Golden Hope Mines Limited
(An exploration stage company)
Financial Statements
December 31, 2015 and 2014

Contents

Management's Responsibility

To the Shareholders of Golden Hope Mines Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditor. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditor.

MNP S.E.N.C.R.L., s.r.l., an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditor has full and free access to, and meets periodically and separately with, both the Committee and management to discuss their audit findings.

April 28, 2016

[Signed by Frank Candido]

Frank Candido, President

[Signed by Nathalie Laurin]

Nathalie Laurin, CFO

Independent Auditors' Report

To the Shareholders of Golden Hope Mines Limited:

We have audited the accompanying financial statements of Golden Hope Mines Limited, which comprise the statements of financial position as at December 31, 2015 and December 31, 2014, and the statements of comprehensive loss, changes in 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.

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

We believe that the audit evidence we have obtained in our audits 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 Golden Hope Mines Limited as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the financial statements which explains that the Company incurred a comprehensive loss of $474,592 for the year ended December 31, 2015, a negative working capital of $39,813 and had an accumulated deficit of $14,970,007 as of December 31, 2015. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

MNP SENCRL, srl [1]

Montréal, Québec
April 28, 2016

[1]CPA auditor, CA, public accountancy permit No. A122514

Golden Hope Mines Limited
(An exploration stage company)
Statements of financial position
As at December 31,

	2015	2014
	$	$
ASSETS		
Current:		
Cash and cash equivalents (Note 6)	**62,236**	43,061
Tax credits receivable	**11,989**	9,545
Sales tax receivable	**10,570**	14,811
Prepaid expenses	**13,658**	18,180
Other Assets	**-**	34,000
	98,453	119,597
Non-current:		
Credits on duties receivable	**4,695**	2,229
Property (Note 7)	**57,513**	58,853
Exploration and evaluation assets (Note 8)	**20,332,000**	20,091,136
	20,394,208	20,152,218
Total assets	**20,492,661**	20,271,815
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9)	**138,266**	243,241
Non-current liabilities:		
Deferred income taxes (Note 11)	**1,270,090**	1,149,300
Total liabilities	**1,408,356**	1,392,541
Shareholders' equity		
Share capital (Note 10)	**27,599,937**	27,217,579
Warrants (Note 10)	**98,517**	-
Contributed surplus (Note 10)	**6,355,858**	6,157,110
Deficit	**(14,970,007)**	(14,495,415)
Total shareholders' equity	**19,084,305**	18,879,274
Total liabilities and shareholders' equity	**20,492,661**	20,271,815

Going concern, related party transactions, commitments and subsequent events (Notes 3,13,14 and 19)

These financial statements were approved by the Company's board of directors on April 28, 2016.

"Frank Candido" *" Michael Dehn"*

Frank Candido, Director Michael Dehn, Director

The accompanying notes are an integral part of these financial statements

Golden Hope Mines Limited

(An exploration stage company)
Statements of comprehensive loss
For the years ended December 31,

	2015	2014
	$	$
EXPENSES		
Legal, financial and other corporate expenses	**118,966**	129,384
General administrative expenses	**36,325**	56,833
Shareholders' information	**38,618**	43,434
Management fees (Note 13)	**-**	34,375
Share based compensation (Note 10)	**198,748**	18,425
Travel	**16,099**	8,047
Depreciation (Note 7)	**1,340**	1,396
Part XII.6 taxes	**-**	271
	410,096	292,165
Gain on settlement of debt (Note 10)	**56,294**	-
Interest income	**-**	2,205
Debt forgiveness	**-**	75,937
	56,294	78,142
Loss before income taxes	**(353,802)**	(214,023)
Provision (recovery) of incomes taxes		
Deferred tax (Note 11)	**120,790**	(16,370)
Net loss and comprehensive loss	**(474,592)**	(197,653)
Basic and fully diluted loss per common share (note 17)	**(0.075)**	(0.042)
Basic and fully diluted weighted average number of common shares during the year (Note 17)	**6,323,189**	4,700,889

The accompanying notes are an integral part of these financial statements

Golden Hope Mines Limited
(An exploration stage company)
Statements of cash flows
For the years ended December 31,

	2015	2014
	$	$
CASH PROVIDED BY (USED IN):		
Operating activities:		
Comprehensive loss	**(474,592)**	(197,653)
Adjustments for items not affecting cash		
Deferred tax	**120,790**	(16,370)
Share based compensation	**198,748**	18,425
Gain on settlement of debt	**(56,294)**	-
Debt forgiveness	**-**	(75,937)
Depreciation	**1,340**	1,396
Loss from operations	**(210,008)**	(270,139)
Net change in non-cash operating working capital items (Note 12)	**15,832**	43,274
Cash flows related to operating activities	**(194,176)**	(226,865)
Investing activities:		
Exploration and evaluation assets additions	**(45,319)**	(18,209)
Tax credits and credits on duties receivable	**9,545**	182,104
Proceeds from disposal of exploration and evaluation asset	**-**	66,000
Cash flows related to investing activities	**(35,774)**	229,895
Financing activities:		
Cash inflow related to share capital	**220,800**	-
Exercise of warrants	**50,000**	-
Share issue costs	**(21,675)**	(9,867)
Cash flows related to financing activities	**249,125**	(9,867)
Increase (decrease) in cash and cash equivalents	**19,175**	(6,837)
Cash and cash equivalents, beginning of year	**43,061**	49,898
Cash and cash equivalents, end of year	**62,236**	43,061

