



**MONETA PORCUPINE MINES INC.**

Consolidated Financial Statements

For the three months ended March 31, 2016

**THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED BY MANAGEMENT AND  
HAVE NOT BEEN REVIEWED BY THE COMPANY'S AUDITOR**



**MONETA PORCUPINE MINES INC.**  
Consolidated Statements of Financial Position

As at	Notes	(Unaudited) March 31, 2016 \$	(Audited) December 31, 2015 \$
<b>Current assets</b>			
Cash and equivalents		952,847	1,076,167
Prepaid expenses		23,278	16,518
Royalty income receivable		12,436	10,713
Sales taxes recoverable		4,437	12,209
Interest receivable		3,735	1,582
<b>Total current assets</b>		<b>996,733</b>	<b>1,117,189</b>
Exploration and evaluation assets	5	1,923,233	1,898,791
<b>Total assets</b>		<b>2,919,966</b>	<b>3,015,980</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		104,722	108,786
<b>Total current liabilities</b>		<b>104,722</b>	<b>108,786</b>
Going concern	1		
Contingent liabilities	9		
<b>Shareholders' equity</b>			
Capital stock	6	45,207,235	45,207,235
Contributed surplus		4,170,086	4,169,620
Deficit		(46,562,077)	(46,469,661)
<b>Total shareholders' equity</b>		<b>2,815,244</b>	<b>2,907,194</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,919,966</b>	<b>3,015,980</b>

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



**MONETA PORCUPINE MINES INC.**

Consolidated Statements of Changes In Shareholders' Equity

Notes	Capital Stock		Contributed Surplus	Other Accumulated Comprehensive		Shareholders' Equity
	Shares	\$		Deficit		
<b>Balance as at December 31, 2015</b>	<b>208,092,382</b>	<b>45,207,235</b>	<b>4,169,620</b>	-	<b>(46,469,661)</b>	<b>2,907,194</b>
Share based compensation on vested options			466			466
Loss and comprehensive loss					(92,416)	(92,416)
<b>Balance as at March 31, 2016</b>	<b>208,092,382</b>	<b>45,207,235</b>	<b>4,170,086</b>	-	<b>(46,562,077)</b>	<b>2,815,244</b>
<b>Balance as at December 31, 2014</b>	193,642,382	44,192,549	3,605,764	-	(45,764,745)	2,033,568
Share based compensation on vested options			699			699
Loss and comprehensive loss					(104,883)	(104,883)
<b>Balance as at March 31, 2015</b>	193,642,382	44,192,549	3,606,463	-	(45,869,628)	1,929,384

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



**MONETA PORCUPINE MINES INC.**

Consolidated Statements of Loss, Comprehensive Loss and Deficit

<b>For the three months ended March 31,</b>	<b>Notes</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Expenses</b>			
Exploration and evaluation expenditures	5, 8	30,080	37,990
Share based compensation	6, 8	466	699
Wages and benefits	8	40,018	53,362
General & administration	8	23,377	19,301
Legal & audit		13,940	5,750
		<b>107,881</b>	<b>117,102</b>
<b>Other items</b>			
Other income		(13,091)	(9,981)
Interest income		(2,374)	(2,238)
<b>Loss before income taxes</b>		<b>92,416</b>	<b>104,883</b>
Deferred taxes	7	-	-
<b>Loss and comprehensive loss</b>		<b>92,416</b>	<b>104,883</b>
<b>Deficit - beginning of period</b>		<b>46,469,661</b>	<b>45,764,745</b>
<b>Deficit - end of period</b>		<b>46,562,077</b>	<b>45,869,628</b>
<b>Loss per share (basic and diluted)</b>		<b>\$0.0004</b>	<b>\$0.0005</b>
<b>Weighted average outstanding shares</b>		<b>208,092,382</b>	<b>193,642,382</b>

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

## **1. Nature of operations and going concern**

### **Nature of operations**

Moneta Porcupine Mines Inc. (“Moneta” or the “Company”) is a public company listed on the Toronto Stock Exchange (TSX: ME) (OTC: MPUCF) (XETRA: MOP) and incorporated under the laws of the Province of Ontario on October 14, 1910. Moneta is a mineral resource exploration and development company actively exploring for gold on its land package in the Timmins Camp in Timmins, Ontario (Canada). The Company’s registered office is 65 Third Avenue, Timmins, Ontario, P4N 1C2. Moneta, a former gold producer, is currently an exploration stage company and has no properties in current production and no production revenues at the present time.

