payments to non employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in net loss or capitalized to exploration and evaluation properties if appropriate such that the accumulated expense reflects the revised estimate, with a corresponding adjustment to the share based payment reserve.

d) Equipment

Equipment is carried 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 assets 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.

Equipment is depreciated, using the straight-line method over their estimated useful lives. The significant classes of equipment and their estimated useful lives are as follows:

Office and other equipment	4 - 5 years
Computer equipment	2 - 3 years
Leasehold improvements	5 years

Where an item of equipment consists of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

e) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures are recorded at cost on a property by property basis. The Company defers all exploration and evaluation costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties, until those properties are brought into production, at which time, they will be amortized on a unit of production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made. Costs incurred for general exploration, including expenditures of a general reconnaissance nature, that are not project specific or do not result in the acquisition of exploration and evaluation properties are charged to net loss.

All capitalized exploration and evaluation costs are reviewed for indications of impairment regularly to determine whether a write down of their carrying amount is required. Factors such as metal prices, the ability of the Company to finance the projects, and exploration results to date are considered in determining whether indicators of impairment exists.

f) Impairment

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or whenever indicators of impairment exist. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. Fair value is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's-length basis. 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 an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Company's cash generating units are the lowest level of identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

g) Deferred Income Taxes

Deferred income taxes are recognized in net loss, except where they relate to items recognized in other comprehensive income (loss) or directly in equity, in which case the related taxes are recognized in other comprehensive income (loss) or equity. Deferred income taxes are provided using the balance sheet liability method, providing for unused tax losses, unused tax credits and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. As an exception, deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives.

Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. Management has determined that no environmental rehabilitation provision is required at this time.

i) Share Capital

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new common shares are recognized in equity, net of tax, as a deduction from the share proceeds (share issue costs).

j) 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 quoted 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.

k) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

l) Other Comprehensive Income (Loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net loss such as unrealized gains and losses on financial assets classified as available for sale, net of income taxes.

m) Use of Estimates and Judgments

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Impairment of assets

The carrying amounts of evaluation and exploration properties and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash generating unit level ("CGU").

The assessment requires the use of estimates and assumptions such as, but not limited to, long-term commodity prices, foreign exchange rates, discount rates, future capital requirements, resource estimates, exploration potential and operating performance as well as the CGU definition. It is possible that the actual fair value could be significantly different from those assumptions, and changes in these assumptions will affect the recoverable amount of the mining interests. In the absence of any mitigating valuation factors, adverse changes in valuation assumptions or declines in the fair values of the Company's CGUs or other assets may, over time, result in impairment charges causing the Company to record material losses.

The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of the assets. Internal sources of information the Company considers include the manner in which exploration and evaluation properties and equipment are being used or are expected to be used and indications of economic performance of the assets.

Environmental rehabilitation

Significant estimates and assumptions are made in determining the environmental rehabilitation costs as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates.

Those uncertainties may result in actual expenditures in the future being different from the amounts currently provided, if any.

Deferred income taxes

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date, if any, could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company and its subsidiaries operate could limit the ability of the Company to obtain tax deductions in future periods.

Share based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3(c). The fair value of stock options is measured using the Black-Scholes option valuation model. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

(Expressed in Canadian dollars)

4. PREPAIDS AND RECEIVABLES

As at December 31,	**2015**	2014
Quebec government refundable tax credits	**$154,862**	$424,475
Sales tax receivable - net	**30,825**	22,556
Prepaid expenses	**26,755**	27,848
Interest receivable	**21,821**	36,299
Other receivables	**2,026**	2,313
Total Current Prepaids and Receivables	**$236,289**	$513,491
Receivables (non-current):		
Quebec Government refundable tax credits	**3,241**	49,796
Total	**$239,530**	$563,287

The fair value of receivables approximates their carrying value. None of the amounts included in receivables at December 31, 2015 are past due.