The accompanying notes are an integral part of these financial statements

	Common Shares	Amount $	Warrants $	Contributed Surplus $	Deficit $	Total $
Balance, January 1, 2014	4,700,889	27,227,446	-	6,138,685	(14,297,762)	19,068,369
Share issue costs	-	(9,867)	-	-	-	(9,867)
Fair value of share based compensation	-	-	-	18,425	-	18,425
Comprehensive loss	-	-	-	-	(197,653)	(197,653)
Balance, December 31, 2014	4,700,889	27,217,579	-	6,157,110	(14,495,415)	18,879,274
Balance, January 1, 2015	**4,700,889**	**27,217,579**	**-**	**6,157,110**	**(14,495,415)**	**18,879,274**
Share issuance	**2,208,000**	**125,785**	**95,015**	**-**	**-**	**220,800**
Share issuance to settle debt	**150,000**	**21,750**	**-**	**-**	**-**	**21,750**
Share issued pursuant to the acquisition of mining properties	**500,000**	**210,000**	**-**	**-**	**-**	**210,000**
Warrants exercised	**200,000**	**58,676**	**(8,676)**	**-**	**-**	**50,000**
Share issue costs	**-**	**(21,675)**		**-**	**-**	**(21,675)**
Broker warrants	**-**	**(12,178)**	**12,178**	**-**	**-**	**-**
Fair value of share based compensation	**-**	**-**	-	**198,748**	**-**	**198,748**
Comprehensive loss	**-**	**-**	-	**-**	**(474,5928)**	**(474,592)**
Balance, December 31, 2015	**7,758,889**	**27,599,937**	**98,517**	**6,355,858**	**(14,970,007)**	**19,084,305**

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Golden Hope Mines Limited (the "Company") is a corporation continued under the Business Corporations Act (Ontario) on January 19, 1946. The Company's principal assets are mining properties and deferred exploration expenditures made on properties that are not in commercial production. The Company is in the process of exploring its mining properties and has not determined whether or not the properties contain economically recoverable resources. The address of the registered office is Unit 14 – 600 Orwell, Mississauga, Ontario, Canada, L5A 3R9.

The Company's shares are listed under the symbol GNH on the TSX Venture. On December 1, 2014, the Company completed a 30:1 share consolidation of all of its outstanding common shares. All share capital, per share amounts, warrants, and share-based awards in the current and comparative periods have been adjusted to reflect this change.

2. Basis of preparation

Statement of Compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB") and set out in Part 1 of the CPA Canada Handbook.

The Board of Directors approved these financial statements on April 28, 2016.

Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention, unless specifically stated in the financial statements.

Functional and Presentation currency

These financial statements are presented in Canadian Dollars because that is the currency of the primary economic environment in which the Company operates, and is the functional currency of the Company.

3. Going concern

The Company has not yet determined whether its exploration and evaluation assets contain mineral deposits that are economically recoverable. The recoverability of exploration and evaluation assets is dependent on the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; and the ability to obtain the financing required to complete exploration, evaluation, development and construction or the proceeds from the sale of such assets. Changes in future conditions could require material impairment of the carrying value of the exploration and evaluation assets.

The accompanying financial statements have been prepared using assumptions applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt on the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption not appropriate. These adjustments could be material.

3. Going concern– Cont'd

There are several adverse conditions that cast significant doubt about the soundness of the going concern assumption. The Company had recurring losses in prior years and has accumulated losses of $14,970,007 since its inception and expects to incur further losses in the development of its business. Further, the business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. In addition to ongoing working capital requirements, the Company must secure sufficient funding for the exploration and evaluation programs and pay general and administrative costs. The Company's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. As at December 31, 2015, the Company had negative working capital of $39,813.

The Company's current committed cash resources are insufficient to cover the expected expenditures in fiscal 2016. There is a material uncertainty regarding the Company's ability to secure financing in the future or that these sources of funding will be available. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, reduction in expenditures and/or the introduction of joint venture partners and/or business combinations on terms which are acceptable to the Company. Although the Company has been successful in the past at raising funds, there can be no assurance the Company will be able to secure financing in the future or that these sources of funding will be available.

4. Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and highly-liquid short-term investments initially maturing within three months of their acquisition date.

Property

The property is recognized at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a declining balance basis to reduce the cost to the estimated residual value of the property. The depreciation period for the building is declining balance at 4%.

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end. Gains or losses arising on the disposal of property is determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of comprehensive loss.

