



**NORTHERN LION
GOLD CORP.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)



**NORTHERN LION
GOLD CORP.**

**NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016**

The accompanying unaudited condensed consolidated interim financial statements of Northern Lion Gold Corp. (the "Company") for the period ended June 30, 2016 have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

NORTHERN LION GOLD CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (unaudited)
(Expressed in Canadian Dollars)

	June 30, 2016	December 31, 2015
	\$	\$
ASSETS		
Current assets		
Cash	145,197	186,431
Marketable securities (Note 5)	36,598	9,760
Receivables	5,202	7,349
Prepays	3,624	8,429
Total current assets	<u>190,621</u>	<u>211,969</u>
Non-current assets		
Equipment, net	<u>2,221</u>	<u>2,614</u>
Total assets	<u>192,842</u>	<u>214,583</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	125,796	100,980
Accounts payable to related party (Note 6)	<u>88,584</u>	<u>63,000</u>
Total liabilities	<u>214,380</u>	<u>163,980</u>
Equity (deficiency)		
Share capital (Note 7)	28,144,778	28,144,778
Equity reserves	204,561	483,285
Deficit	<u>(28,370,877)</u>	<u>(28,577,460)</u>
Total equity (deficiency)	<u>(21,538)</u>	<u>50,603</u>
Total liabilities and equity (deficiency)	<u>192,842</u>	<u>214,583</u>

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on August 18, 2016

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

NORTHERN LION GOLD CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)
(Expressed in Canadian Dollars)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2016 \$	2015 \$	2016 \$	2015 \$
OPERATING EXPENSES				
Consulting	15,000	7,500	22,500	16,446
Depreciation	196	280	392	560
Filing and regulatory fees	3,828	3,822	10,213	10,989
Foreign exchange	774	(1,763)	2,642	(1,071)
Management fees	6,481	11,236	12,846	21,112
Office and general	8,371	3,719	10,931	5,691
Professional fees	21,898	23,098	24,455	30,221
Rent	7,500	13,000	15,000	15,000
Loss before other items	(64,048)	(60,892)	(98,979)	(98,948)
OTHER ITEMS				
Unrealized gain (loss) on marketable securities	17,079	2,439	26,838	4,879
Write-off of exploration and evaluation assets	-	(1,067,666)	-	(1,067,666)
	17,079	(1,065,227)	26,838	(1,062,787)
Loss and comprehensive loss for the period	(46,969)	(1,126,119)	(72,141)	(1,161,735)
Basic and diluted loss per common share	(0.02)	(0.38)	(0.02)	(0.39)
Weighted average number of common shares outstanding	2,962,298	2,962,298	2,962,298	2,962,298

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

NORTHERN LION GOLD CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (unaudited)
(Expressed in Canadian Dollars)
SIX MONTHS ENDED JUNE 30

	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(72,141)	(1,161,735)
Items not affecting cash:		
Depreciation	393	560
Unrealized gain on marketable securities	(26,838)	(4,879)
Write-off of exploration and evaluation assets	-	1,067,666
Changes in non-cash working capital items:		
Decrease (increase) in receivables	2,147	(776)
Decrease in prepaid expenses	4,805	5,363
Increase in accounts payable and accrued liabilities	24,816	60,132
Increase in accounts payable to related parties	25,584	-
Cash used in operating activities	(41,234)	(33,669)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	-	(22,192)
Exploration and evaluation funds received in advance	-	(2,436)
Cash provided by (used in) investing activities	-	(24,628)
Change in cash during the period	(41,234)	(58,297)
Cash, beginning of period	186,431	120,416
Cash, end of period	145,197	62,119

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

NORTHERN LION GOLD CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (unaudited)
(Expressed in Canadian Dollars)

	SHARE CAPITAL		Equity Reserves		Total equity
	Number of Shares outstanding	Amount	Share-based payments	Deficit	
Balance at December 31, 2014	2,962,298	\$ 28,144,778	\$ 571,477	\$(27,615,079)	\$ 1,101,176
Expiry of stock options	-	-	(88,192)	88,192	-
Loss for the period	-	-	-	(1,161,735)	(1,161,735)
Balance at June 30, 2015	2,962,298	28,144,778	483,285	(28,688,622)	(60,559)
Loss for the period	-	-	-	111,162	111,162
Balance at December 31, 2015	2,962,298	28,144,778	483,285	(28,577,460)	50,603
Expiry of stock options	-	-	(278,724)	278,724	-
Loss for the period	-	-	-	(72,141)	(72,141)
Balance at June 30, 2016	2,962,298	\$ 28,144,778	\$ 204,561	\$(28,370,877)	\$ (21,538)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on November 19, 1980 under the Laws of British Columbia. The Company's head office address is Suite 620 - 650 West Georgia Street, Vancouver, BC, V6B 4N9, Canada. The registered and records office address is Suite 2900 – 550 Burrard Street, Vancouver, BC, V6C 0A3.

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated, which is the functional currency of the parent company and its subsidiaries.