5. AVAILABLE FOR SALE INVESTMENT

At December 31, 2015 and 2014, the Company held the following available for sale investments:

As at December 31,	**2015**			2014		
	Number of Shares	**Cost**	**Fair Value**	Number of Shares	Cost	Fair Value
Bold Ventures Inc.	**100,000**	**$5,250**	**$2,000**	50,000	$3,250	$1,750

In 2015 the Company received 50,000 of shares of Bold Ventures Inc. (“Bold”) valued at $2,000 (2014 received 50,000 shares valued at $3,250) as provided in the option earn-in agreement between the Company and Bold for the Lac Surprise property (note 7).

During the year ended 2015, the Company recorded in other comprehensive loss $1,750 unrealized loss related to the investment (2014 - $1,500), representing the difference between the carrying value of the investment and its fair value at each period end.

(Expressed in Canadian dollars)

6. EQUIPMENT

A summary of the changes in the Company's equipment for the year ended December 31, 2015 is as follows:

	Office and other equipment	Leasehold Improvements	Computer equipment	Total
Cost				
At December 31, 2014	$41,618	$27,817	$96,479	$165,914
Additions	-	-	-	-
Disposals	-	-	-	-
At December 31, 2015	**$41,618**	**$27,817**	**$96,479**	**$165,914**
Depreciation				
At December 31, 2014	$39,780	$12,517	$92,296	$144,593
Change for the year	$1,051	$5,564	$4,183	10,798
At December 31, 2015	**$40,831**	**$18,081**	**$96,479**	**$155,391**
Net book value				
At December 31, 2014	$1,838	$15,300	$4,183	$21,321
At December 31, 2015	**$787**	**$9,736**	**$-**	**$10,523**

A summary of the changes in the Company's equipment for the year ended December 31, 2014 is as follows:

	Office and other equipment	Leasehold Improvements	Computer equipment	Total
Cost				
At December 31, 2013	$41,618	$27,817	$96,479	$165,914
Additions	-	-	-	-
Disposals	-	-	-	-
At December 31, 2014	$41,618	$27,817	$96,479	$165,914
Depreciation				
At December 31, 2013	$38,730	$6,954	$87,696	$133,380
Change for the year	$1,050	$5,563	$4,600	11,213
At December 31, 2014	$39,780	$12,517	$92,296	$144,593
Net book value				
At December 31, 2013	$2,888	$20,863	$8,783	$32,534
At December 31, 2014	$1,838	$15,300	$4,183	$21,321

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION PROPERTIES

For the year ended December 31, 2015	Ti-pa-haa-kaa-ning	Croteau Est	Lac Surprise	Wapistan	Waconichi	Grizzly	Total
Balance, December 31, 2014	**$2,254,124**	**$1,917,421**	**$1,161,115**	**$-**	**$234,766**	**$105,053**	**$5,672,479**
Acquisition, assessment and maintenance	**74,541**	**176,697**	**-**	**29,062**	**105**	**5,969**	**286,374**
Analytical	**-**	**998**	**-**	**-**	**-**	**-**	**998**
Geology	**13,841**	**63,840**	**20,817**	**9,315**	**-**	**31,326**	**139,139**
Drilling	**384**	**689**	**-**	**-**	**-**	**-**	**1,073**
Research	**72,684**	**228**	**-**	**-**	**-**	**-**	**72,912**
Project administration	**1,526**	**5,388**	**2,031**	**765**	**-**	**1,434**	**11,144**
Cost recoveries	**-**	**(52,223)**	**(20,247)**	**-**	**-**	**-**	**(72,470)**
Refundable tax credits and adjustments	**-**	**27,246**	**3,593**	**(3,062)**	**-**	**(10,060)**	**17,717**
Write-off exploration and evaluation properties	**(1,264,692)**	**($457,776)**	**(449,671)**	**(7,717)**	**(234,871)**	**(133,722)**	**(2,548,449)**
Net (decrease) increase for the year	**(1,101,716)**	**(234,913)**	**(443,477)**	**28,363**	**(234,766)**	**(105,053)**	**(2,091,562)**
Balance, December 31, 2015	**$1,152,408**	**$1,682,508**	**$717,638**	**$28,363**	**$-**	**$-**	**$3,580,917**