Exploration and evaluation assets

The Company records and carries its interest in exploration and evaluation assets at cost less impairment losses and tax credits. These capitalized costs include the direct costs of acquisition, exploration and the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. No depreciation charge is recognized in respect of these assets. These assets are transferred to mine development costs in property, plant and equipment upon the commencement of mine development, as outlined below.

4. Summary of Significant Accounting Policies – Cont'd

Exploration and evaluation expenditures in the relevant area of interest comprise costs which are directly attributable to:

- Acquisition of rights to explore;
- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The Company's criterion for testing impairment includes, but is not limited to, when:

a) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed.

b) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;

c) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

d) Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is likely to be recovered in full from successful development or by sale.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount a provision is made for the decline in value and charged against operations in the year.

Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the statements of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

4. Summary of Significant Accounting Policies – Cont'd

Deferred tax liabilities:

a) are generally recognized for all taxable temporary differences; and
b) are recognized for taxable temporary differences arising on mining assets, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets:

a) are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
b) are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Provisions

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

Equity Instruments

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

Share based compensation

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options at the date of grant. For graded vested share options, IFRS 2 requires the use of the attribution method, which requires that the Company treat each installment as a separate share option grant with a different fair value. The Company also provides for an estimate of the forfeiture rates in determining the total stock based compensation expense.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statements of comprehensive (loss) income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statements of comprehensive (loss) income is charged with the fair value of goods and services received.

4. Summary of Significant Accounting Policies – Cont'd

Warrants

The Company measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued to agents in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus.

When the Company issues units under a private placement comprising common shares and warrants, it follows the fair value method of accounting for these warrants. Under this method, the fair value of warrants issued is estimated using the Black-Scholes option price model. The fair value is allocated to warrants from the net proceeds and the balance of the net proceeds is allocated to the common shares issued. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. Proceeds from issuance are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the market price of the existing shares and the amount the investor pays for the flow-through shares. A liability is recognized for this difference and is recorded as a flow-through share premium liability on the statement of financial position. The liability is reversed when the qualifying expenditure is incurred and a deferred tax liability is recognized at that time. Income tax expense is the difference between the amount of the deferred tax liability and the flow-through share premium liability recognized on issuance.

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants using the treasury stock method.

Tax credits and credits on duties receivable

The Company is eligible for a refundable credit on mining duties under the Quebec Mining Duties Act. This refundable credit on mining duties is for expenses incurred on mining activities in Quebec. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, Income Taxes, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax bases following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future; accordingly, the credit on mining duties is recorded as a government grant under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, which is recorded against exploration and evaluation assets.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 35 % of the amount of eligible expenses incurred until June 4, 2014 and 28% thereafter and is recorded as a government grant against exploration and evaluation assets.

4. Summary of Significant Accounting Policies – Cont'd

Tax credits and credits on duties receivable – Cont'd

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits. They will be recognized in profit or loss on a systematic basis over the useful life of the related assets.

Segment reporting

The Company presents and discloses segment information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. In this regard, the Company conducts its business in a single operating segment being the acquisition, exploration and development of exploration properties.

Foreign currency translation

The monetary assets and liabilities of the Company denominated in foreign currencies are translated at the rate of exchange at the statements of financial position date. Revenues and expenses are translated at the average exchange rate prevailing during the period. Exchange gains or losses are included in comprehensive (loss) income.

Financial assets

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Financial assets at fair value through profit or loss

Classification
Financial assets are classified at fair value through profit or loss if acquired principally for the purpose of selling in the short-term, such as financial assets held for trading, or if so designated by management. The Company does not hold financial assets in this category.

Recognition and measurement
Financial assets carried at fair value through profit or loss are initially recognized, and subsequently carried, at fair value, with changes recognized in the statements of comprehensive loss. Transaction costs are expensed.

Loans and receivables

Classification
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Assets in this category include cash and cash equivalents, sales tax receivable and tax credits and credits on duties receivable and are classified as current assets in the statements of financial position.

4. Summary of Significant Accounting Policies – Cont'd

Loans and receivables – Cont'd

Recognition and measurement
Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Available-for-sale financial assets

Classification
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in other non-current financial assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. The Company does not hold financial assets in this category.

Recognition and measurement
Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes in fair value recognized in other comprehensive (loss) income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are included in the statements of comprehensive loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Financial liabilities at fair value through profit or loss

Classification
Financial liabilities at fair value through profit or loss include financial liabilities that are held for trading (acquired for purpose of selling in the near term) or financial instruments that are so designated. The Company does not hold financial liabilities in this category.

Recognition and measurement
Financial liabilities are measured at fair value. Gains and losses on liabilities held-for-trading are recognized in the statements of comprehensive loss.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. Liabilities in this category include accounts payable and accrued liabilities.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the statement of comprehensive loss.

4. Summary of Significant Accounting Policies – Cont'd

Impairment of non-financial assets

The Company's non-financial assets are reviewed for indications of impairment at each statements of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss. An impairment loss recognized for goodwill is not reversed.