The Company is a mineral exploration company focused on acquiring, exploring and developing mineral properties in Europe.

At the date of the condensed consolidated interim financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property.

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of the Company to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	June 30, 2016	December 31, 2015
	\$	\$
Working (deficit) capital	(23,759)	47,989
Deficit	(28,370,877)	(28,577,460)

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2015.

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2015 audited consolidated financial statements.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The principal subsidiary of the Company as of June 30, 2016 is as follows:

<u>Name of subsidiary</u>	<u>Principal Activity</u>	<u>Incorporation</u>	<u>Interest</u>
Katla Exploration Ltd.	Mineral exploration	Republic of Cyprus	100%

3. RECENT ACCOUNTING STANDARDS

The following standard has been issued but is not yet effective:

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies and sources of estimation uncertainty that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are the same as those that applied to the Company's 2015 annual financial statements.

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5. MARKETABLE SECURITIES

Marketable securities are comprised of the following:

	June 30, 2016		December 31, 2015	
	Fair value	Cost	Fair value	Cost
New World Resource Corp. 487,976 common shares (December 31, 2015 487,976 common shares)	\$ 36,598	\$263,507	\$ 9,760	\$263,507

The Company recorded an unrealized gain on its marketable securities of \$26,838 (2015 - \$4,879) due to a mark-to-market valuation during the period.

6. RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management includes directors (executive and non-executive), the CFO and the President. The compensation paid or payable to key management for employee services is shown below:

	June 30, 2016	June 30, 2015
	\$	\$
Short-term employee benefits	12,846	21,112

(b) Purchases of Services

	June 30, 2016	June 30, 2015
	\$	\$
An entity controlled by an executive director, for consulting services and benefits	25,863	-
An entity controlled by an executive director, for office expense	1,732	-

(c) Accounts payable to related parties:

	June 30, 2016	December 31, 2015
	\$	\$
An entity where an executive director is an officer	87,550	63,000
An entity where an executive director is an officer	1,034	-
	88,584	63,000

7. SHARE CAPITAL

(a) Common shares

The authorized share capital of the Company consists of 100,000,000 common shares without par value.

(b) Stock option plan

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 389,925 common shares. The exercise price of each option shall not be less than the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years, and unless otherwise

specified, shall vest and become exercisable in full upon grant. All options are to be settled by physical delivery of shares. There were no stock option transactions during the period.

At June 30, 2016 the following stock options were outstanding:

Outstanding Options		
Number of Options	Exercise Price	Expiry Date
15,625	\$1.28	May 1, 2017

8. MANAGEMENT OF CAPITAL

The Company's capital structure consists of items in equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

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

9. FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings and related party loans to satisfy its capital requirements and will continue to depend heavily upon equity capital and possible loans to finance its activities. The Company manages liquidity risk through its capital management as outlined in Note 9 above. Accounts payable and accrued liabilities are due within one year.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, marketable securities, and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

The majority of the Company's cash is held with major Canadian based financial institutions. Receivables mainly consist of refundable GST from the Government of Canada.

Currency Risk

The Company operates in Canada and The Republic of Cyprus and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's cash, receivables, accounts payable and accrued liabilities and exploration and evaluation funds received in advance are held in several currencies and therefore are subject to fluctuations against the Canadian dollar.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's marketable securities are classified as held for trading and trade on the stock market. The Company closely monitors its marketable securities stock market movements and commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's marketable securities amounting to \$36,598 are subject to fair value fluctuations. As at June 30, 2016, if the fair value of the Company's marketable securities had decreased/increased by 10% with all other variables held constant, loss and comprehensive loss for the period ended June 30, 2016 would have been approximately \$3,660 higher/lower. Similarly, as at June 30, 2016, reported equity would have been approximately \$3,660 lower/higher as a result of a 10% decrease/increase in the fair value of the Company's marketable securities.

Fair Value

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair values of cash and marketable securities are based on level 1 inputs of the f

Financial Assets

The estimated fair value of financial assets is equal to their carrying values due to the short-term nature of these instruments. The Company's financial assets were held in the following currencies:

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Stated in Canadian Dollars

June 30, 2016	Canadian Dollar	US Dollar	European Euro	Total
Carrying Value				
Cash	83,712	11,692	49,793	145,197
Accounts receivable	3,543	-	1,659	5,202
Marketable securities	36,598	-	-	36,598

Financial Liabilities

The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments. The Company's financial liabilities were held in the following currencies:

Stated in Canadian Dollars

June 30, 2016	Canadian Dollar	European Euro	Total
Carrying Value			
Accounts payable and accrued liabilities	125,796	-	125,796
Accounts payable to related party	88,584	-	88,584

10. SEGMENTED INFORMATION

The Company operates in one business segment, the exploration of mineral properties. Geographic information is as follows:

	Canada	Republic of Cyprus	Total
June 30, 2016			
Equipment	2,221	-	2,221
Other assets	139,169	51,452	190,621
Total assets	\$ 141,390	\$ 51,452	\$ 192,842