For the year ended December 31, 2014	Ti-pa-haa-kaa-ning	Croteau Est	Lac Surprise	Waconichi	Grizzly	Total
Balance, beginning of year	$6,178,434	$5,832,840	$1,147,916	$754,087	$41,897	$13,955,174
Acquisition, assessment and maintenance	1,137	170,169	6,986	980	42,294	221,566
Analytical	-	51,354	-	8,023	-	59,377
Geology	69,099	424,876	22,744	31,644	28,524	576,887
Drilling	-	347,354	-	32,510	-	379,864
Research	53,870	466	-	-	-	54,336
Project administration	1,584	49,414	11,161	1,257	5,650	69,066
Cost recoveries	-	(2,000)	(20,774)	-	-	(22,774)
Refundable tax credits and adjustments	-	(335,317)	(6,918)	(29,410)	(13,312)	(384,957)
Write-off exploration and evaluation properties	(4,050,000)	(4,621,735)	-	(564,325)	-	(9,236,060)
Net (decrease) increase for the year	(3,924,310)	(3,915,419)	13,199	(519,321)	63,156	(8,282,695)
Balance, December 31, 2014	$2,254,124	$1,917,421	$1,161,115	$234,766	$105,053	$5,672,479

Ti-pa-haa-kaa-ning ("TPK") property

The Company owns a 100% interest in the TPK property. The Company incurred expenditures of $162,976 (2014 - $125,690) on the property during the year ended December 31, 2015 and since acquisition has recorded total cumulative expenditures of $17,067,100 on the property.

The Company has recorded cumulative write down on the property of $14,314,692 ($1,264,692 and $4,050,000, respectively in 2015 and 2014). The write-down was based on a number of impairment review factors, including, but not limited to, the Company's assessment of indicated market value, and the Company's market capitalization.

Under an agreement with Lake Shore Gold Corp. ("Lake Shore") dated May 27, 2010, the Company granted Lake Shore an assignable 2% Net Smelter Royalty ("NSR") on all minerals produced from TPK (subject to a right of first refusal in favor of the Company), with the Company having the right to purchase back one quarter of the NSR (0.5%) for $1,000,000. On 5 of the TPK claims, there is also a 2% NSR on all commodities in favour of Vale S.A., and on 7 of the TPK claims there is a 2% NSR for diamonds only in favour of Vale S.A.

The agreement with Lake Shore also provides that: (i) the Company with be responsible for all expenditures on TPK from January 1, 2010 onward: (ii) for a period of 5 years and so long as Lake Shore maintains at least a 10% ownership interest on the Company, it will be offered the right to participate in any future equity financings pro rata in order to maintain its ownership interest: and (iii) for so long as Lake Shore maintains at least a 19.9% ownership interest on the Company it will be entitled to nominate at least two directors to serve on the Company's board, and should its holdings drop below 19.9% but remain above 10% it shall be entitled to nominate one director.

Croteau Est property

Under an agreement signed in 2011, the Company acquired a 100% interest the Croteau Est gold property in Québec by spending $1.7 million in exploration and evaluation on the property, making cash payments of $350,000 and issuing $280,000 worth of common shares, all over a period of 4 years. Per the agreement, the number of shares issued by the Company was based on the greater of the market price of the Company's shares at the time of issuance and $0.26 per share. In 2015 the Company made the final payment of $160,000 ($80,000 in 2014) and issued 615,386 shares valued at $15,400 (307,694 shares issued in 2014 valued at $80,000).

The previous holders of the interest on the property retain a 1.0% NSR on any commercial production with the Company having the right to buyback 0.5% of the NSR for $1.5 million, at any time.

