Condensed Interim Consolidated Financial Statements of

TRUE NORTH GEMS INC.

As at and for the three and nine month periods ended September 30, 2016

Expressed in Canadian dollars

(Unaudited – prepared by management)

Notice to Reader: As required by National Instrument 51-102 subsection 4.3(3)(a), readers are advised that an auditor has not performed a review of these interim financial statements.

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statement of Financial Position - Unaudited
(Expressed in Canadian dollars)

	September 30, 2016	December 31, 2015
Current assets		
Cash and cash equivalents	$ 40,754	$ 1,044,907
Restricted cash	-	34,652
Investments (note 5)	134,200	104,000
Accounts receivable	12,531	23,163
Deposits and prepaid expenses	13,887	89,071
	201,372	1,295,793
Non-current assets		
Property, plant and equipment (note 6)	14,335	38,166,591
Restricted cash - reclamation (note 7)	-	1,777,012
Deposit on finance lease obligation (note 8)	-	6,054,391
Exploration and evaluation assets (note 9)	903,626	3,432,828
	917,961	49,430,822
Total assets	**$ 1,119,333**	**$ 50,726,615**
Current liabilities		
Accounts payable and accrued liabilities	$ 1,543,872	$ 1,035,639
Accounts payable to LNS Group	-	1,162,274
Loans payable (note 10)	87,061	-
Current portion of finance lease obligation (note 11)	-	153,848
	1,630,933	2,351,761
Non-current liabilities		
Deferred income tax liability	-	1,488,173
Loans payable (note 10)	-	1,924,747
Provision for reclamation costs (note 12)	28,500	1,612,509
Finance lease obligation (note 11)	-	661,521
	28,500	5,686,950
Total liabilities	1,659,433	8,038,711
Equity attributable to common shareholders		
Share capital (note 13(a))	48,495,620	48,411,260
Reserves (note 13(b))	16,162,421	16,221,781
Deficit	(67,089,294)	(32,088,027)
Accumulated other comprehensive income	1,891,153	3,333,162
	(540,100)	35,878,176
Non-controlling interest (note 14)	-	6,809,728
	(540,100)	42,687,904
Total liabilities and shareholders' equity	**$ 1,119,333**	**$ 50,726,615**

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

(signed) David S. Parsons Director (signed) John Ryder Director

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

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statements of Changes in Equity - Unaudited
(Expressed in Canadian dollars)

	Share capital		Reserves						
	Number of Shares	Amount	Warrants	Contributed surplus	Deficit	Accumulated other comprehensive income	Total common shareholders' equity	Non-controlling interest	Total equity
Balance - December 31, 2014	297,232,049	$ 46,705,857	$ 306,357	$ 8,887,612	$ (28,409,206)	$ 60,030	$ 27,550,650	$ 1,768,774	$ 29,319,424
Warrants exercised	8,333,334	1,000,000	-	-	-	-	1,000,000	-	1,000,000
Stock options exercised	550,000	60,000	-	-	-	-	60,000	-	60,000
Reallocation of the fair value of warrants exercised		262,846	(262,846)	-	-	-	-	-	-
Reallocation of the fair value of stock options exercised		37,930	-	(37,930)	-	-	-	-	-
Share-based compensation		-	-	744,839	-	-	744,839	-	744,839
Sale of an equity interest in subsidiary		-	-	3,626,216	-	-	3,626,216	1,681,346	5,307,562
Net loss for period		-	-	-	(3,067,738)	-	(3,067,738)	(100,321)	(3,168,059)
Other comprehensive loss for period		-	-	-	-	2,510,496	2,510,496	433,339	2,943,835
Balance - September 30, 2015	**306,115,383**	**$ 48,066,633**	**$ 43,511**	**$ 13,220,737**	**$ (31,476,944)**	**$ 2,570,526**	**$ 32,424,463**	**$ 3,783,138**	**$ 36,207,601**
Balance - December 31, 2015	307,485,383	48,411,260	43,511	16,178,270	$ (32,088,027)	$ 3,333,162	$ 35,878,176	$ 6,809,728	$ 42,687,904
Stock options exercised	250,000	25,000	-	-	-	-	25,000	-	25,000
Reallocation of the fair value of stock options exercised		59,360	-	(59,360)	-	-	-	-	-
Reallocation of the fair value of warrants expired		-	(43,511)	43,511	-	-	-	-	-
Net loss for period		-	-	-	(35,001,267)	-	(35,001,267) -	687,501.00	(35,688,768)
Other comprehensive loss for period		-	-	-	-	(1,442,009)	(1,442,009)	(1,067,368)	(2,509,377)
Deconsolidation on loss of control (notes 1 & 4)		-	-	-	-	-	-	(5,054,859)	(5,054,859)
Balance - September 30, 2016	**307,735,383**	**$ 48,495,620**	**$ -**	**$ 16,162,421**	**$ (67,089,294)**	**$ 1,891,153**	**$ (540,100)**	**$ -**	**$ (540,100)**

