AurCrest Gold Inc.

FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

Management's responsibility for financial reporting

The accompanying Financial Statements of AurCrest Gold Inc. (the "Company" or "AurCrest") are the responsibility of management and the Board of Directors.

The Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the Financial Statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the date of the statements of financial position. In the opinion of management, the Financial Statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the Financial Statements and (ii) the Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the Financial Statements.

The Board of Directors is responsible for reviewing and approving the Financial Statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the Financial Statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the Financial Statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Wasserman Ramsay, Chartered Accountants, Licensed Public Accountants, have audited the Financial Statements. Their report outlines the scope of their audit and opinion on the Financial Statements.

April 28, 2016

Per: *(signed) "Ian Brodie-Brown"*
Name: Ian Brodie-Brown
Title: Chief Executive Officer

Per: *(signed) "Errol Farr"*
Name: Errol Farr
Title: Chief Financial Officer

Wasserman Ramsay

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Aurcrest Gold Inc.:

We have audited the accompanying financial statements of Aurcrest Gold Inc. which comprise the statements of financial position as at December 31, 2015 and 2014 and the statements of loss and comprehensive loss, cash flows and equity 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of matter

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

Wasserman Ramsay

Markham, Ontario
April 28, 2016

Chartered Accountants
Licensed Public Accountants

AurCrest Gold Inc.
Statements of Financial Position
(Expressed in Canadian dollars)

As at	**December 31 2015 $**	December 31 2014 $
ASSETS		
Current		
Cash and cash equivalents	**5,419**	17,335
Prepaid expenses	**8,207**	11,428
Other receivables	**5,299**	66,023
	18,925	94,786
Non-current		
Exploration and evaluation assets (note 3)	**70,450**	70,450
Total assets	**89,375**	165,236
LIABILITIES		
Current		
Trade and other payables	**280,768**	409,790
Due to officers and directors (note 5)	**121,337**	476,803
Total liabilities	**402,105**	886,593
Commitments and contingencies (note 7)		
Nature of Operations and Going Concern (note 1)		
SHAREHOLDERS' DEFICIENCY		
Common shares, equity component of share-based compensation and warrants (note 4)	**18,749,538**	18,271,330
Deficit	**(19,062,268)**	(18,992,687)
Total shareholders' deficiency	**(312,730)**	(721,357)
Total liabilities and shareholders' deficiency	**89,375**	165,236

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

Approved on behalf of the board:

(signed) "Frank van de Water"
Director

(signed) "Ian Brodie-Brown"
Director

AurCrest Gold Inc.

Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

For the years ended December 31	**2015**	2014
	$	$
Expenses		
General and administrative (note 6)	**284,320**	216,870
Exploration and project evaluation (note 3)	**22,296**	762,389
Rent expense recovery (note 5)	**(20,201)**	(36,361)
Share based payments	**-**	105,032
Write off of liabilities	**(136,752)**	-
Net loss and comprehensive loss for the year	**149,663**	1,047,930
Loss per share	**(0.00)**	(0.02)
Basic weighted average shares outstanding	**67,620,699**	49,190,220

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

AurCrest Gold Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended December 31	**2015**	2014
	$	$
Operating activities		
Net loss for the period	**(149,663)**	(1,047,930)
Items not affecting cash		
Write off of trade and other payables	**(136,752)**	-
Share-based payments		105,032
Net change in non-cash working capital balances related to operating activities:		
Other receivables	**60,724**	(25,255)
Prepaid expenses and deposits	**3,221**	(5,321)
Trade and other payables	**113,205**	350,799
Due to officers and directors	**849**	(151,279)
Cash used in operating activities	**(108,416)**	(773,954)
Financing activities		
Issuance of common shares for cash (net)	**96,500**	798,432
Cash provided by financing activities	**96,500**	798,432
Net (decrease) increase in cash	**(11,916)**	24,478
Cash and cash equivalents, beginning of the year	**17,335**	(7,143)
Cash and cash equivalents, end of the year	**5,419**	17,335

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

AurCrest Gold Inc.
Statements of Equity
(Expressed in Canadian dollars)

