



NORTHERNSHIELD
RESOURCES INC.

(A Development Stage Company)

Condensed Consolidated Interim Financial Statements

(unaudited and expressed in Canadian Dollars)

For the three and nine-month periods ended September 30, 2016

[Note: an auditor has not reviewed these unaudited interim financial statements.]



Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

	<u>PAGE</u>
Consolidated Statements of Comprehensive Loss	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Cash Flows	3
Consolidated Statements of Changes in Equity	4
Notes to the Consolidated Financial Statements	5 - 17



NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Condensed Consolidated Interim Statements of Comprehensive Loss
for the three and nine-month periods ended September 30, 2016 and 2015
(unaudited and expressed in Canadian Dollars)

	September 30, 2016 (3 months) (Unaudited)	September 30, 2015 (3 months) (Unaudited)	September 30, 2016 (9 months) (Unaudited)	September 30, 2015 (9 months) (Unaudited)
Expenses				
Expensed exploration (Note 8)	\$ 11,098	\$ 402	\$ 29,669	\$ 26,940
General and administrative (Note 8)	221,101	192,783	620,004	594,335
Stock-based compensation (Note 3)	43,400	-	838,000	-
Loss before other income (expenses)	(275,599)	(193,185)	(1,487,673)	(621,275)
Other income (expenses)				
Government Assistance	-	136,322	-	136,322
Gain on sale of mineral property rights	160,000	-	160,000	-
Interest income	14	-	15	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(115,585)	(56,863)	(1,327,658)	(484,953)
Weighted average common shares outstanding	194,551,875	154,078,615	176,606,159	153,775,939
Basic and diluted loss per share (Note 4)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

All results are from continuing operations.

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

APPROVED BY THE BOARD

Ian C. Bliss, Director

Bill Kiff, Director



NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Condensed Consolidated Interim Statements of Financial Position
as at September 30, 2016 and December 31, 2015
(unaudited and expressed in Canadian Dollars)

	September 30, As at 2016 (unaudited)	December 31, 2015 (unaudited)
CURRENT ASSETS		
Cash	\$ 2,700,568	\$ 128,691
Unbilled receivables (Note 7)	76,281	-
Amounts receivable	187,208	49,433
Prepaid expenses	45,826	21,073
	3,009,883	199,197
INVESTMENT IN SHARES	833	833
MINERAL PROPERTIES (Note 5)	473,986	269,408
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Note 6)	98,915	116,132
	\$ 3,583,617	\$ 585,570
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 715,077	\$ 114,937
Deferred exploration funding (Note 7)	-	174,131
	715,077	289,068
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	24,723,505	22,286,610
Reserves	4,434,879	2,972,078
Deficit	(26,289,844)	(24,962,186)
	2,868,540	296,502
	\$ 3,583,617	\$ 585,570

All results are from continuing operations.

The accompanying notes are an integral part of the condensed consolidated interim financial statements.



NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Condensed Consolidated Interim Statements of Cash Flows
for the nine-month periods ended September 30, 2016 and 2015
(unaudited and expressed in Canadian Dollars)

	September 30, 2016	September 30, 2015
	(9 months)	(9 months)
	(Unaudited)	(Unaudited)
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	\$ (1,327,658)	\$ (484,953)
Items not affecting cash and cash equivalents		
Amortization - administrative	7,285	9,490
Stock-based compensation	838,000	-
Changes in non-cash operating working capital items:		
Unbilled receivables	(76,281)	38,269
Amounts receivable	(137,775)	(613)
Prepaid expenses	(24,753)	(20,077)
Accounts payable and accrued liabilities	600,140	(69,186)
Deferred exploration funding	(174,131)	-
Gain on sale of mineral property	(160,000)	-
Expensed exploration	29,669	26,940
Interest Income	(15)	-
	(425,519)	(500,130)
INVESTING		
Expenditures on mineral properties	(1,915,984)	(117,157)
Mineral property funding	1,681,737	-
Proceeds from sale of mineral property	160,000	-
Amortization charged to exploration	9,932	12,194
	(64,315)	(104,963)
FINANCING		
Interest received	15	-
Issuance of share capital, net of issuance costs	3,061,696	279,750
	3,061,711	279,750
NET CASH AND CASH EQUIVALENTS INFLOW	2,571,877	(325,343)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	128,691	709,825
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,700,568	\$ 384,482

All results are from continuing operations.