Reclamation Obligations

Estimated reclamation costs are based on legal, environmental and regulatory requirements. The costs of our active mining operations are accrued, on an undiscounted basis, as a production cost, on a unit-of-production method based on proven and probable reserves. We have made estimates of the final reclamation costs based on mine-closure plans approved by environmental agencies. We periodically review these estimates and update our reclamation cost estimates if assumptions change. Material assumptions that are made in deriving these estimates include variables such as mine life and inflation rates.

Recently adopted accounting pronouncements

IFRS 2 Share-based Payment
As part of the Annual Improvements to 2010 – 2012 cycle, the amendments to IFRS 2, issued by the International Accounting Standards Board (IASB) in December 2013, incorporated into Part I of the CPA Canada Handbook - Accounting by the Accounting Standards Board (AcSB) in March 2014, clarify the definition of "vesting conditions" and "market conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The adoption of this standard had no impact on the Company's consolidated financial statements.

4. Summary of Significant Accounting Policies – Cont'd

Recently adopted accounting pronouncements – Cont'd

IFRS 8 Operating Segments
As part of the Annual Improvements to 2010 – 2012 cycle, the amendments to IFRS 8, issued by the International Accounting Standards Board (IASB) in December 2013, incorporated into Part I of the CPA Canada Handbook - Accounting by the Accounting Standards Board (AcSB) in March 2014, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The adoption of this standard had no impact on the Company's consolidated financial statements.

IAS 24 Related Party Disclosures
As part of the Annual Improvements to 2010 – 2012 cycle, the amendments to IAS 24, issued by the International Accounting Standards Board (IASB) in December 2013, incorporated into Part I of the CPA Canada Handbook - Accounting by the Accounting Standards Board (AcSB) in March 2014, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The adoption of this standard had no impact on the Company's consolidated financial statements.

Accounting standards issued but not yet effective

IFRS 9, Financial Instruments
In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 (2014) as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This Standard will replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted (subject to local endorsement requirements). IFRS 9 (2014) supersedes all previous versions including IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). However, an entity may elect to apply those earlier versions of IFRS 9 instead of applying IFRS (2014) if, and only if, the entity's relevant date of initial application is before February 1, 2015.

A brief overview of the previous versions of this Standard is as follows:
IFRS 9 (2009) introduced new requirements for classifying and measuring financial assets, as follows:
Debt instruments meeting both a "business model" test and a "cash flow characteristics" test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss
All other instruments including all derivatives are measured at fair value with changes recognized in the profit or loss
The concept of embedded derivatives does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

IFRS 9 (2009) was superseded by IFRS 9 (2010) and IFRS 9 (2013) but all standards remain available for application.
IFRS 9 (2010) incorporated revised requirements for the classification and measurement of financial liabilities, and carried over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

4. Summary of Significant Accounting Policies – Cont'd

Accounting standards issued but not yet effective – Cont'd

IFRS 9 (2010) superseded IFRS 9 (2009) and was superseded by IFRS 9 (2013) but all standards remain available for application.

IFRS 9 (2013) introduced hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Also, IFRS 9 (2013) permitted an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss. IFRS 9 (2013) removed the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application. In February 2014, the IASB then tentatively decided to set January 1, 2018 as the effective date for the mandatory application of IFRS 9. IFRS 9 (2013) was superseded by IFRS 9 (2014) in July 2014 but all standards remain available for application. The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

IFRS 16, Leases
Replaces the current guidance in IAS 17. The standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. For lessors, the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts). Management is currently reviewing the impact of the adoption of this standard and has yet to determine if it will have a material impact on the consolidated financial statements. This standard is effective for periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15, Revenue from Contracts with Customers, is also applied.

Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment
In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

5. Critical accounting estimates, judgments and assumptions

When preparing its financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management. Information about critical judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

5. Critical accounting estimates, judgments and assumptions – Cont'd

Judgments

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is a material uncertainty regarding the Company's ability to continue as a going concern.

Exploration and evaluation assets

Even though the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Impairment of non-financial assets

The Company's evaluation of the recoverable amount with respect to non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values.

The Company's estimates of recoverable amount are based on numerous assumptions. Those estimates may differ from actual values, and the differences may be significant and could have a material impact on the Company's financial position and results of operations. Assets are reviewed for an indication of impairment at each statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices.

Identification of CGUs

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, shares infrastructures, and the way in which management monitors the Company's operations.

Valuation of tax credits and credits on duties

The Company is entitled to tax credits and credits on duties on qualified mining exploration expenses incurred in the province of Québec. Management's judgement is applied in determining whether the mining exploration expenses are eligible for claiming such credits. Those benefits are recognized when the Company estimates it has reasonable assurance that the tax credits will be realized.