### **Going concern**

The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

## **2. Basis of Preparation**

### **Statement of Compliance**

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), and follow the same accounting policies and methods of application as the annual consolidated financial statements of the Company for the year ended December 31, 2015. The Company operates in one segment, defined as the cash generating unit, which is Canada. This MD&A has an effective date of May 12, 2016, the date this MD&A was reviewed by the Audit Committee and approved by the Board of Directors.

### **Basis of Measurement**

These consolidated 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 financial statements, are disclosed in note 4.

## **3. Significant accounting policies**

The principal accounting policies are set out below:

### **a) Basis of presentation and consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries: Wounded Bull Resources Inc. and 508825 Ontario Ltd. The subsidiaries are inactive with limited operations. The financial statements of subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. All intercompany balances and transactions have been eliminated upon consolidation. The Company’s presentation currency and functional currency is the Canadian Dollar.

### **b) Foreign currency translation**

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in the Statements of Loss (Earnings) and

Comprehensive Loss (Earnings), except for differences arising on the translation of available for sale equity instruments that are recorded in other accumulated comprehensive income.

The Company translates the assets and liabilities of its wholly-owned subsidiary, Wounded Bull Resources Inc., at the rate of exchange in effect at the reporting date. Income and expenses are translated at the rate of exchange prevailing at the date of the transaction. All resulting exchange differences are recognized in other comprehensive income and accumulated in a cumulative translation reserve under shareholders' equity.

### **c) Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes party to a contractual agreement and are initially measured at fair value and classified as loans and receivables, financial instruments at fair value through profit or loss ("FVTPL"), or available for sale financial assets and other liabilities ("AFS"), as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it and separates it from the host contract if the host contract is not measured at fair value through profit or loss.

#### *Financial assets at fair value through profit or loss*

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as FVTPL, with changes in fair value at each period end recorded in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management.

#### *Loans and receivables*

Loans and receivables 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 Loss (Earnings) and Comprehensive Loss (Earnings) 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. The Company's financial assets are classified as loans and receivables unless otherwise noted.

#### *Available for sale financial assets*

AFS assets are non-derivative financial assets that 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 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 equity, is included in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) for the period. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

#### *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 Loss (Earnings) and Comprehensive Loss (Earnings).

#### *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 the estimated future cash flows of the investments have been adversely impacted as a result of one or more events that occurred after the initial recognition.

If an AFS asset is impaired, the change in fair value is transferred to the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) in the period, including cumulative gains or losses previously recognized in other comprehensive income or loss. Reversals of impairment in respect of equity instruments classified as AFS are not recognized in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) but included in other comprehensive income.

All financial instruments measured at fair value subsequent to initial recognition are categorized into one of three hierarchy levels based on the transparency of the inputs used to measure the fair values of assets and liabilities, as follows:

- Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly;
- Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through loss for the period are recognized immediately in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) for the period.

**d) Cash and equivalents**

Cash and equivalents include cash in bank and highly liquid investments which are cashable with an original term to maturity of 365 days or less.

**e) Exploration and evaluation assets**

Acquisition costs related to exploration properties are capitalized as exploration and evaluation assets at fair value at the time of purchase. The acquisition costs are written off when an exploration and evaluation asset is disposed of through sale or abandonment.

Exploration and evaluation expenditures incurred on exploration properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources. Exploration and evaluation expenditures incurred subsequent to the establishment of commercially viable and technically feasible gold resources on a property are to be capitalized as Property, Plant and Equipment. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

**f) Impairment of long-lived assets**

The Company reviews its long-lived assets within its cash generating units, consisting primarily of exploration and evaluation assets, at each reporting period end, for any indicators of impairment whenever events or changes in circumstances indicate that such carrying value may not be recoverable.