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

NORTHERN SHIELD RESOURCES INC.

(A Development Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity
for the nine-month periods ended September 30, 2016 and 2015

(unaudited and expressed in Canadian dollars)

	Share Capital		Reserves		Deficit	Total
	Number of Shares	Amount	Share-based Payments	Warrants		
Balance at December 31, 2014	152,622,093	22,129,020	2,782,193	169,725	(21,318,644)	3,762,294
Shares issued for cash	6,000,000	300,000	-	-	-	300,000
Allocation of value to warrants	-	(39,000)	-	39,000	-	-
Share issue costs	-	(24,930)	-	4,680	-	(20,250)
Amount reclassified upon expiry of warrants	-	-	169,725	(169,725)	-	-
Loss for the period	-	-	-	-	(484,953)	(484,953)
Balance at September 30, 2015	158,622,093	22,365,090	2,951,918	43,680	(21,803,597)	3,557,091
Allocation of value to warrants	-	21,000	-	(21,000)	-	-
Share issue costs	-	2,520	-	(2,520)	-	-
Flow-through premium	-	(102,000)	-	-	-	(102,000)
Loss for the period	-	-	-	-	(3,158,589)	(3,158,589)
Balance at December 31, 2015	158,622,093	22,286,610	2,951,918	20,160	(24,962,186)	296,502
Shares issued for cash	27,869,393	2,428,800	-	-	-	2,428,800
Allocation of value to warrants	-	(792,501)	-	792,501	-	-
Shares issued as commission	312,500	56,250	-	-	-	56,250
Share issue costs	-	(103,401)	-	6,731	-	(96,670)
Shares issued upon exercise of warrants	11,786,335	673,316	-	-	-	673,316
Amount reclassified upon exercise of warrants	-	174,431	-	(174,431)	-	-
Share-based compensation	-	-	838,000	-	-	838,000
Loss for the period	-	-	-	-	(1,327,658)	(1,327,658)
Balance at September 30, 2016	198,590,321	24,723,505	3,789,918	644,961	(26,289,844)	2,868,540

All results are from continuing operations.

The accompanying notes are an integral part of the condensed consolidated interim financial statements.



Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Northern Shield Resources Inc. (the "Company" or "Northern Shield"), a development stage company, incorporated under the *Canada Business Corporations Act*, is a natural resource company engaged in the business of identifying, acquiring and exploring mineral properties located primarily in Ontario and Quebec.

The Company's head office is situated at Suite 440, 55 Metcalfe Street, Ottawa, Ontario. The Company's shares trade on the TSX Venture Exchange under the symbol NRN.

The Company has not yet determined whether any of their properties contain precious mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development of the properties, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

As Northern Shield does not have an interest in revenue-producing properties, the Company has no operating income or earnings and, as such, its net loss may not be a meaningful indicator of its performance or potential. Exploration activities and the Company's expenses are financed by the periodic issuance of common shares and other equity securities.

Going concern

These unaudited consolidated interim financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. For the nine-month period ended September 30, 2016, the Company incurred a loss of \$1,327,658 and had negative cash flows from operations of \$425,519. At the end of the period it had an accumulated deficit of \$26,289,844.

These factors raise doubt about the Company's ability to continue as a going concern. The Company is currently looking to raise additional financing. Should this financing not materialize and profitable operations ultimately not be attained, this may cast doubt as to the Company's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown in the financial statements and the Company's ability to discharge its liabilities in the normal course of business may be in doubt should the Company be unable to continue as a going concern.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and critical estimates applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2015. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the last financial statements. Certain amounts in the prior period have been reclassified to conform with the presentation in the current period.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 22, 2016.