5. Critical accounting estimates, judgments and assumptions – Cont'd

Estimates

Estimate of the fair value of share based compensation including the estimate of the life of the share options and the volatility of the shares

The fair value of each option granted is estimated at the grant date using the Black-Scholes option pricing model. The estimated life of the share options at the grant date is based on the legal life of the share options and the historical exercise pattern of option holders. Management also estimates the expected forfeitures in calculating the fair value of each option. The expected volatility used to calculate the grant date fair value estimated taking into account the historical volatility of the Company's share price over the expected term of the options granted. Historical volatility is revised whenever facts and circumstances indicate that the historical volatility is no longer appropriate. Such facts and circumstances include but are not limited to the Company entering a new phase of mining activity, the development of new technologies, changes to the financial position of the Company, and when the spread between market participants volatility data, derived from the calculation of the fair value of financial instruments and equity instruments issued by the Company, is significant. If management estimates that historical volatility requires an adjustment, the Company also takes into consideration the historical volatility of comparable companies at similar stages of development as the Company as well as the volatility estimates derived from the fair value calculation of financial instruments and equity instruments in periods when this information is available.

Useful lives of property

The Company estimates the useful life of property based on the period over which the assets are expected to be available for use. The estimated useful life of property is reviewed periodically and is updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful life of property is based on management's experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of the property would increase the recorded expenses and decrease the non-current assets. Useful life, depreciation rates and residual values are reviewed at least annually as required by IFRS.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Income Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from an audit by taxation authorities, Where the financial outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in such determination is made.

6. Cash and cash equivalents

	2015 **$**	2014 $
Cash	**57,236**	38,061
Cash – held in trust	**5,000**	5,000
	62,236	43,061

7. Property

	Building	**Land**	**Total**
	$	$	$
2015			
Cost:			
Balance at January 1	**41,712**	**25,351**	**67,063**
Additions	**-**	**-**	**-**
Disposals	**-**	**-**	**-**
Balance at December 31	**41,712**	**25,351**	**67,063**
Accumulated Depreciation:			
Balance at January 1,	**(8,210)**	**-**	**(8,210)**
Depreciation	**(1,340)**	**-**	**(1,340)**
Disposals	**-**	**-**	**-**
Balance at December 31	**(9,550)**	**-**	**(9,550)**
Net book value	**32,162**	**25,351**	**57,513**

	Building	Land	Total
	$	$	$
2014			
Cost:			
Balance at January 1	41,712	25,351	67,063
Additions	-	-	-
Disposals	-	-	-
Balance at December 31	41,712	25,351	67,063
			-
Accumulated Depreciation:			
Balance at January 1,	(6,814)	-	(6,814)
Depreciation	(1,396)	-	(1,396)
Disposals	-	-	-
Balance at December 31	(8,210)	-	(8,210)
Net book value	33,502	25,351	58,853

The building represents a warehouse at Ste-Justine, Quebec, for exploration site storage.

8. Exploration and evaluation assets

2015	**January 1, 2015** $	**Additions** $	**Disposal** $	**December 31, 2015** $
Bellechasse Propery, Quebec				
Acquisition	**1,174,149**	**-**	**-**	**1,174,149**
Exploration	**20,308,160**	**42,818**	**-**	**20,350,978**
Mining tax credit	**(1,391,173)**	**(14,455)**	**-**	**(1,405,628)**
Julian Property, Quebec				
Acquisition	**-**	**212,501**	**-**	**212,501**
Exploration	**-**	**-**	**-**	
Mining tax credit	**-**	**-**	**-**	
	20,091,136	**240,864**	**-**	**20,332,000**

8. Exploration and evaluation assets – Cont'd

2014	**January 1, 2014 $**	**Additions $**	**Disposal $**	**December 31, 2014 $**
Bellechasse Property, Quebec				
Acquisition	1,274,149	-	(100,000)	1,174,149
Exploration	20,278,616	29,544	-	20,308,160
Mining tax credit	(1,386,628)	(4,545)	-	(1,391,173)
	20,166,137	24,999	(100,000)	20,091,136

The acquisition of mining properties was settled in cash unless otherwise specified.

The nature of the exploration expenditures, excluding mining tax credits and other adjustments for the relevant periods were as follows:

	Year ended December 31,	
	2015 $	2014 $
Technical team and geologists	**2,414**	5,673
Audiomagnetotelluric Survey and Petrophysical Study	**16,500**	-
General exploration	**23,904**	23,871
	42,818	29,544
Government grants	**(14,455)**	(4,545)
	28,363	24,999

Bellechasse Property

On February 18, 2014, the Company signed a Letter of Intent ("L.O.I.") with Uragold Bay Resources ("UBR") to permit and develop the Bellechasse-Timmins Gold Deposit in Southeastern Quebec.

On April 9, 2014, the Company signed a Definitive Option and Joint Venture Agreement with UBR. The ultimate goal of the Agreement is the exploitation and operation as a going concern of a mine on the Bellechasse-Timmins Gold Deposit with each party holding a 50% undivided interest in the net proceeds stemming from the exploitation and operation of the Deposit. This Agreement is further to the L.O.I.