The Company incurred net expenditures of $222,864 on the property during the year ended December 31, 2015 (2014 - $706,316) and since acquisition has recorded total cumulative expenditures of $6,762,019 on the property.

The Company has recorded cumulative write down on the property of $5,079,511 ($457,776 and $4,621,735, respectively in 2015 and 2014). The write-down was based on a number of impairment review factors, including, but not limited to, the Company's assessment of indicated market value, and the Company's market capitalization.

Option Earn-in Agreement Signed on Croteau Est and Waconichi Properties

On April 21, 2015, the Company signed an option and joint venture agreement with Chalice Gold Mines Limited ("Chalice") relating to the Company's Croteau Est gold property in Quebec. For the purposes of the agreement, the Croteau Est property includes the Company's adjacent Waconichi property.

Under the agreement, Chalice can earn a 65% joint venture interest in the Croteau Est property by spending an aggregate of $4,000,000 on exploration expenditures over three years. Chalice is obligated to spend a minimum of $500,000 on exploration of the Croteau Est property in the first year regardless of whether it fully exercises its option. After fulfilling the minimum obligation for the first year, Chalice notified the Company of its intention to not exercise the earn-in option; the agreement was terminated on December 21, 2015.

Option Earn-in Agreement on Lac Surprise Property

In April 2014, the Company signed an option agreement with Bold Ventures Inc. whereby Bold can earn a 50% working interest in the Lac Surprise property (100% owned by the Company) by spending an aggregate of $2,000,000 on exploration of the property and issuing to the Company a total of 350,000 common shares of Bold, all over a three year period, 50,000 shares of which were issued upon signing the agreement.

Bold was obligated to spend a minimum of $500,000 on exploration of the property in the first year, at the end of which a further 50,000 common shares of Bold were issued. The remaining optional commitment is as follows: second year Bold to issue 100,000 common shares and spend $500,000 in exploration work; third year Bold to issue 150,000 common shares and spend $1,000,000 in exploration work on the property.

Per the agreement, Bold can earn an additional 10% in the property by delivering a positive feasibility study within five years from the date of execution of the formal option agreement, bringing its total interest in the property to 60%. Upon Bold earning its interest in the property (either 50% or 60%), the Company and Bold shall form a joint venture to hold the property and conduct further exploration activities.

During 2015 the company recorded a write down of $449,671 on the property (2014 – $Nil). The write-down was based on a number of impairment review factors, including, but not limited to, the Company's assessment of indicated market value, and the Company's market capitalization.

Wapistan Property

The Wapistan property, located in Quebec was staked by the Company in July 2015. The property comprises of 208 claims or approximately 10,668 hectares, covering over a 32 km strike length of a major structure developed in an Archean-aged volcanic-sedimentary package.

Waconichi property

Under an agreement signed in May 2013, the Company acquired a 100% interest in the Waconichi property Quebec by making a one-time cash payment of $225,000 and granting a 1% NSR royalty on a majority of the Waconichi claims. The Waconichi property consists of 306 claims covering an area of approximately 17,588 hectares and the largest cluster of claims are adjacent to the Company's Croteau Est gold property located to the south.

The 1% NSR royalty covers all except 7 claims (comprising approximately 287 hectares) which were already subject to a prior 2% NSR royalty in favor of the prospector who originally staked the claims. The Company have the right to repurchase half of the 1% NSR royalty (reducing it to a 0.5% NSR royalty) at any time for $1,000,000. Similarly, the Company has the right to repurchase half of the Charbonneau 2% NSR royalty (reducing it to a 1% NSR royalty) at any time, for $1,000,000. In either case, should the Company exercise its buy-back right, it will then have a right of first refusal with respect to the remaining NSR royalty.

The Company incurred nominal expenditures in 2015 (2014 - $45,004) and since acquisition has recorded total cumulative expenditures of $799,197 on the property.

