MacDonald Mines Exploration Ltd.

MACDONALD MINES PROVIDES UPDATE ON AUDIT

NEWS RELEASE
December 23, 2015

Toronto, Ontario - December 23, 2015 – MacDonald Mines Exploration Ltd. ("**MacDonald Mines**" or the "**Company**") (TSXV: BMK), further to its press release of September 4, 2015, has now been notified by the Canada Revenue Agency ("**CRA**") of its determination in respect of the audit (the "**Audit**") conducted by CRA of the Company's income tax returns for the period from January 1, 2010 to December 31, 2013 (the "**Audit Period**").

The Company has been advised by CRA by letter received December 21, 2015 that it has partially disallowed the "Canadian Exploration Expenses" or "CEE" renounced to subscribers (the "**Subscribers**") by the Company pursuant to three offerings (the "**Flow Through Financings**") of "flow-through shares" (within the meaning of such term in the *Income Tax Act* (Canada)) which all closed in 2012. This has resulted in a reassessment by CRA of the Subscribers' tax returns for 2012 to reduce the deduction of CEE on the following renunciations:

Renunciation	Initial Amount Renounced	Reduction of Renunciations	Revised amount Renounced	% Reduction
TIN 344384-6 Tax Year 2012	$3,780,700	$493,145	$3,287,555	13.044%
TIN 344384-6 Tax Year 2012	$2,785,113	$1,538,827	$1,246,286	55.252%
TIN 344384-6 Tax Year 2012	$740,000	$453,834	$286,166	61.329%

This results in each Subscriber participating in any of the three Flow Through Financings noted in the table above potentially being assessed with tax and interest owing on the Disallowed Amount, depending on the particular subscriber's circumstances. CRA will contact each Subscriber affected in this manner. In addition, CRA has notified the Company that it is liable for Part XII.6 tax of $248,780.40 in connection with the Shortfall.

Background
The Company raised the flow-through funds noted above to facilitate exploration of its Ring of Fire properties in Northern Ontario – specifically its Butler Property. However, despite many attempts the Company was unable to conclude an agreement with the First Nation communities in the vicinity of the Butler Property and as a result the Company was unable to obtain the required exploration permits from the Province of Ontario to conduct its on-going proposed work

plan and therefore unable to incur CEE in the amounts required pursuant to the renunciation agreements with Subscribers in the Flow Through Financings. The Company spent significant funds during the relevant period on exploration activities at Butler; however, there was a shortfall in the required amount of CEE due to the disallowance of over $900,000 in expenditures which the Company made due to the timing of these expenditures and because, as noted, the Company was unable to obtain the required exploration permits.

The flow-through subscription and renunciation agreements entered into by the Company and the Subscribers pursuant to the Flow-Through Financings provide that the Company will indemnify the Subscribers in the amount of any tax payable as a result of CRA reducing the amount renounced by the Company to the Subscribers (and claimed by the Subscribers on their tax returns). As matters stand today, the Company does not have adequate resources to fund such indemnities. MacDonald Mines is aggressively seeking partnership or other opportunities to advance its Butler property. A stipulation of any offers will be that shareholder value increases with no compensation to existing management. Talks are continuing with a number of interested parties; however, at this time no agreement has been reached with any party and there can be no assurances that any such agreement will be reached in the near future or at all.

Other Matters

Richard Schler has resigned as the Chief Executive Officer ("CEO") of the Company, effective September 1, 2015. Mr. Schler has also resigned from the board of directors. Quentin Yarie, the Company's President, has been appointed interim CEO. Peter Liabotis has resigned as the Chief Financial Officer ("CFO") of the Company effective September 24, 2015. Joseph Heng, Controller, has been appointed interim CFO.

On behalf of the Board of Directors.

About MacDonald Mines Exploration Ltd.

MacDonald Mines Exploration Ltd. is a mineral exploration company headquartered in Toronto, Ontario, Canada. The company is strategically focused on Copper and Zinc (VMS), and Nickel exploration in the Ring of Fire area of the James Bay Lowlands of Northern Ontario. The Company's common shares trade on the TSX Venture Exchange under the symbol "BMK".

For more information, please visit our website at www.macdonaldmines.com.

Or contact:
Mia Boiridy, Investor Relations, (416) 364-4986, mboiridy@macdonaldmines.com

Cautionary Statement: Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein. The foregoing information may contain forward-looking statements relating to the future performance of MacDonald Mines Exploration Ltd. Forward-looking statements, specifically those concerning future performance, are subject to certain risks and uncertainties, and actual results may differ materially from MacDonald Mines plans and expectations. These plans, expectations, risks and uncertainties are detailed herein and from time to time in the filings made by MacDonald Mines with the TSX Venture Exchange and securities regulators. MacDonald Mines does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.