Under the agreement, UBR was entitled to earn the first 30% undivided interest in the Deposit (the "First Option") by performing, completing and delivering, within a period of 18 months the following work and documentation:

1) NI 43-101 Resource Estimate Revision
2) An Economic Assessment
3) An Environmental Audit
4) Obtaining Required Authorizations
5) Obtaining a Certificate of Authorization
6) A Land Survey
7) A Reclamation and Restoration Plan
8) A Mining Lease for the Operation of a Small Mine of up to 600 Metric Tons of Mineral Per Day

8. Exploration and evaluation assets – Cont'd

UBR is required to bear all of the costs associated with the above-mentioned work estimated at, but not limited to $400,000. In addition, UBR will pay the Company a total amount of $100,000 in three installments, the first of which was for $33,000 and received upon the signing of the L.O.I., the second $33,000, which was received on May 24, 2014 and the last $34,000, which was received on April 8,2015. The cash consideration received is credited againt the carrying value of the property.

On November 12, 2015, the Company announced that the Definitive Option and Joint Venture agreement was terminated in accordance with its terms due to UBR's failure accomplish the required work within the 18-month term of the agreement. The Company is involved in a litigation with UBR, in which UBR is seeking injunctive relief to maintain in existence the Definitive Option Joint Venture, with regard to the ownership and operation of the Bellechasse-Timmins Gold Deposit. No amount of money is claimed at this stage of the proceedings.

Although the Company has determined that it has title to its mining properties, it cannot control or completely protect itself against the risk of title disputes or challenges. Under rules established by the Ministère de l'Énergie et Ressources naturelles of the province of Québec, the Company is required to spend the amount of $7,847 to maintain the claims on the property in 2016.

The property now consists of approximately 138 (2014 – 204) claims for a total of 5,036 (2014 – 7,910) hectares.

As of the date of issuance of the financial statements, no claims have expired.

Julian Property

On July 2, 2015, the Company acquired from Michael Dehn (a director of the Company) and two prospectors a 100% right, title and interest in 16 claims (861 hectares) located in the Bellechasse/Beauce Region of southeastern Quebec. Under the Agreement, the Company paid $1,000 in cash and issued 500,000 of the Company's common shares (valued at $210,000 based on the price on September 17, 2015 when the shares were issued).

9. Accounts payable and accrued liabilities

	2015	2014
	$	$
Trade payable	**135,620**	240,738
Accruals	**2,646**	2,503
	138,266	243,241

10. Share capital

Authorized: An unlimited number common shares, without par value:

Changes in Company capital share were as follows:

	2015		2014	
	Number	**Amount $**	Number	Amount $
Balance, beginning of year	**4,700,899**	**27,217,579**	4,700,899	27,227,446
Share issuance with warrants [(1)(2)]	**2,208,000**	**125,785**	-	-
Issued to settle debt [(3)]	**150,000**	**21,750**	-	-
Shares issued pursuant to the acquisition of mining property[(4)]	**500,000**	**210,000**	-	-
Warrants exercised[(5)]	**200,000**	**58,676**	-	-
Broker warrants	**-**	**(12,178)**	-	-
Share issue costs	**-**	**(21,675)**	-	(9,867)
Balance, end of year	**7,758,899**	**27,599,937**	4,700,899	27,217,579

(1) On May 4, 2015, the Company issued 1,308,000 units at a price of $0.10 per unit, for gross proceeds of $130,800. Each unit consists of one common share and one share purchase warrant. Each warrant entitles its holder to purchase one common share of the Company at $0.25 for a 24-month period.

(2) On June 3, 2015, the Company issued 900,000 units of common share units at a price of $0.10 per unit, for gross proceeds of $90,000. Each unit consists of one common share priced at $0.10 and a warrant. Each warrant entitles its holder to purchase one common share of the Company at $0.25 for a 24-month period.

(3) On June 2, 2015 the Company issued 150,000 common shares to settle a debt of $78,045 with a law firm of which a former director of the Company is an associate. The securities issued in exchange for debt were restricted from trading until December 31, 2015.

(4) On September 17, 2014 the Company issued 500,000 common shares pursuant to the Julian Mineral Property Agreement. The total fair value of the common shares issued was $210,000 (Note 8). The securities issued under this Agreement are restricted from trading until January 18, 2016.

(5) On November, 2015, the Company received $50,000 following the exercise of 200,000 warrants at $0.25 each.

10. Share capital – Cont'd

Warrants issued and outstanding

A summary of the status of the Company's share purchase warrants as of December 31 are as follows:

	2015		2014	
	Number of warrants	**Weighted Average Exercise Price**	Number of warrants	Weighted Average Exercise Price
Balance, January 1	**-**	**-**	35,957	3.30
Issued	**2,359,440**	**0.24**	-	-
Exerciced	**(200,000)**	**0.25**	-	-
Expired unexercised	**-**	**-**	(35,957)	3.30
Balance , December 31	**2,159,440**	**0.24**	-	-

(1) On May 4, 2015, the Company issued 1,308,000 warrants as part of the private placement on that day. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.25. The fair value of the warrants was $55,972, based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 0.70%, average expected life of 24 months, expected volatility of 190% and no expected dividends. In connection with the private placement, the Company issued 95,440 purchase brokers warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.10. The fair value of the warrants was $9,589, based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 0.70% average expected life of 24 months, expected volatility of 190% and no expected dividends.