On December 31, 2015, the Company wrote off the property (write down of $234,871 and $564,325 recorded respectively in 2015 and 2014). The decision to write off the property at December 31, 2015 and the write down in 2014 were based on a number of impairment review factors, including, but not limited to, indicated market value, and the Company's market capitalization.

Grizzly Property

In July 2013, the Company entered into an option agreement to acquire the Grizzly property in Québec by incurring certain exploration expenditures, making certain cash payments and issuing a number of shares of the Company. The Company incurred net expenditures of $28,669 (2014 – $63,156) on the property during the year ended December 31, 2015 and since acquisition, has recorded total cumulative expenditures of $133,722 on the property. On October 29, 2015, the Company terminated its option on the Grizzly property, and wrote off its investment in the property.

Contingent Gain - Ontario Litigation

In 2013 the Company recorded a write-off of $6,005,125, representing the unamortized balance of its deferred exploration costs incurred in connection with its exploration of the Meston Lake, Rapson Bay and Thorne Lake properties (the "Properties"). The decision to write-off the Properties was based on the Company's determination that it lost the ability to access to the Properties, as well as its ability to realize the benefits of any value created from its exploration expenditures to date, due to the actions of third parties. On October 24, 2013, the Company filed a civil lawsuit against the Government of Ontario seeking among other things, damages of $110 million and consisting mainly of amounts expended to date as well as for lost value of the Properties, as a result of lost access to the Properties.

A trial date of June 1, 2015 was set by the Ontario Superior Court; the trial was completed in November 2015 with the court decision pending. The Company incurred costs of $916,362 in respect to the litigation of its claim in 2015 (2014 - $286,230).

8. TRADE PAYABLES AND ACCRUED LIABILITIES

As at December 31,	**2015**	2014
Trade payables	**$9,126**	$32,846
Amounts due to related parties	**763**	2,931
Accrued liabilitites - general	**24,115**	19,103
Accrued liabilitites - severance	**-**	135,000
	$34,004	$189,880

The fair value of accounts payable and accrued liabilities approximate their carrying amount. Trade payables relate mainly to the acquisition of materials, supplies and contractor services. These payables do not accrue interest and no guarantees have been granted. Trade payables and accrued liabilities at December 31, 2015 and 2014 are denominated in Canadian dollars.

9. INCOME TAXES

The provision for income taxes in the statement of loss and deficit represents an effective rate different than would be computed by applying the combined Canadian statutory federal and provincial income tax rates to the loss before income taxes due to the following:

For the years ended December 31,	**2015**	2014
Loss before income taxes	**(4,344,142)**	($10,664,555)
Canadian statutory income tax rates	**26.50%**	26.50%
Recovery of income taxes at Canadian statutory rates	**1,151,198**	2,826,107
Permanent differences	**(97,399)**	(24,689)
Changes in tax rates	**-**	-
Change in prior year provision to actual	**(268,074)**	(2,146)
Change in valuation allowance	**(785,725)**	(2,799,272)
Deferred tax recovery	**$-**	$-

The tax effect of temporary differences that gives rise to the Company's net future income tax assets is as follows:

As at December 31,	**2015**	2014
Deferred tax assets		
Operating losses carried forward	**$4,137,427**	$3,804,336
Capital loss carried forward	**1,092,786**	1,260,056
Resource properties	**6,649,591**	5,959,051
Share issue costs	**-**	73,788
Other	**59,053**	55,900
	$11,938,857	$11,153,132
Less: Valuation allowance	**(11,938,857)**	(11,153,132)
Total deferred tax assets	**$-**	$-

(Expressed in Canadian dollars)

At December 31, 2015, the Company had capital losses for tax purposes in Canada totaling $8,247,440 that may be carried forward indefinitely, cumulative exploration and development expenses of $28,673,713, and a non-capital loss carry forward of $15,612,933 available for tax purposes in Canada which expire as follows:

Tax Operating Losses	Year of Expiry
479,151	2026
872,751	2027
1,263,477	2028
1,518,538	2029
1,512,554	2030
2,435,542	2031
2,233,682	2032
1,670,556	2033
1,605,921	2034
2,020,761	2035
$15,612,933	