Use of Judgments and Estimates

In preparing these interim financial statements, management has made judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2015.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

3. SHARE CAPITAL

Authorized and Issued

An unlimited number of voting common shares are authorized for issue and, subject to priority rights of other share classes, are entitled to receive dividends when and if declared by the Board of Directors. There were 198,590,321 voting common shares issued and outstanding at September 30, 2016 (158,622,093 at December 31, 2015).

An unlimited number of preferred shares are authorized for issue in series. There were no preferred shares issued at September 30, 2016 (none at December 31, 2015).

During the nine-month period ended September 30, 2016, 27,869,393 units were issued through private placements for gross proceeds of \$2,428,800. Each unit consisted of one share and one half of one share purchase warrant. In aggregate, the warrants were ascribed a value of \$792,501. As part of the private placements, 312,500 shares, valued at \$56,250, and 138,300 share purchase warrants, valued at \$6,731, were issued as commission and recorded as share issuance costs. A further \$40,420 of cash share issuance costs were incurred.

During the comparative period in 2015, 6,000,000 units were issued through private placements for gross proceeds of \$300,000. Each unit consisted of one share and one half of one share purchase warrant. In aggregate, the warrants were ascribed a value of \$39,000. As part of the private placements, 360,000 share purchase warrants, valued at \$4,680, were issued as commission and recorded as share issuance costs. A further \$20,250 of cash share issuance costs were incurred.



Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

Warrants

The following continuity summarizes the Company's outstanding warrant obligations over the period covered by these financial statements:

	<u>Quantity</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Balance, December 31, 2015	3,360,000	\$ 0.075	Sept 23, 2017
Issued during the period	14,072,999	\$ 0.12	Sept 27, 2017
Exercised during the period	(11,786,335)	\$ 0.06	May 26, 2017
Balance, September 30, 2016	5,646,664	\$ 0.24	July 19, 2019

Detail of warrants outstanding at both September 30, 2016 and December 31, 2015:

<u>September 30, 2016</u>			<u>December 31, 2015</u>		
<u>Quantity</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Quantity</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,125,000	\$ 0.22	July 1, 2019	3,360,000	\$ 0.075	Sept 23, 2017
1,385,300	\$ 0.22	July 16, 2019			
1,136,364	\$ 0.30	Sept 12, 2019	3,360,000		
5,646,664					

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

3. SHARE CAPITAL (continued)

Stock options

The Company has established a Stock Option Plan (the "Plan") to develop the interest and incentive of eligible employees, directors and consultants in the Company's growth and development. The aggregate number of share options which may be issued and outstanding at any time under this plan shall not exceed 10% of the total number of issued and outstanding shares of the Company unless the Company receives the permission of the TSX Venture Exchange and its shareholders. As at September 30, 2016, 19,859,032 common share options were authorized to be issued and outstanding under the Plan (December 31, 2015 - 15,862,209). Stock options are granted with an exercise price equal to the underlying common stock's fair market value at the time of grant.

Once vested, options may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination if the option holder ceases to be a director, officer, employee or consultant of the Company.

The following summarizes the Company's outstanding option obligations over the period covered by these financial statements:

	<u>Quantity</u>	<u>Weighted Average Exercise Price</u>
Balance, December 31, 2015	4,150,000	\$ 0.22
Issued during the period	7,200,000	\$ 0.16
Balance, September 30, 2016	11,350,000	\$ 0.19

At September 30, 2016, the remaining pool of options available for grant was 8,509,032 (December 31, 2015 – 11,712,209).