(2) On June 3, 2015, the Company issued 900,000 warrants as part of the private placement on that day. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.25. The fair value of the warrants was $39,043, based on Black-Scholes option pricing model with the following assumptions: average risk-free rate of 0.62%, average expected life of of 24 months, expected volatility of 189% and no expected dividends. In connection with the private placement, the Company issued 56,000 purchase brokers warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.10. The fair value of the warrants was $2,589, determined based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 0.62% expected life of 24 months, expected volatility of 189% and no expected dividends.

At December 31, 2015, the following exercisable warrants were outstanding:

Warrants	**Price**	**Expiry**
1,308,000	0.25	May 4, 2017
95,440	0.10	May 4, 2017
700,000	0.25	June 3, 2017
56,000	0.10	June 3, 2017
2,159,440		

10. Share capital – Cont'd

Share based compensation

A summary of the status of the Company's stock option plan as of December 31 is as follows:

	2015		2014	
	Number of options	**Weighted Average Exercise Price**	Number of options	Weighted Average Exercise Price
Balance, January 1	**151,167**	**3.79**	217,000	4.20
Issued	**430,000**	**0.50**	-	-
Forfeited	**(31,667)**	**3.77**	(45,833)	3.64
Expired unexercised	**(6,667)**	**3.60**	(20,000)	8.55
Balance, December 31	**542,833**	**1.13**	151,167	3.79

On July 9, 2015, the Company granted 30,000 stock options to a consultant, 230,000 stock options to directors and 170,000 stock options to key management. All at an exercise price of $0.50 per common share expiring July 10, 2020. The fair value of these options was $198,384 based on the Black-Scholes option pricing model all vesting immediately and based on the following assumptions: risk-free rate of 0.46%, life of 5 years, expected volatility of 148% and no expected dividends.

At December 31, 2015, the following exercisable stock options were outstanding:

Options	**Exercisable**	**Price**	**Expiry**
6,667	6,667	3.60	January 15, 2016
49,500	49,500	3.90	June 30, 2016
36,66	36,666	3.60	August 16, 2017
10,000	10,000	3.00	December 4, 2017
10,000	10,000	2.10	September 27, 2018
430,000	430,000	0.50	July 10, 2020
542,833	542,833		

11. Income taxes

a) Provision for income tax reconciliation

The relationship between the expected tax expense based on the domestic effective tax rate and the reported tax expense in the statements of comprehensive (loss) income can be reconciled as follows, also showing major components of tax expense:

	2015 **$**	2014 $
Loss before income taxes	**(353,802)**	(214,023)
Combined federal and provincial tax rates	**26.9%**	26.9%
Computed income tax recovery	**(95,172)**	(57,572)
Share based compensation	**53,463**	4,956
Changes in estimate	**170,637**	-
Change in tax rate and other items	**(8,138)**	36,246
	120,790	(16,370)

Deferred tax expense consists of the following:

	2014 **$**	2013 $
Origination and reversal of temporary differences	**(49,847)**	(54,601)
Adjustment in respect of prior years	**170,637**	38,231
	120,790	(16,370)

11. Income taxes – Cont'd

b) Recognized deferred tax assets and liabilities consist of the following:

	2015 **$**	2014 $
Deferred tax liabilities		
Exploration and evaluation assets	**3,307,679**	3,137,153
Deferred tax assets		
Property	**(2,569)**	(2,209)
Non-capital losses carried-forward	**(2,020,487)**	(1,960,646)
Share issuance and finance costs	**(14,533)**	(24,998)
	(2,037,589)	(1,987,853)
	1,270,090	1,149,300

Movements in deferred tax assets (liabilities) related to temporary differences during the financial year are as follows:

	January 1, 2014 $	Recognized in earnings $	December 31, 2014 $
Non-capital loss carry-forward	1,895,497	65,149	1,960,646
Share issuance and finance costs	74,153	(49,155)	24,998
Property	1,833	376	2,209
Exploration and evaluation assets	(3,137,153)	-	(3,137,153)
Deferred tax assets liabilities	(1,165,670)	16,370	(1,149,300)

	January 1, 2015 $	Recognized in earnings $	December 31, 2015 $
Non-capital loss carry-forwards	1,960,646	59,841	2,020,487
Share issuance and finance costs	24,998	(10,465)	14,533
Property	2,209	360	2,569
Exploration and evaluation assets	(3,137,153)	(170,526)	(3,307,679)
Deferred tax assets liabilities	(1,149,300)	(120,790)	(1,270,090)

12. Complementary information related to cash flows

Net change in non-cash operating working capital items:

	2015	2014
	$	$
Sales tax receivable	**4,241**	19,941
Prepaid expenses	**4,522**	13,910
Other assets	**34,000**	595
Accounts payable and accrued liabilities	**(26,931)**	(15,547)
Deferred management fees	**-**	24,375
	15,832	43,274

Items not affecting cash:

	2015	2014
	$	$
Option payment receivable *(Note 8)*	**-**	34,000
Accounts payable relating to exploration and evaluation assets	**-**	11,335
Share issueance to settle debt	**21,750**	-
Share issued pursuant to the acquisition of mining properties	**210,000**	-
Government grants receivable	**14,455**	4,545

13. Related party transactions

During the year ended December 31, 2015, there were no management fees ($23,125 in 2014) to 9132-8757 Quebec Inc., a company owned by the President of the Company. No amount was payable as at December 31, 2015.