To determine whether a long-lived mining asset may be impaired, the recoverable amount is compared to the carrying value of the individual asset. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings). Where it is not possible to estimate the recoverable amount of a specific non-financial asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings). The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

**g) Income taxes**

Income taxes are recognized in Loss (Earnings), except where they relate to items recognized in other comprehensive income or directly in capital stock, in which case the related taxes are recognized in Comprehensive Loss (Earnings) or Capital Stock. Deferred income taxes are calculated using the balance sheet liability method 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.

Deferred tax assets and liabilities are measured at 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 enacted or substantively enacted at the Statement of Financial Position date. The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the period in which the change is enacted or substantively enacted.

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.

**h) Share capital**

Common shares issued by the Company are classified as capital stock. Incremental costs directly attributable to the issue of new common shares, such as share issue costs, are recognized under capital stock as a deduction from the share proceeds.

**i) Flow-through shares**

Under Canadian income tax legislation, the Company may 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 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 temporary non-cash deferred flow through premium liability is recognized on the Statement of Financial Position. The liability is reversed upon renunciation of such qualifying expenditures to the flow through investors and reported as a reduction in deferred tax expense on the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

**j) Share based payments**

***Stock options***

The fair value of stock options granted to directors, officers, and employees is measured at grant date using the Black-Scholes valuation model using assumptions for risk-free interest rates, dividend yield, volatility factors of the expected market price of the Company's common shares, expected forfeitures and expected life of the options. The fair value of these share based payments is recognized as a charge to the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) with a corresponding credit to shareholders' equity on the Statement of Financial Position.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are transferred from contributed surplus to capital stock. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

***Purchase warrants and broker compensation options***

Purchase warrants are classified as capital stock and measured at fair value on the date of issue using the Black-Scholes option pricing model. Broker compensation options are classified as issuance costs and a deduction from capital stock and measured at fair value on the date of issue using the Black-Scholes option pricing model. The fair value of the purchase warrants and broker compensation options are not subsequently revalued.

**k) Other income recognition**

The Company currently has no revenue from active mining operations. Royalty income is recognized in the period in which it is earned in accordance with the terms of the royalty agreement, with collection reasonably assured. Interest revenue is recognized in the period in which it is earned.

**l) Other comprehensive loss (earnings)**

Other comprehensive loss (earnings) is the change in net assets that results from transactions and events, not included in loss for the period and other than changes in the shareholders' equity. The Company's comprehensive loss (earnings), components of other comprehensive income, and cumulative translation adjustments on foreign currency gains or losses related to foreign operations, are presented in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) and the Statement of Changes in Shareholders' Equity.

**m) 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 (loss) 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.

**n) Provisions**

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. If the Company is virtually certain that some or all of a provision will be reimbursed, for example under an insurance contract, such reimbursement is recognized as a separate asset. Provisions may be discounted using a current pre-tax rate that reflects the risks specific to the liability. The expense relating to any provision is presented in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

**Recent accounting standards**

The Company is currently evaluating the impact on its consolidated financial statements of recent accounting pronouncements, as follows:

**IFRS 9 Financial Instruments**

IFRS 9, Financial Instruments was issued by the IASB and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). The mandatory effective date of IFRS 9 is for annual years beginning on or after January 1, 2018.

**4. Key sources of estimation uncertainty and judgement**

In the application of the Company's accounting policies described in note 3, management is required to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors considered relevant, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

**a) Share based payments**

Management measures the fair value of granted stock options using the Black-Scholes option valuation model. The fair value of stock options using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

**b) Exploration and evaluation expenditures**

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale of the property, or where exploration activities are not adequately advanced to support a gold resource assessment. The determination is an estimation process that requires varying degrees of uncertainty and these estimates directly impact the deferral of exploration and evaluation expenditures.

**c) Impairment of long-lived assets**

The carrying amounts of exploration and evaluation assets 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 a property by property basis. The assessment requires the use of estimates and assumptions such as, but not limited to, long-term commodity prices, future capital requirements, resource estimates, and exploration potential. 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 exploration and evaluation assets.