Detail of options outstanding at September 30, 2016 and December 31, 2015:

<u>Issue Date</u>	<u>Exercise Price</u>	<u>Quantity</u>	<u>Expiry Date</u>	<u>Exercisable</u>
<i>As at September 30, 2016:</i>				
October 5, 2011	\$ 0.25	2,150,000	October 5, 2016	2,150,000
March 26, 2012	\$ 0.25	1,750,000	March 26, 2017	1,750,000
July 3, 2012	\$ 0.20	250,000	July 3, 2017	250,000
June 10, 2016	\$ 0.16	6,850,000	June 10, 2021	6,850,000
July 14, 2016	\$ 0.17	350,000	July 14, 2021	350,000
		11,350,000		11,350,000
<i>As at December 31, 2015:</i>				
October 5, 2011	\$ 0.25	2,150,000	October 5, 2016	2,150,000
March 26, 2012	\$ 0.25	1,750,000	March 26, 2017	1,750,000
July 3, 2012	\$ 0.20	250,000	July 3, 2017	250,000
		4,150,000		4,150,000

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

3. SHARE CAPITAL (continued)

Share-based compensation

During the nine-month period ended September 30, 2016 the Company issued 7,200,000 share purchase options under its stock option plan. Each option is fully vested, has an average strike price of \$0.16 and an average expiry date of June 11, 2021. The options were valued at an average of \$0.12 each and an expense of \$838,000 was recorded (2015 – none).

The Black-Scholes option pricing model, used by the Company to calculate option values, as well as other currently accepted valuation models, were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's option awards. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values, summarized in the table below. Accordingly, management believes that this model does not necessarily provide a reliable single measure of the fair value of the Company's stock option awards.

2016 Option Grant Black-Scholes Assumptions

Lifetime	5-years
Interest Rate	0.57%
Annual Volatility	97%
Dividends	None

4. LOSS PER SHARE

The treasury stock method is used for the calculation of diluted loss per share. Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year. As the Company has recorded a loss in each of the years presented, the following table presents the anti-dilutive effect of securities excluded from the loss per share computation for the six-month periods ended June 30, 2016 and 2015:

	2016	2015
Stock options	7,999,098	6,495,000
Stock purchase warrants	6,863,313	945,295
	14,862,411	7,440,295

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

5. MINERAL PROPERTIES

The following table summarizes the exploration expenditures incurred on each of the Company's mineral properties:

	<u>Storm</u>	<u>Idefix</u>	<u>Ikertog</u>	<u>Huckleberry</u>	<u>Séquoï</u>	<u>Sé2</u>	<u>Other Properties</u>	<u>Total</u>
Percent Ownership	100%	100%	0%	100%	0%	0%	100%	
At December 31, 2014	\$ 2,617,203	\$ 13,565	\$ 250,000	\$ 78,826	\$ -	\$ -	\$ 121,143	\$ 3,080,737
Expenditures								
Acquisition	-	15,672	-	2,280	-	-	(12,708)	5,244
Exploration	32,408	12,289	2,128	173,949	-	-	38,941	259,715
Total Expenditures	32,408	27,961	2,128	176,229	-	-	26,233	264,959
External Funding	51,200	(41,526)	(25,000)	-	-	-	-	(15,326)
Expensed current exploration	-	-	-	-	-	-	(38,941)	(38,941)
Property write-down	(2,700,811)	-	(227,128)	-	-	-	(94,082)	(3,022,021)
At December 31, 2015	\$ -	\$ -	\$ -	\$ 255,055	\$ -	\$ -	\$ 14,353	\$ 269,408
Expenditures								
Acquisition	-	9,110	-	23,763	22,777	19,822	11,256	86,728
Exploration	-	81,414	-	1,358,858	294,894	64,421	29,669	1,829,256
Total Expenditures	-	90,524	-	1,382,621	317,671	84,243	40,925	1,915,984
External Funding	-	(90,524)	-	(1,550,013)	(30,900)	(10,300)	-	(1,681,737)
Expensed current exploration	-	-	-	-	-	-	(29,669)	(29,669)
At September 30, 2016	\$ -	\$ -	\$ -	\$ 87,663	\$ 286,771	\$ 73,943	\$ 25,609	\$ 473,986

The Company considered the impairment indicators under IFRS 6 for each property and deemed there to be no justification to adjust their capitalized values.