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

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statements of Loss - Unaudited
(Expressed in Canadian dollars)

	For the three month period ended September 30, 2016	2015	For the nine month period ended September 30, 2016	2015
Operating expenses				
Audit and related services	$ -	$ 23,040	$ 127,743	$ 53,838
Corporate financial services	20,000	-	40,000	-
Depreciation	1,204	2,656	5,027	7,262
Directors fees	21,000	33,926	63,000	100,744
Exploration and evaluation expenditures (recoveries)	(3,411)	-	(3,362)	(10,156)
Foreign exchange (gain) loss	997	(311,597)	360,933	(244,923)
General and administrative	23,466	47,755	193,752	284,207
Investor relations	16,509	44,913	146,961	201,190
Legal fees	33,202	28,365	294,816	43,623
Mine development expenditures	1,205,615	-	1,205,615	-
Rent and occupancy costs	28,886	84,162	184,154	240,676
Revision in reclamation estimate	-	-	-	(81,772)
Salaries	168,651	161,836	619,861	866,525
Share-based compensation	-	-	-	604,107
Transfer agent and filing fees	10,821	7,439	30,324	29,034
Travel	6,155	68,093	129,231	184,244
Operating loss	(1,533,095)	(190,588)	(3,398,055)	(2,278,599)
Other income (expenses)				
Gain on sale of available-for-sale investments	20,048	-	40,753	-
Interest and other income	(20)	15	37	697
Borrowing costs	-	(4,897)	(19,891)	(14,093)
Loss on bankruptcy of subsidiary	(30,591,998)	-	(30,591,998)	-
Loss before income taxes	(32,105,065)	(195,470)	(33,969,154)	(2,291,995)
Income tax recovery (expense)	(5,486)	(146,029)	(1,719,614)	(876,064)
Net loss for period	$ (32,110,551)	$ (341,499)	$ (35,688,768)	$ (3,168,059)
Loss attributable to:				
Shareholders	$ (32,110,551)	$ (314,467)	$ (35,001,267)	$ (3,067,738)
Non-controlling interest	-	(27,032)	(687,501)	(100,321)
	$ (32,110,551)	$ (341,499)	$ (35,688,768)	$ (3,168,059)
Loss per share - basic and fully diluted	$ (0.10)	$ (0.00)	$ (0.12)	$ (0.01)
Weighted average number of common shares-basic and fully diluted	307,735,383	306,115,383	307,584,836	301,165,993

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

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statements of Comprehensive Loss - Unaudited
(Expressed in Canadian dollars)

	For the three month period ended September 30, 2016	For the three month period ended September 30, 2015	For the nine month period ended September 30, 2016	For the nine month period ended September 30, 2015
Net loss for period	$ (32,110,551)	$ (341,499)	$ (35,688,768)	$ (3,168,059)
Items that may be reclassified subsequently to net loss:				
Exchange rate differences on translation from functional to presentation currency	-	1,854,724	(1,936,541)	3,076,075
Realized gain (loss) on available-for-sale investments, net of income tax expense $949 (2015 -$Nil)	(15,486)	-	(6,351)	-
Unrealized gain (loss) on available-for-sale investments, net of income tax expense $18,083 (2015: recovery $19,760)	(21,228)	(62,000)	121,017	(132,240)
Comprehensive loss for period	$ (32,147,265)	$ 1,451,225	$ (37,510,643)	$ (224,224)
Comprehensive (loss) income attributable to:				
Shareholders	$ (32,147,263)	$ 1,216,360	$ (36,443,275)	$ (471,835)
Non-controlling interest	-	234,865	(1,067,368)	247,611
	$ (32,147,263)	$ 1,451,225	$ (37,510,643)	$ (224,224)

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

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statements of Cash Flows – Unaudited
(Expressed in Canadian dollars)