During the year ended December 31, 2015, there were no management fees ($11,250 in 2014) to 9185-5759 Quebec Inc., a company owned by the former Director of Corporate Communications and former Corporate Secretary of the Company. No amount was payable as at December 31, 2015.

During the year ended December 31, 2015, the Company incured $707 in professional fees (a credit of $10,806 in 2014), with a law firm of which a former director of the Company is an associate. In relation with these transactions, no amount was payable as at December 31, 2015 ($113,966 in 2014). The Company also issued to the law firm 150,000 common shares to settle a debt of $78,045. The securities issued in exchange for debt were restricted from trading until December 31, 2015.

During the year ended December 31, 2015, the Company incurred professional fees in the amount of $26,688 ($25,816 in 2014), to the Chief Financial Officer of the Company. In relation with these transactions, no amount was payable as at December 31, 2015.

In July 2015, the Company signed a Mineral Property purchase agreement to acquire a 100% interest in the Julian property from several individuals, including Michael Dehn who owned 40% of the property. Under this agreement, the Company paid to Mr. Dehn $400 in cash and issued 200,000 common shares.

13. Related party transactions – Cont'd

Additional remuneration of directors and other members of key management personnel during the year was as follows:

	2015 **$**	2014 $
Share based payments – key management	78,431	-
Share based payments – directors	106,671	-
	185,102	**-**

14. Commitments

Under rules established by the Ministère de l'Énergie et Ressources naturelles of the province of Québec, the Company is required to spend the amount of approximately $7,847, $0 and $7,847 to maintain the claims on the properties in 2016, 2017 and 2018 respectively.

In addition, the Company has the following royalty commitments resulting from past transactions:

* Net profit royalty of 5% on net profits greater than $250,000 for 4 claims acquired from La Société Minière Colmo.

* Net smelter royalty of 2% for 26 claims acquired from a prospector in 2010.

On September 2, 2015, the Company retained the services of Venture Liquidity Providers Inc. ("VLP") to initiate its market-making service to provide assistance in maintaining an orderly trading market for the common shares of the Company. For its services, the Company has agreed to pay $5,000 per month for a period of 12 months. The agreement may be terminated at any time by the Company or VLP.

15. Fair value

For certain of the Company's financial instruments, including cash and cash equivalents, tax credits receivable, credits on duties receivable, sales tax receivable and accounts payable and accrued liabilities, their carrying amounts approximate fair value due to their immediate or short-term maturity.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices of Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents have been measured using level 1 inputs.

16. Capital management

The Company defines capital as shareholders' equity. The Company's objectives when managing capital are to:

– ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans;

– maintain financial capacity and access to capital to support future development of the business while taking into consideration current and future industry, market and economic risks and conditions; and

– utilize short term funding sources to manage its working capital requirements.

The Company has no externally imposed restrictions on capital.

17. Loss per share

(a) Basic loss per share
Basic loss per share is computed by dividing net loss for a period by the weighted average number of common shares outstanding during that period.

(b) Diluted loss per share
Diluted loss per share is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such share options and warrants, which could cause the number of common shares outstanding to increase.

The Company reported a comprehensive loss for the years ended December 31, 2015 and 2014; the Company has accordingly presented basic and diluted loss per share, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive.

18. Financial instruments

a) Credit risk arises from cash and cash equivalents which are composed of deposits with Canadian financial institutions. Further, the Company limits its credit risk to any individual counterparty. The Company's sales tax receivable consists primarily of Good and Service tax due from the Federal Government of Canada, Quebec sales tax and tax credits receivable due from the Ministry of Revenue of Quebec for current claims.

b) Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of three types of risk:

   i) Interest rate risk arises because of changes in market interest rates. The Company's cash and cash equivalents are subject to minimal risk in changes in value, have an original maturity of 90 days or less from the date of purchase, and are readily convertible into cash.

   ii) Currency risk arises because of changes in foreign exchange rates. The Company is not exposed to such risk.

   iii) Price risk - the Company will be exposed to price risk with respect to commodity prices, specifically gold. Any future significant price declines could cause continued exploration and development to become uneconomical.

18. Financial instruments – Cont'd

c) Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Transaction costs associated with fair value through profit or loss financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and other financial liabilities are included in the initial carrying amount of the asset or the liability.

Sensitivity analysis

Financial instruments included in tax credits and credits on duties receivable and other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at December 31, 2015, the carrying value of the Company's financial instruments approximated their fair value. Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.

19. Subsequent events

In March 2016, the Company received $4,223 in mining tax credit.

In March 2016 the Company settled the legal proceeding that was instituted against it by one of its shareholders during the year ended December 31, 2013. The settlement resulted in no cost to the Company. Accordingly, no amounts were required to be provided for in the financial statements.