During the nine-month period ended September 30, 2016 the Company entered into a property exploration option agreement with South 32 Limited ("South 32") regarding its Huckleberry property. Under the terms of the agreement South 32 can earn a 50% interest in the Huckleberry property by incurring \$2,500,000 in exploration expenditures within the first two years of the agreement and by making an upfront cash payment to Northern Shield of \$200,000. On successfully earning a 50% interest, South 32 can elect to increase its interest to 70% by incurring a further \$2,500,000 of exploration expenditures by the end of the third year. The Company will be operator during the earn-in and be paid a management fee of 10% of the cost of all exploration programs.

During the nine-month period ended September 30, 2016, the \$200,000 up-front payment was recorded as a charge against the capitalized value of Huckleberry, \$1,320,611 worth of exploration expenditures incurred by the Company were reimbursed by South 32, and an administrative recovery of \$132,061 was generated.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Field Equipment	Furniture and Fixtures	Office Equipment	Software	Total
Cost					
December 31, 2014	\$ 201,182	\$ 29,980	\$ 113,070	\$ 33,207	\$ 377,439
No additions or disposals	-	-	-	-	-
December 31, 2015	201,182	29,980	113,070	33,207	377,439
No additions or disposals	-	-	-	-	-
June 30, 2016	\$ 201,182	\$ 29,980	\$ 113,070	\$ 33,207	\$ 377,439
Accumulated Amortization					
December 31, 2014	\$ (115,694)	\$ (20,953)	\$ (69,270)	\$ (27,281)	\$ (233,198)
Amortization	(15,858)	(1,674)	(8,125)	(2,452)	(28,109)
December 31, 2015	(131,552)	(22,627)	(77,395)	(29,733)	(261,307)
Amortization	(9,932)	(1,050)	(5,088)	(1,147)	(17,217)
June 30, 2016	\$ (141,484)	\$ (23,677)	\$ (82,483)	\$ (30,880)	\$ (278,524)
Carrying Values					
December 31, 2014	\$ 85,488	\$ 9,027	\$ 43,800	\$ 5,926	\$ 144,241
December 31, 2015	\$ 69,630	\$ 7,353	\$ 35,675	\$ 3,474	\$ 116,132
June 30, 2016	\$ 59,698	\$ 6,303	\$ 30,587	\$ 2,327	\$ 98,915

Exploration-related asset amortization of \$9,932 was allocated to mineral properties during the nine-month period ended September 30, 2016 (2015 - \$12,194).

7. UNBILLED RECEIVABLES / DEFERRED EXPLORATION FUNDING

Pursuant to the property exploration agreement described in Note 6, at the end of the nine-month period ended September 30, 2016, the Company was owed \$76,281 by its exploration partner for exploration which had taken place prior to the end of the period and was recorded as unbilled receivables (2015 – N/A).

At December 31, 2016, pursuant to a now-terminated exploration agreement, the Company owed a different partner \$174,131 which represented that partner's share of tax credits received. That amount was settled earlier this fiscal year.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

8. NATURE OF EXPENSES

General and administrative expenses during nine-month periods ended September 30:

	2016	2015
Remuneration and consulting fees	\$ 274,305	\$ 320,597
Office expenses	191,449	187,483
Travel expenses	73,732	46,463
Marketing expenses	71,327	12,665
Professional fees	101,381	4,890
Public company expenses	26,783	25,892
Insurance expenses	13,088	14,345
	<u>\$ 752,065</u>	<u>\$ 612,335</u>
General and administrative recovery	(132,061)	(18,000)
	<u>\$ 620,004</u>	<u>\$ 594,335</u>

Expensed exploration during nine-month periods ended September 30:

	2016	2015
Expensed prospecting activities	\$ 29,669	\$ 26,940

9. RELATED PARTY TRANSACTIONS

The Company incurred legal fees with a law firm at which one of the Company's directors is a partner and the Company's corporate secretary is an associate. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

During the nine-month period ended September 30, 2016 the Company incurred \$94,554 in fees from the related party (2015 - \$4,098).