**d) Decommissioning and restoration provision**

The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the period in which it is incurred and when a reasonable estimate of fair value can be made. The fair value is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the cost to expense using a systematic and rational method over its useful life, and records the accretion of the liability as a charge to the Statement of Loss (Earnings), Comprehensive Loss (Earnings).

As the Company has not commenced construction and development of any mining operations, it does not have any provisions for decommissioning or restoration costs.

**e) Contingent liabilities**

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

## 5. Exploration and evaluation assets

	Three months ended March 31, 2016	Year ended December 31, 2015
<b>Acquisition costs</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of period	1,898,791	1,852,746
Acquisition costs	24,442	46,045
Balance, end of period	1,923,233	1,898,791

<b>Acquisition costs</b>	<b>Opening January 1, 2016</b>	<b>Additions</b>	<b>Closing March 31, 2016</b>
<b>Golden Highway Project</b>	1,676,329	2,745	1,679,074
<b>North Tisdale</b>	56,634	10,865	67,499
<b>Kayorum</b>	83,997	2,966	86,963
<b>Nighthawk Lake</b>	7,992	1,755	9,747
<b>Denton Thorneloe and other</b>	73,839	6,111	79,950
	1,898,791	24,442	1,923,233

There were no property disposals and no indications of impairment of exploration and evaluation assets during the three month period ended March 31, 2016 and 2015. Capitalized acquisition costs were \$1,923,233 at March 31, 2016 (December 31, 2015: \$1,898,791). Exploration and evaluation expenditures for the three month period ended March 31, 2016 of \$30,080 (Q1 2015: \$37,990) were charged to the Statements of Loss and Comprehensive Loss.

## 6. Capital stock

### Authorized share capital

The Company is authorized to issue an unlimited number of Class A Preferred shares, Class B Preferred shares, Common shares, and Non-voting shares. Class A Preferred shares are entitled to preference as to the payment of dividends and distribution of the remaining property of the Company on dissolution over Class B Preferred shares, Common shares and Non-voting shares. Class B Preferred shares are entitled to preference as to the payment of dividends and distribution of the remaining property of the Company on dissolution over Common shares and Non-voting shares. The Non-voting shares shall rank equally with Common shares in all respects except that the holders are not entitled to vote at shareholder meetings.

### Capital stock transactions during the period

There were no equity financings completed for the three month period ended March 31, 2016.

On November 10, 2015, the Company announced the closing of a non-brokered private placement for total gross proceeds of \$1,100,000. A total of 10,000,000 units were issued at a price of \$0.11 per unit comprised of one common share and one half of one purchase warrant exercisable at \$0.18 per full purchase warrant for a term of twelve months. There were no finder's fees or commissions paid on the placement. Issue costs, related to standard TSX listing fees and legal fees, were \$17,783.

On May 6, 2015, the Company announced the closing of a non-brokered private placement for total gross proceeds of \$235,000. A total of 3,200,000 units were issued at a price of \$0.05 per unit comprised of one common share and one purchase warrant exercisable at \$0.07 for thirty six months for gross proceeds of \$160,000, and 1,250,000 flow-through units were issued at a price of \$0.06 per unit comprised of one common share issued on a flow-through basis

and one purchase warrant exercisable at \$0.08 for thirty six months for gross proceeds of \$75,000. Insiders of the Company subscribed for 2,000,000 Units and 1,250,000 Flow-Through Units or 75% of the Placement. There were no finders' fees or commissions paid. Issue costs, related to standard TSX listing fees, were \$5,945.

### Stock options

The Company has established a stock option plan whereby the Board of Directors may grant options to directors, officers, employees, and consultants to acquire common shares of the Company. The maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Options granted have a maximum term of five years and vest immediately or over time at the discretion of the Board.