	Share Capital		Equity component of Share Based Compensation	Warrants	Sub-total	Deficit	Total
	#	$	$	$	$	$	$
Balance, January 1, 2014	**42,513,147**	**16,873,275**	**304,091**	**277,990**	**17,455,356**	**(18,287,543)**	**(832,187)**
Private placements (net)	16,488,633	798,432	-	-	798,432	-	798,432
Common shares issued for debt settlement	2,836,618	255,296	-	-	255,296	-	255,296
Private placements – compensation options	-	(19,448)	-	19,448	-	-	-
Private placements – compensation warrants	-	(11,752)	-	11,752	-	-	-
Warrant term extension	-	(9,100)	-	9,100	-	-	-
Warrant expiry	-	-	-	(235,554)	(235,554)	235,554	-
Share-based compensation	-	-	105,032	-	105,032	-	105,032
Expiry of stock options transferred to deficit	-	-	(107,232)	-	(107,232)	107,232	-
Net loss for the period	-	-	-	-	-	(1,047,930)	(1,047,930)
Balance, December 31, 2014	**61,838,398**	**17,886,703**	**301,891**	**82,736**	**18,271,330**	**(18,992,687)**	**(721,357)**
Common shares issued for debt settlement	9,235,793	461,790	-	-	461,790	-	461,790
Private placement (net)	2,000,000	96,500	-	-	96,500	-	96,500
Private placement – compensation warrants	-	(784)	-	784	-	-	-
Warrant expiry	-	-	-	(50,806)	(50,806)	50,806	-
Expiry of stock options transferred to deficit	-	-	(29,276)	-	(29,276)	29,276	-
Net loss for the period	-	-	-	-	-	(149,663)	(149,663)
Balance, December 31, 2015	**73,074,191**	**18,444,209**	**272,615**	**32,714**	**18,749,538**	**(19,062,268)**	**(312,730)**

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

1. Nature of operations, basis of presentation and going concern uncertainty

AurCrest Gold Inc. (the "Company" or "AurCrest") is a publicly held company incorporated under the Business Corporations Act (Ontario). The Company is engaged in the investigation, acquisition, exploration and development of exploration and evaluation assets and energy assets in Ontario, Canada. Substantially all of the efforts of the Company are devoted to these business activities.

The audited Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Financial Statements have been prepared by management and approved by the Board of Directors on April 28, 2015.

These audited Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. AurCrest is at an early stage of development and as is common with many exploration companies, it raises financing for its exploration and acquisition activities. As at December 31, 2015, the Company had no sources of operating cash flows. The Company will therefore require additional funding which, if not raised, would result in the curtailment of activities and project delays. AurCrest had a working capital deficit of $383,180 as at December 31, 2015 (working capital deficit of $791,807 as at December 31, 2014), and has incurred losses since inception resulting in an accumulated operating deficit of $19,062,268.

The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Company will be successful in this regard, and therefore, there is substantial doubt regarding the Company's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These audited Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate for these Financial Statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

2. Significant accounting policies

These Financial Statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of December 31, 2015.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

Basis of presentation
These Financial Statements have been prepared on a historical cost basis. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Significant accounting judgements and estimates
The preparation of these Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant judgements the determination of the economic viability of a project as well as a determination of when a mineral property passes from the exploration and evaluation stage to the development stage.

Cash and cash equivalents
Cash and cash equivalents comprise cash on deposit at banks and other highly liquid short-term investments, which may be settled on demand or within a maximum 90 day period to maturity.

Financial instruments
All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

Financial instruments require disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 Inputs for the assets or liabilities that are not based on observable market data.

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company’s trade and other receivables are classified as loans-and-receivables.

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

Impairment of financial assets
The Company assesses at each date of the statement of financial position whether a financial asset is impaired:

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

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

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

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

Share-based payment transactions
Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

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

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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

Loss per share and comprehensive loss per share
Loss per share and comprehensive loss per share is calculated based on the weighted average number of shares issued and outstanding during the quarter or year, as appropriate. In the years when the Company reports a net loss and comprehensive net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same. For the years ended December 31, 2015 and 2014, all the outstanding options and warrants were anti-dilutive.