10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) Issued Capital

In August 2015 and 2014, the Company issued, respectively 615,386 and 307,694 common shares of the Company, valued at $15,400 and $80,000, respectively, in connection with an option agreement to acquire a 100% interest in the Croteau Est property in Québec (note 7).

c) Stock Options

As at December 31, 2015, the Company had 8,930,000 stock options outstanding of which 5,355,000 were exercisable under the Company's stock option plan. The terms of all options cannot exceed ten years and the minimum exercise price cannot be less than the closing price of the Company's common shares on the TSX Venture Exchange on the last trading day preceding the grant of the option. All of the outstanding options of the Company were issued with an expiry date of 5 years from the date of issue. The Board of Directors determines the vesting terms of the options, with a typical vesting schedule of 1/3 of the options under the grant vesting on each anniversary over a three year period after the date of grant.

A summary of the changes in the Company's stock option plan for the years ended December 31, 2015 and 2014 is as follows:

(Expressed in Canadian dollars)

	Year ended December 31, 2015		Year ended December 31, 2014	
	Number of options	**Weighted-average exercise price**	Number of options	Weighted-average exercise price
Outstanding, beginning of year	**11,160,000**	**$0.19**	12,194,567	$0.21
Granted	**1,400,000**	**$0.05**	2,675,000	$0.05
Expired	**(1,400,000)**	**$0.55**	(2,154,567)	$0.12
Forfeited	**(2,230,000)**	**$0.20**	(1,555,000)	$0.28
Outstanding, end of year	**8,930,000**	**$0.11**	11,160,000	$0.19
Exercisable, end of year	**5,355,000**	**$0.14**	6,043,334	$0.28

The weighted average grant-date fair value for options granted during the year ended December 31, 2015 was $0.004 (2014 - $0.03), which was determined using the Black-Scholes Option Pricing Model and the following assumptions: no dividends to be paid; volatility of 40% (2014 – 121.5%); risk-free interest rate 0.97% (2014 - 1.43%); and expected life of 5 years (2014 - 5 years).

The following table summarizes information regarding stock options outstanding and exercisable at December 31, 2015:

Exercise price	**Options outstanding**	**Options exercisable**	**Remaining contractual life (years)**	**Expiry dates**
$0.050 - $0.100	5,650,000	2,075,000	3.80	December 3, 2018 to November 5, 2020
$0.101 - $0.200	1,875,000	1,875,000	1.90	December 10, 2017
$0.201 - $0.300	1,355,000	1,355,000	0.80	November 2, 2016
$0.700	50,000	50,000	0.30	May 1, 2016
	8,930,000	5,355,000		

d) Share Based Payments

Share based payments recognized in the year are capitalized to exploration and evaluation properties or expensed as consulting fees and office expense.

The following table summarizes the share based payment expense for stock option grants that the Company recorded for the years ended December 31, 2015 and 2014:

Years ended December 31,	**2015**	2014
Consulting fees	**$7,917**	$6,655
Office expense	**44,298**	85,230
	52,215	91,885
Capitalized on exploration and evaluation properties	**8,255**	46,077
Total share based payments	**$60,470**	$137,962

(Expressed in Canadian dollars)

e) Basic and Diluted Loss per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted 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.

Potentially dilutive items not included in the calculation of diluted loss per share for the years ended December 31, 2015 were 8,930,000 (December 31, 2014 – 11,160,000) stock options that were anti-dilutive.

11. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key executive management personnel (President and Chief Executive Officer and Chief Financial Officer) during the years ended December 31, 2015 and 2014 are as follows:

Years ended December 31,	**2015**	2014
Management fees	**$101,000**	$107,896
Directors' fees	**94,750**	113,000
Salaries and wages	**253,004**	407,000
Share based payments	**42,667**	82,885
	$491,421	$710,781

The Company paid Morfopoulos Consulting Associates Ltd., a company controlled by the Chief Financial Officer, $67,000 for accounting and management and administration services during the year ended December 31, 2015 (2014 - $72,000), which amounts are included in management fees above.