The following table summarizes the outstanding stock options:

	Three months ended March 31, 2016		Year ended December 31, 2015	
	Average Exercise Price	No. of Options	Average Exercise Price	No. of Options
Outstanding, beginning of period	\$0.10	7,170,000	\$0.13	6,555,000
Transactions during the period:				
Granted <sup>(1)</sup>	-	-	0.12	3,425,000
Expired <sup>(2)</sup>	-	-	0.21	(2,810,000)
Outstanding, end of period	\$0.10	7,170,000	\$0.10	7,170,000
Weighted average remaining contractual life (years)	3.81		4.06	
Exercisable, end of period	\$0.10	7,111,665	\$0.10	7,103,332

<sup>(1)</sup> During 2015, the Company granted 3,425,000 stock options to directors, officers, or employees at an average exercise price of \$0.12. The estimated fair value of these options of \$264,942, a weighted average fair value at grant date of \$0.08 per option, using the Black Scholes valuation model and a five year term with immediate vesting, was charged as share based compensation. The underlying assumptions used in the estimation of fair value are, as follows: risk free rate: 1.0%, remaining life: 5 years, expected volatility: 81%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

<sup>(2)</sup> During 2015, a total of 2,810,000 stock options at an average exercise price of \$0.21 expired unexercised.

### Warrants

	Exercise Price	Expiry Date	Three months ended	Year ended
			March 31, 2016	December 31, 2015
			#	#
Outstanding, beginning of period:				
Purchase Warrants	\$0.07	May 2018	3,200,000	-
Purchase Warrants	\$0.08	May 2018	1,250,000	-
Purchase Warrants	\$0.18	Nov 2016	5,000,000	-
			9,450,000	-
Issued during the period:				
Purchase Warrants <sup>(1)</sup>	\$0.07	May 2018	-	3,200,000
Purchase Warrants <sup>(2)</sup>	\$0.08	May 2018	-	1,250,000
Purchase Warrants <sup>(3)</sup>	\$0.18	Nov 2016	-	5,000,000
			-	9,450,000
Outstanding, end of period:				
Purchase Warrants	\$0.07	May 2018	3,200,000	3,200,000
Purchase Warrants	\$0.08	May 2018	1,250,000	1,250,000
Purchase Warrants	\$0.18	Nov 2016	5,000,000	5,000,000
			9,450,000	9,450,000

- (1) In May 2015, 3,200,000 purchase warrants, exercisable at \$0.07 and expiring in thirty six months, were issued on the closing of a private placement for \$160,000, which formed part of a larger financing of \$235,000. The estimated fair value of the warrants using the Black Scholes model was \$119,755, a weighted average fair value of \$0.037 per warrant, and was charged as reduction in share capital and credited to contributed surplus. The underlying assumptions used in the estimation of fair value are, as follows: Risk free rate 1.00%, Expected life 3.0 years, Expected volatility 83%, Expected dividend yield 0.00%.
- (2) In May 2015, 1,250,000 purchase warrants, exercisable at \$0.08 and expiring in thirty six months, were issued on the closing of a flow-through private placement for \$75,000, which formed part of a larger financing of \$235,000. The estimated fair value of the warrants using the Black Scholes model was \$44,011, a weighted average fair value of \$0.035 per warrant, and was charged as reduction in share capital and credited to contributed surplus. The underlying assumptions used in the estimation of fair value are, as follows: Risk free rate 1.00%, Expected life 3.0 years, Expected volatility 83%, Expected dividend yield 0.00%.
- (3) In November 2015, 5,000,000 purchase warrants, exercisable at \$0.18 and expiring in twelve months, were issued on the closing of a private placement for \$1,100,000. The estimated fair value of the warrants using the Black Scholes model was \$132,820, a weighted average fair value of \$0.027 per warrant, and was charged as reduction in share capital and credited to contributed surplus. The underlying assumptions used in the estimation of fair value are, as follows: Risk free rate 1.00%, Expected life 1.0 year, Expected volatility 99.6%, Expected dividend yield 0.00%.

## 7. Income taxes

The Company's effective tax rate, which differs from the combined federal and provincial statutory income tax rates for the three month period ended March 31, 2016 (26.5%) and 2015 (26.5%), has been reconciled as follows:

	Three months ended March 31, 2016	Year ended December 31, 2015
	\$	\$
Income tax recovery at statutory rates	24,490	186,803
Increase (decrease) related to:		
Flow-through expense renunciation	-	(19,875)
Shared based compensation	(123)	(70,827)
Non-capital losses expired	-	(63,865)
Other	24,603	6,279
	48,970	43,815
Valuation allowance	(48,970)	(43,815)
Deferred taxes (recovery)	-	-