Exploration and evaluation assets
The Company's exploration and evaluation assets have not reached the development stage and as a result are considered exploration and evaluation assets. The Company capitalizes acquisition costs. Expenditures that result in the acquisition and retention of exploration and evaluation assets or an interest therein are capitalized. Exploration and evaluation expenditures are expensed in the period they are incurred. The amount shown for exploration and evauation assets represents acquisition costs to date and does not

(Expressed in Canadian dollars)

necessarily reflect present or future values. If the properties are sold, allowed to lapse or are no longer of interest, accumulated capitalized costs are written off.

Expenditures on properties in which the Company does not have a registered or contractual interest are expensed as incurred.

Exploration and evaluation assets are reviewed on an annual basis and when changes in circumstances suggest their carrying value may become impaired. Management considers exploration and evaluation assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows from the use of the property and its related assets and their eventual disposition. If impairment is deemed to exist, the property and its related assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Management determined that there was no impairment of carrying value on its properties at December 31, 2015.

Restoration, rehabilitation and environmental obligations
A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

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

Future accounting pronouncements
IFRS 9 'Financial Instruments' ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for the Company beginning on January 1, 2018. Earlier adoption is permitted.

3. Exploration and evaluation assets

Property acquisition cost

	Balance at January 1, 2015 $	Additions $	**Balance at December 31, 2015 $**
Richardson Lake	60,200	-	**60,200**
Confederation Lake	10,250	-	**10,250**
Amount capitalized	70,450	-	**70,450**

(Expressed in Canadian dollars)

	Balance at January 1, 2014 $	Additions $	**Balance at December 31, 2014 $**
Richardson Lake	60,200	-	**60,200**
Confederation Lake	10,250	-	**10,250**
Amount capitalized	70,450	-	**70,450**

Exploration & project evaluation

	Cumulative expenditures as at January 1, 2015 $	Expenditures $	**Cumulative expenditures as at December 31, 2015 $**
Richardson Lake	2,186,757	12,296	**2,199,053**
Confederation Lake	10,435,071	-	**10,435,071**
Other	4,330,636	10,000	**4,340,636**
Amount expensed	16,952,464	22,296	**16,974,760**

	Cumulative expenditures as at January 1, 2014 $	Expenditures $	**Cumulative expenditures as at December 31, 2014 $**
Richardson Lake	1,434,368	752,389	**2,186,757**
Confederation Lake	10,435,071	-	**10,435,071**
Other	4,320,636	10,000	**4,330,636**
Amount expensed	16,190,075	762,389	**16,952,464**

“Other” includes exploration expenditures on projects with minor activity during the period and includes the Bridget Lake, McFaulds Lake and the Fredart Lake properties, all of which are in Northern Ontario.
Note: As disclosed in the Company’s significant accounting policies (Note 2) exploration and project evaluation expenditure have been reflected in the statement of loss and comprehensive loss.

Richardson Lake
Richardson Lake is a gold exploration prospect located in the Birch-Uchi belt of the Red Lake mining division and originally consisted of 6 claims which the Company owns 100%. The Company has staked an additional 25 claims in the area. The total area of the Richardson Lake property is now approximately 10,000 acres. The original 6 claims plus an area of influence around these claims are subject to the Company’s obligation to pay a NSR royalty of 2%.

Confederation Lake
The Confederation Lake properties comprise 8 claim groups covering approximately 29,000 acres. These properties are base metal and gold prospects situated in the Red Lake Mining Division, Northwestern Ontario. On February 12, 2002 the Company entered into an option agreement to acquire from GlencoreXstrata a 100% interest in a group of exploration and evaluation assets collectively known as the Confederation Lake properties. In order to earn the 100% interest in the properties, the Company was required to have incurred a minimum $3,500,000 in exploration and development expenditures.

The Company met all criteria to earn its 100% interest subject to its agreement to pay to GlencoreXstrata a 2.0% NSR royalty and other underlying royalties on certain properties. There is also a back-in option whereby GlencoreXstrata has a right to reacquire a 50% interest in any area where a deposit is identified (the “Project Area”) after the delivery by the Company to GlencoreXstrata of an independent scoping study confirming the existence of a deposit of at least 8 million tonnes of massive sulphide or one million ounces of gold within the Project Area. In order to exercise the back-in right, GlencoreXstrata must expend 150% of the

(Expressed in Canadian dollars)

Company's cumulative expenditures on the Project Area to the exercise date. The Company has spent approximately $10 million to date. In addition, the Company is required to make one-time payments to GlencoreXstrata of $500,000 upon the submission of the first such independent scoping study with respect to which GlencoreXstrata does not exercise its back-in option and a further $1,500,000 upon the commencement of commercial production from the subject Project Area.