At September 30, 2016, the Company did not owe the related party any amounts (December 31, 2015 - none).

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

10. KEY MANAGEMENT COMPENSATION

Benefits earned by key management during nine-month periods ended September 30:

	2016	2015
Salaries	\$ 220,365	\$ 186,105
Benefits	5,671	6,568
Share-based compensation	261,000	-
	<u>\$ 487,036</u>	<u>\$ 192,673</u>

All of the expenses in the above table were partially recorded as General and Administration expenses and partially capitalized to Mineral Properties.

11. COMMITMENTS

The Company is committed to operating leases as follows:

	2016	2017	2018	Total
Premises lease	\$ 46,563	\$ 181,152	\$ 135,864	\$ 363,579

12. EMPLOYEE COMPENSATION

The following table presents the compensation earned by the employees (including key management) during the nine-month periods ended September 30:

	2016	2015
Salaries	\$ 373,948	\$ 325,861
Benefits	20,988	28,008
Share-based compensation	377,000	-
	<u>\$ 771,936</u>	<u>\$ 353,869</u>

All of the expenses in the above table were partially recorded as General and Administration expenses and partially capitalized to Mineral Properties.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

13. SEGMENT INFORMATION

The Company has one operating segment involved in the exploration of resource properties. All of the Company's assets are located in Canada.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

Market risk is the risk that changes in market prices, such as equity prices; interest rates and foreign exchange rates will affect the Company's income (loss) or the value of its financial instruments.

It is in management's opinion that the Company is not exposed to significant equity price, currency or interest rate risks arising from its financial instruments.

Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Foreign exchange risk

The Company is not exposed to significant foreign exchange risk due to the low volume of foreign currency transactions.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's unbilled receivables.

a) Concentration of credit risk

Counterparties expose the Company to credit-related losses in the event of non-performance. By dealing with only creditworthy counterparties, the Company's credit exposure is minimized.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

b) Credit risk exposure

The carrying amounts of the cash and amounts receivable represent the maximum exposure to credit risk. The maximum exposure to credit risk at September 30, 2016 was \$2,964,057 (December 31, 2015 - \$178,124). The cash is held by the Company's banks, two of the large Canadian chartered banks.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had a cash balance of \$2,700,568 (December 31, 2015 - \$128,691). To date, the Company has incurred significant operating losses. The Company's ability to continue as a going concern is dependent on its ability to generate sufficient capital through either revenues or through further financings.

The Company accrues expenses when incurred. Accounts are deemed payable once an event occurs that requires payment by a specific date. As at September 30, 2016, 100% of accounts payable are under sixty days.

Fair values

a) The fair value of cash, unbilled receivables, amounts receivable, long-term deposit, accounts payable and accrued liabilities is approximately equal to their carrying value due to their short-terms to maturity.

b) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2016
(unaudited and expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values (continued)

b) Fair value hierarchy (continued)

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The fair value of the investment in private company is determined based on recent market transactions for similar instruments issued by that company.

15. CAPITAL MANAGEMENT

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to fund future exploration and maintain the ability to continue as a going concern. Capital is defined as the Company's shareholders' equity. The Company does not have any long-term debt and the Company does not intend to assume any until any given development project warrants it. The Board of Directors does not establish quantitative capital criteria for management; but rather promotes the use of periodic equity financing events as the primary method of funding administrative operations and exploration and development. Other methods open to management to fund exploration include extending joint venture or earn-in opportunities to other parties relating to specific properties.

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