The Company's deferred tax assets and liabilities are comprised of the following:

	Three months ended March 31, 2016	Year ended December 31, 2015
	\$	\$
Deferred tax assets:		
Net operating loss carry forwards	1,580,000	1,580,000
Net capital loss carry forwards	527,000	527,000
Resource deductions	3,325,000	3,325,000
Other	87,000	99,000
	5,519,000	5,531,000
Less: Valuation allowance	(5,519,000)	(5,531,000)
	-	-

The Company has recorded a valuation allowance as the Company does not consider it more likely than not that the deferred tax assets will be realized in the foreseeable future. The Company has non-capital losses of \$5,963,000 (2015: \$5,751,000) available for deduction against future taxable income, the balances of which will expire as follows:

Year of expiry	Three months ended	Year ended
	March 31, 2016	December 31, 2015
	\$	\$
2026	307,000	307,000
2027	317,000	317,000
2028	652,000	652,000
2029	618,000	618,000
2030	694,000	694,000
2031	671,000	671,000
2032	943,000	943,000
2033	732,000	732,000
2034	576,000	576,000
2035	453,000	453,000
	<b>5,963,000</b>	5,963,000

The potential tax benefit of the above losses has not been recognized in these financial statements. The Company has approximately \$3,974,113 (2015: \$3,974,113) in capital losses available to apply against future capital gains.

#### **8. Related party transactions**

The Company reported a salary of \$NIL (Q1 2015: \$NIL) to an officer and director for the three month period ended March 31, 2016, for CFO services provided to the Company. The Company paid a salary of \$37,500 (Q1 2015: \$50,000) to an officer and director for the three month period ended March 31, 2016 for CEO and other services provided to the Company under an ongoing employment agreement. Directors' fees of \$NIL (Q1 2015: \$NIL) were expensed during the three month period ended March 31, 2016 as directors agreed to waive cash fees until market conditions improve.

All related party transactions were completed in the normal course of business. There were no loans to Directors or Officers during the year (Q1 2015: \$NIL).

#### **9. Contingent liabilities**

##### *Civil lawsuits*

Two parties that own the surface rights and occupied buildings on the site of the former Moneta Mine, filed suit in 2005 against the Company, directors of the Company at that time, and other third parties claiming damages related to the mine subsidence. One of these parties also brought a claim for compensation under the Ontario Mining Act which was dismissed by the Mining Commissioner in March 2008. The Company believes the claims have no merit and intends to defend such claims vigorously. Accordingly, no provision has been made in these financial statements for these claims.

#### **10. Capital management**

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the three month period ended March 31, 2016. As at March 31, 2016, the Company has a net working capital balance of \$892,011 (December 31, 2015: \$1,008,403).

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the exploration and evaluation assets and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

## **11. Financial instruments and risk management**

The Company's financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company's financial position from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall exploration and development strategy, diversifying risk, mitigation through preventive controls, and transferring risk to third parties.

### **Fair value**

The carrying values for primary financial instruments, including cash and equivalents, royalty income receivable, sales taxes recoverable, interest receivable, and accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash and equivalents held with Canadian financial institutions.

There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the year. The objectives and strategy for the exploration and evaluation asset portfolio remains unchanged.

The Company's exploration and development activities expose it to the following financial risks:

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk is concentrated in three specific areas: the credit risk on operating balances including sales taxes recoverable, interest receivable on short term deposits, and cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

The aggregate gross credit risk exposure at March 31, 2016 was \$973,455 (December 31, 2015: \$1,100,671), and was comprised of \$952,847 (December 31, 2015: \$1,076,167) in cash and equivalents held with Canadian financial institutions with an "AA-" credit rating, \$12,436 (December 31, 2015: \$10,713) in royalty income receivable, \$4,437 (December 31, 2015: \$12,209) in sales taxes recoverable, and \$3,735 (December 31, 2015: \$1,582) in interest receivable.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States ("US") dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

*Commodity price risk*

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. This risk is not applicable as the Company is not currently in commercial gold production. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

*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's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and working capital obligations as they become due. To manage cash flow requirements, the Company maintains principally all its assets in cash and equivalents.