Bridget Lake
The Bridget Lake property comprises 9 claim units covering approximately 356 acres and is situated in Ball Township, Red Lake Mining Division, Northwestern Ontario. On September 16, 2008 (the "effective date"), the Company signed an option agreement with Sendero Mining Corp. ("Sendero", formerly Halo Resources Ltd.), under which Sendero earned a 65% interest in the property. Sendero also agreed to make the $10,000 annual pre-royalty payment required to keep the property in good standing. Sendero has met all of these obligations.

4. Shareholders' equity

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at December 31, 2015, the Company had no preference shares issued and outstanding.

Share capital
Share capital comprises the following:

	Number of shares	Amount $
Balance, January 1, 2014	**42,513,147**	**16,873,275**
Private placements	16,488,633	798,432
Shares issued for debt settlement	2,836,618	255,296
Private placements - compensation options	-	(19,448)
Private placements - compensation warrants	-	(11,752)
Warrant term extension	-	(9,100)
Balance, December 31, 2014	**61,838,398**	**17,886,703**
Private placement	2,000,000	100,000
Share issue expense	-	(4,284)
Shares issued for debt settlement	9,235,793	461,790
Balance, December 31, 2015	**73,074,191**	**18,444,209**

On June 1, 2015 the Company entered into agreements to settle an aggregate of $429,546 of debt owed to certain insiders of the Company and other parties (including former insiders) in consideration for the issuance of 8,590,914 common shares of the Company at a deemed price of $0.05 per share.

On July 13, 2015, the Company completed a sale of 1,000,000 working capital units priced at $0.05 per unit for proceeds of $50,000. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to acquire a further common share at a price of $0.05 until July 13, 2020. The Company paid a cash commission of $3,500 and issued 80,000 brokers warrants. Each broker warrant entitles the holder to acquire a working capital unit, at a price of $0.05 per unit until July 13, 2020. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to acquire a further common share at a price of $0.05 until July 13, 2020.

On August 31, 2015 the Company entered into an agreement to settle $32,244 of trade payables in consideration for the issuance of 644,879 working capital units of the Company at a deemed price of $0.05 per unit. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to acquire a further common share at a price of $0.05 until August 31, 2020.

(Expressed in Canadian dollars)

On November 30, 2015, the Company completed a sale of 1,000,000 working capital units priced at $0.05 per unit for proceeds of $50,000. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to acquire a further common share at a price of $0.05 until November 30, 2020.

The Company completed the following equity financing transactions during the current and previous year.

		Units/Shares			Warrants (** compensation options)		
			Price	Proceeds[1]		Price	
Type	**Date**	**#**	**$**	**$**	**#**	**$**	**Expiry date**
During the year ended December 31, 2015							
Debt settlement shares	June 1	8,590,914	0.05	429,456	-		
Working capital units	July 13	1,000,000	0.05	50,000	1,000,000	0.05	July 13, 2020
Debt settlement units	August 31	644,879	0.05	32,244	644,879	0.05	August 31, 2020
Working capital units	November 30	1,000,000	0.05	50,000	1,000,000	0.05	November 30, 2020
During the year ended December 31, 2014							
Flow-through units	April 25	1,300,000	0.05	65,000	1,300,000	0.05	April 25, 2019
Working capital units	April 25	1,300,000	0.05	65,000	1,300,000	0.05	April 25, 2019
Working capital units	May 26	500,000	0.05	25,000	500,000	0.05	May 26, 2019
Working capital units	July 7	4,240,000	0.05	212,000	4,240,000	0.055	July 7, 2019
Working capital units	August 5	200,000	0.05	10,000	200,000	0.055	August 5, 2019
Working capital units	August 11	500,000	0.05	25,000	500,000	0.055	August 11, 2019
Working capital units	August 15	1,060,000	0.05	53,000	1,060,000	0.055	August 15, 2019
Debt settlement units	August 19	2,836,618	0.09	255,295	2,836,618	0.12	August 19, 2017
Working capital units	October 14	666,785	0.05	33,339	666,785	0.05	October 14, 2019
Working capital units	October 23	450,000	0.05	22,500	450,000	0.055	October 23, 2019
Working capital units	November 13	451,848	0.05	22,592	451,848	0.055	November 13, 2019
*Flow-through units	November 14	5,200,000	0.05	260,000	2,600,000	0.055	November 14, 2019
**Compensation units	November 14	520,000	0.05	26,000	520,000	0.05	November 14, 2017
Working capital units	November 14	100,000	0.05	5,000	100,000	0.055	November 14, 2019