All related party transactions are in the normal course of operations and measured at the exchange amount agreed to between the related parties. For the purposes of disclosure, related parties are defined as the officers and directors of the Company and companies controlled by the officers and directors.

Included in trades payables at December 31, 2015 is $763 due to related parties (December 31, 2014 - $2,931).

In late 2014, the Company finalized a severance agreement with a former Vice-President of the Operations of the Company for an aggregate amount of $135,000.

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(Expressed in Canadian dollars)

12. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31,	**2015**	2014
Non-cash investing and financing activities		
Shares issued pursuant to property agreements	**$15,400**	$80,000
Change in working capital related to exploration and evaluation properties	**278,684**	198,870
Share based payments capitalised	**8,255**	46,077
	$302,339	$324,947
Interest received	**$37,399**	$70,869
Interest paid	**$-**	$-
Taxes paid	**$-**	$-

Cash and cash equivalents at December 31, 2015 consists of:		
Cash	**$115,034**	$615,065
Short term investments	**1,500,000**	3,000,000

13. FINANCIAL INSTRUMENTS

Management of Capital risk

The Company manages its capital structure and makes adjustments to it to effectively support the acquisition, exploration and development of mineral properties. In the definition of capital, the Company includes, as disclosed on its statement of financial position: share capital, deficit, equity reserves and cash and cash equivalents.

The Company's capital at December 31, 2015 and 2014 is as follows:

As at December 31,	**2015**	2014
Share capital	**$62,799,807**	$62,784,407
Reserves	**4,657,984**	4,599,264
Deficit	**(62,043,791)**	(57,699,649)
	$5,414,000	$9,684,022

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will be using its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. 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 requirements and does not have exposure to asset-backed commercial paper or similar products.

(Expressed in Canadian dollars)

Carrying Values of Financial Instruments

The carrying value of financial assets and liabilities as at December 31, 2015 and 2014 are as follows:

As at December 31,	**2015**	2014
Financial Assets		
At fair value through profit or loss		
Cash and cash equivalents	**$1,615,034**	$3,615,065
Loans and receivable, measured at amortized cost		
Receivables *note 4*	**$212,774**	$535,439
Available-for-sale, measured at fair value		
Investments in public companies *note 5*	**$2,000**	$1,750
Financial Liabilities		
Other financial liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	**$34,004**	$189,880

Fair Values of Financial Instruments

The fair values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their carrying values due to the short term to maturity of these financial instruments.

The fair value hierarchy of financial instruments measured at fair value on the statement of financial position is as follows:

As at December 31,	**2015**	2014
	Level 1	Level 1
Cash and cash equivalents	**$1,615,034**	$3,615,065

The Company does not have any financial instruments measured using Level 2 or 3 inputs. The Company does not offset financial assets with financial liabilities and there were no transfers between Level 1 and Level 2 input financial instruments.

Management of Financial Risks

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

i. Credit Risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. The Company's surplus cash at December 31, 2015 and December 31, 2014, is invested in liquid low risk accounts in A rated Canadian Banks. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote. The Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

(Expressed in Canadian dollars)

ii. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2015, the Company had cash and cash equivalents of $1,615,034 (December 31, 2014 - $3,615,065) to settle trade payables and accrued liabilities totaling $34,004 (December 31, 2014 - $189,880).

iii. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash balances. A 1% change in short term rates would change the interest income and net loss of the Company, assuming that all other variables remained constant, by approximately $18,000 for the year ended December 31, 2015.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency or commodity risk arising from financial instruments.

14. COMMITMENTS

		Year 1	Year 2	Total
Operating lease - office lease	$	43,725	$29,150	**$72,875**

15. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment being the mining business in Canada. All resource properties and equipment are situated in Canada.