[1] In the case of debt settlement issues, no proceeds are generated. Shares or units are issued to relieve liabilities.

* Each warrant entitling the holder to acquire a further common share at a price of $0.055 until the earlier of: November 14, 2019, and in the event that the closing price of the common shares on the TSX-V is at least $0.15 for twenty (20) consecutive trading days, and the 20th trading day (the “Final Trading Day”) is at least four months from November 14, 2014, the date which is thirty days from the Final Trading Day.

** A finder’s fee consisting of the issuance of 520,000 common shares of the Company, nominally valued at $0.05 per share, and 520,000 Compensation Options exercisable for a period of two years from closing at $0.05 per Compensation Option was paid in respect of the issuance. Each Compensation Option entitles the finder to acquire one common share and one-half a Warrant.

Stock options
As at December 31, 2015, 2,920,000 common shares were reserved for the exercise of common stock options (“options”) granted to directors, officers, employees and service providers in connection with the Company’s stock option plan (the “Plan”). All common stock options issued to date under the Plan are fully vested.

On August 13, 2014, the Company granted 2,170,000 common stock options (“options”) to 5 directors, 1 director/officer, 2 officers, 3 consultants and 1 Investor Relations (“IR”) consultant. Each option entitles the holder to purchase one common share of the Company at a price of $0.10 per common share over a period of 5 years.

(Expressed in Canadian dollars)

The options vested immediately, except for 200,000 options granted to the IR consultant which vested as follows: 50,000 upon grant date and an additional 50,000 on November 13, 2014. The balance of the options did not vest due to the passing of the consultant. The 100,000 vested options expired on June 11, 2015 the options have a Black-Scholes valuation of $0.05 per option calculated using a risk free rate of 1.52% and an annualized weekly volatility of 141%.

On September 28, 2014, 1,180,000 common stock options, with an exercise price of $0.50, expired unexercised.

On October 23, 2014, 200,000 common stock options, with an exercise price of $0.18, expired unexercised.

On April 1, 2015, 200,000 common stock options, with an exercise price of $0.30, expired unexercised.

On June 11, 2015, 100,000 common stock options, with an exercise price of $0.10, expired unexercised.

On August 21, 2015, 100,000 stock options with an exercise price of $0.20 and 200,000 stock options with an exercise price of $0.10 expired unexercised.

The following summary sets out the activity in the Plan:

	Options #	Weighted average exercise price $
Outstanding, December 31, 2013	**2,830,000**	**0.33**
Granted	2,170,000	0.10
Expired	(1,180,000)	0.50
Expired	(200,000)	0.18
Expired	(100,000)	0.10
Outstanding, December 31, 2014	**3,520,000**	**0.15**
Expired	(200,000)	0.30
Expired	(100,000)	0.10
Expired	(100,000)	0.20
Expired	(200,000)	0.10
Outstanding and exercisable, December 31, 2015	**2,920,000**	**0.14**

The following table sets out the details of the common stock options granted and outstanding as at December 31, 2015:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,150,000	1,150,000	0.55 years	$0.20	July 18, 2016
1,770,000	1,770,000	3.63 years	$0.10	August 13, 2019
2,920,000	**2,920,000**			

The weighted average exercise price of the options outstanding at December 31, 2015 is $0.14 per option.

Warrants
Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the warrant activity is as follows:

(Expressed in Canadian dollars)

	Warrants #	Weighted average exercise price $
Outstanding, December 31, 2013	**3,278,950**	**0.26**
Issued – private placements	16,205,251	0.06
Issued – compensation options	520,000	0.05
Issued – compensation warrants	260,000	0.055
Outstanding, December 31, 2014	**20,264,201**	**0.10**
Expired	(3,178,950)	0.26
Issued – private placement	2,000,000	0.05
Issued – compensation units	80,000	0.05
Issued – compensation warrants	80,000	0.05
Issued – debt settlement	644,879	0.05
Outstanding, December 31, 2015	**19,890,130**	**0.06**

On December 16, 2014, the term of 3,100,000 warrants expiring December 21, 2014 and 100,000 warrants expiring January 21, 2015 were extended one year, expiring on December 21, 2015 and January 21, 2016 respectively.

On February 11, 2015, 78,950 warrants, with an exercise price of $0.60, expired unexercised.

On December 21, 2015, 3,100,000 warrants, with an exercise price of $0.25, expired unexercised.

The composition of the outstanding warrants as at December 31, 2015 consists of the following:

	Expiry date	**Number**	**Exercise Price**
Warrants	January 21, 2016	100,000	$0.250
Warrants	August 19 2017	2,836,618	$0.120
Warrants	April 25, 2019	2,600,000	$0.050
Warrants	May 26 2019	500,000	$0.050
Warrants	July 7, 2019	4,240,000	$0.055
Warrants	August 5, 2019	200,000	$0.055
Warrants	August 11, 2015	500,000	$0.055
Warrants	August 15, 2019	1,060,000	$0.055
Warrants	October 14, 2019	666,785	$0.050
Warrants	October 23, 2019	450,000	$0.055
Warrants	November 13, 2019	451,848	$0.055
Warrants	November 14, 2015	2,600,000	$0.055
Warrants	November 14, 2019	100,000	$0.055
Warrants	July 13, 2020	1,000,000	$0.050
Warrants	August 31, 2020	644,879	$0.050
Warrants	November 30, 2020	1,000,000	$0.050
Warrants – compensation options	November 14, 2016	520,000	$0.050
Warrants – compensation warrants	November 14, 2019	260,000	$0.055
Warrants – compensation units	July 13, 2020	80,000	$0.050
Warrants – compensation warrants	July 13, 2020	80,000	$0.050
		19,890,130	

(Expressed in Canadian dollars)

5. Related party transactions

Compensation of key management and directors
Key management compensation expenses includes the Chief Executive Officer, the Executive Vice-President, the Chief Financial Officer and the Vice-President, Shareholder Relations (on leave as of June 1, 2014). Share-based compensation includes key management and directors.

For the years ended December 31	**2015**	2014
	$	$
Management fees	**55,000**	47,914
Legal services provided by a law firm related to William Johnstone	**71,686**	58,842
Share based payments	**-**	82,500
Directors fees	**-**	12,000
	126,686	201,256

Balances owing as at	**December 31**	December 31
	2015	2014
	$	$
Legal services provided by a law firm related to William Johnstone	**86,837**	183,718
Management fees	**20,000**	237,085
Directors loans	**14,500**	-
Directors fees	**-**	56,000
	121,337	476,8032

These amounts were expensed in the period incurred as administrative and general expenses, except for the services of the former Vice-President, Exploration, which are treated as exploration expenses. The amounts paid and owing are measured at the exchange amount, are non-interest bearing and due on demand.

During the year ended December 31, 2014, a company related to Ian Brodie-Brown rented office space from the Company, resulting in a rent expense recovery of $36,361.

On June 1, 2015 the Company entered into agreements to settle an aggregate of $429,546 of debt owed to certain insiders of the Company and other parties (including former insiders) in consideration for the issuance of 8,590,914 common shares of the Company at a deemed price of $0.05 per share. Certain insiders and former insiders have released the Company from debts totaling $47,258 for no consideration. The debt settlement settles an aggregate of $476,803 of current liabilities of the Company.

In May, 2015, directors of the Company loaned the Company working capital in the amount of $14,500. The loans are in the form of demand promissory notes bearing interest at 10% per annum.

(Expressed in Canadian dollars)

6. General and administrative expenses

For the years ended December 31	**2015**	2014
	$	$
Professional fees (legal & audit)	**95,436**	75,522
Consulting and management fees	**66,500**	25,400
Office rent	**52,970**	51,884
Regulatory and filing fees	**19,638**	27,370
Shareholder communications, advertising and promotion	**12,352**	2,914
Insurance	**5,320**	3,320
Office costs	**10,718**	2,370
Travel	**11,350**	16,090
Bad debts	**10,036**	-
Directors fees	**-**	12,000
	284,320	216,870

7. Commitments and contingencies

The Company has one contractual lease obligation related to its corporate premises that requires a minimum total lease payment for basic rent of $42,502 until July, 2017. The following table illustrates the remaining yearly minimum lease payments:

	$
2016	26,843
2017	15,659
	42,502

In accordance with an exploration agreement signed on February 4, 2010, the Company is committed to contribute 1.5% of all funds expended by the Company on its mining claims in the proximity of McFaulds Lake, Lower James Bay region of Ontario, as a contribution to a Community Sustainability Fund.

(Expressed in Canadian dollars)

8. Income taxes

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 26.50% (2014 – 26.50%).

	2015 **$**	2014 $
Loss before income taxes	**(149,663)**	(1,047,930)
Expected income tax benefit based on statutory rate	**(39,660)**	(277,700)
Adjustments to benefit resulting from:		
Stock based compensation	**-**	27,800
Mineral property expenditures expensed for accounting purposes	**5,900**	201,100
Valuation allowance	**33,760**	48,800
	-	-

The components of the Company's deferred income tax assets are as follows:

	2015 **$**	2014 $
Non-capital losses	**850,000**	921,000
Capital losses	**17,000**	17,000
Resource related deductions	**2,551,000**	2,548,000
Future income tax assets	**3,418,000**	3,486,000
Less valuation allowance	**(3,418,000)**	(3,486,000)
Net deferred income tax asset	-	-

The Company has available approximately $3,398,000 (2014 - $3,939,400) in non-capital loss carry forwards which can be used to reduce future taxable income until their expiry. In the prior year a portion of these losses was recognized to offset a portion of the future income tax liability related to flow-through renunciations.

The loss carry forwards expire, if unused, as follows:

	$
2026	459,000
2027	530,000
2028	377,000
2029	410,000
2030	477,000
2031	370,000
2032	310,000
2033	165,000
2034	175,000
2035	125,000
	3,398,000

In addition to the above noted loss carry forwards the company has approximately $10,284,000 (2014 - $10,261,000) in Canadian Development Expenditures and Canadian Exploration Expenditures which can be used to reduce future taxable income without expiry.

9. Capital management

The mineral properties of the Company are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the issuance of share of debt instruments. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2015, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years.

10. Subsequent events

On March 16, 2016, the Company granted 750,000 common share stock options to a consultant, exercisable at $0.05 per share until March 16, 2019.

On March 29, 2016, the Company announced the intent to complete a brokered private placement (the “Offering”) of up to 5,000,000 working capital units (the “WC Units”) of the Company at a price of $0.05 per WC Unit for up to $250,000. Each WC Unit consists of one common share of the Company priced at $0.05 per common share and one common share purchase warrant (each a “WC Warrant”), with each WC Warrant entitling the holder to acquire one common share until five years from the closing of the Offering at a price of $0.05. The Company has agreed to pay a commission of 9% cash and issue broker warrants (“Broker Warrants”) equal to 10% of the number of WC Units sold under the Offering. Each Broker Warrant entitles the holder to acquire a WC Unit for five (5) years from Closing at a price of $0.05 per Broker Warrant. On April 27, 2016 the Company closed the first tranche of 1,500,000 WC Units for gross proceeds of $75,000. A cash commission of $6,750 and 150,000 broker warrants were paid to the agent with respect to the closing of the first tranche of the Offering. The securities issued are subject to a hold period expiring on August 28, 2016.

Corporate Information

Officers
Ian Brodie-Brown - President, Chief Executive Officer
Chris Angeconeb - Executive Vice-President
Peter Brodie-Brown - Vice-President, Shareholder Relations
Errol Farr - Chief Financial Officer
William R. Johnstone - Corporate Secretary

Directors
Ian Brodie-Brown
William R. Johnstone
Richard Nemis
Frank van de Water
Chris Angeconeb

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