	For the three month period ended September 30, 2016	For the three month period ended September 30, 2015	For the nine month period ended September 30, 2016	For the nine month period ended September 30, 2015
Operating activities				
Net loss for period	$ (32,110,551)	$ (341,499)	$ (35,688,768)	$ (3,168,059)
Adjustments for:				
Borrowing costs	-	4,897	24,003	14,093
Deferred income tax expense (recovery)	5,486	162,877	1,719,614	872,708
Depreciation	1,204	2,656	5,027	7,262
Gain on sale of available-for-sale investments	(20,048)	-	(40,753)	-
Loss on bankruptcy of subsidiary	30,591,998	-	30,591,998	-
Mine deveopment expenditures	1,079,195	-	1,079,195	-
Revision in reclamation estimate	-	-	-	(81,772)
Share-based compensation	-	-	-	604,107
Unrealized foreign exchange loss - translation	-	(99,385)	459,205	(57,135)
	(452,716)	(270,454)	(1,850,479)	(1,808,796)
Changes in non-cash working capital items (note 15)	288,966	(600,602)	1,024,067	(76,919)
Cash provided by (used in) operating activities	(163,750)	(871,056)	(826,412)	(1,885,715)
Investing activities				
Proceeds from sale of investments	48,148	-	142,353	-
Purchase of property, plant and equipment	-	(1,336,994)	(929,226)	(3,178,325)
Exploration and evaluation expenditures	(3,412)	(5,529)	(31,099)	(32,166)
Cash provided by (used in) investing activities	44,736	(1,342,523)	(817,972)	(3,210,491)
Financing activities				
Bank overdraft	-	-	198,300	-
Debt advances	86,964	-	416,931	-
Warrants exercised	10,000	-	25,000	1,000,000
Options exercised	-	-	-	60,000
Non-controlling interest - equity investment	-	5,307,562	-	5,307,562
Return of cash held as security	-	28,066	-	28,066
Cash provided by (used in) financing activities	96,964	5,335,628	640,231	6,395,628
Increase (decrease) in cash and cash equivalents	(22,050)	3,122,049	(1,004,153)	1,299,422
Effect of exchange rate changes on cash and cash equivalent	-	-	-	(1)
Cash and cash equivalents - beginning of period	62,804	166,364	1,044,907	1,988,992
Cash and cash equivalents - end of period	**$ 40,754**	**$ 3,288,413**	**$ 40,754**	**$ 3,288,413**

Supplemental disclosure of non-cash investing and financing activities (note 15)

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

1. Nature of operations and going concern

True North Gems Inc. (the "Company") was incorporated in the Yukon Territory under the Business Corporations Act on May 25, 2001. The Company's corporate office is located at Suite 700, 1055 West Georgia Street, Vancouver, BC V6E 3P3. The Company and its subsidiary (collectively referred to, as the "Company") are engaged in exploration and development of coloured gemstone deposits in Greenland and Canada.

On September 5, 2016, True North Gems Greenland A/S ("TNGG"), the Company's 75.39% subsidiary, which owned the Aappaluttoq Ruby and Pink Sapphire Deposit located in SW Greenland, initiated voluntary bankruptcy proceedings under the Bankruptcy Act in Greenland. Concurrently, the court appointed administrators to assume all accounting and administrative duties of TNGG ("loss of control").

Following the loss of control over TNGG, the Company deconsolidated all assets and liabilities associated with TNGG. This resulted in a loss on bankruptcy of subsidiary of $30,591,998. The bankruptcy is described in detail in note 4.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the nine month period ended September 30, 2016, the Company incurred a net loss totaling $35,001,267. The accumulated deficit at September 30, 2016 is $67,089,295. At September 30, 2016, the Company had a working capital deficiency of $1,429,561. These conditions cast significant doubt on the Company's ability to continue as a going concern.

The Company will require additional financing through debt or equity issuances or other available means in order to continue operations and for working capital purposes. Although, the Company has been successful in past in obtaining financing, there is no assurance that will be able to obtain adequate financing in the future or that such financing will be obtained on terms acceptable to the Company. During the nine month period ended September 30, 2016, the Company has and will continue to be reliant on the continued support of its creditors. These factors indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of the assets and liabilities, the reported amount of expenses and the classifications used on the statement of financial position. Such adjustments could be material.

2. Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Standard 34 Interim Financial Reporting of the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and interpretations of the International Financial Reporting Committee ("IFRIC"). Accordingly, these consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These consolidated financial statements follow the same accounting policies and methods of application as the Company's audited financial statements for the year ended December 31, 2015. The policies applied in these consolidated financial statements are based on IFRS issued as of November 28, 2016, the date the Board of Directors approved the financial statements. These consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015.

3. Significant accounting policies

a) Basis of presentation

The consolidated financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of the consolidated 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 or complexity, or areas where assumptions and estimates are significant are disclosed in note 3 in the Company's annual consolidated financial statements for the year ended December 31, 2015.

These consolidated financial statements are prepared in Canadian dollars. The functional currency of the parent company is Canadian dollars.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary up to date it initiated voluntary bankruptcy proceedings under the Bankruptcy Act in Greenland (September 5, 2016) and the Company lost control. All inter-entity balances and transactions have been eliminated.

A subsidiary is an entity controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has the rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. A subsidiary is fully consolidated from the date on which control is obtained by the Company and de-consolidated from the date that control ceases.

The following entity was consolidated within the consolidated financial statements up to the date the Company lost control:

Subsidiary	Jurisdiction of Incorporation & Domiciled	Functional Currency
True North Gems Greenland A/S	Greenland	USD

The change in ownership interest and voting control in the subsidiary is set out below:

	Class A Shares	Ownership Interest	Voting Control
Balance – December 31, 2014	75,532,334	92.39%	92.90%
Shares sold to Greenland Ventures S/A	(5,722,940)	-7.00%	-7.04%
Shares transfered to LNS Group	(8,175,628)	-10.00%	-10.06%
Balance – December 31, 2015	61,633,766	75.39%	75.80%
Loss of control (note 4)	(61,633,766)	-75.39%	-75.80%
Balance – September 30, 2016	-	0%	0%

c) Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period.

4. Bankruptcy of TNGG

On September 5, 2016, TNGG, the Company's 75.39% subsidiary, which owned the Aappaluttoq Ruby and Pink Sapphire Deposit located in SW Greenland, initiated voluntary bankruptcy proceedings under the Bankruptcy Act in Greenland. Since late 2015, the Company had been engaged in an active comprehensive search for mine financing. Two parallel strategies were pursued; financing at the project level ("TNGG") and at the corporate level ("True North"). Neither strategy concluded in the mine being financed. As a result, the Company was unable to fund the Greenlandic operations. Under Greenlandic labor laws TNGG was required to have sufficient working capital for employee wages and office expenses in order to be considered a going concern. Accordingly, TNGG was in breach of Greenlandic interpretation of "going concern" and would be ruled technically insolvent. As such, the Board of Directors of TNGG had to place it into voluntary bankruptcy to protect its shareholders (True North, LNS Denmark and Greenland Ventures S/A). True North was TNGG's largest creditor when it filed for voluntary bankruptcy. Concurrently, the court appointed two Trustees to assume all accounting and administrative duties of TNGG establishing loss of control.

The Trustees fully documented all assets and invited bids from interested parties. The Company prepared and submitted a bid; however, LNS Greenland A/S was the highest bidder and was granted the Aappaluttoq Mine Licence from the Greenland government. The Trustees continue to monitor the TNGG estate and the redistribution of the remaining value will be on a pro-rata basis determined by debt ownership at the time of the TNGG bankruptcy. The timing and amount to be distributed to True North cannot be reasonably determined at this time and will be recorded in the financial statements when received from the estate.

(Expressed in Canadian dollars, except as otherwise noted)

Having established loss of control, TNGG was deconsolidated in the financial statements of True North, which resulted in a loss on bankruptcy of $30,591,998.

The following table summarizes the carrying values of the assets and liabilities of TNGG as of September 5, 2016 and the loss resulting from the loss of control:

Assets		
Cash	$	(14,206)
Accounts receivable		12,574
Prepaids		39,131
Property, plant and equipment		40,094,606
Restricted cash-reclamation		1,702,902
Deposit on finance obligation		5,690,864
Exploration and evaluation assets		2,408,465
		49,934,336
Liabilities		
Accounts payable and accrued liabilites		(5,547,953)
Bank overdraft		(193,000)
Loans payable		(334,044)
Deferred income tax liability		(3,080,806)
Loans payable		(2,066,728)
Provision for reclamation costs		(1,666,460)
Finance lease obligation		(710,984)
		(13,599,975)
		36,334,361
Non-controlling interest		(5,742,363)
Loss on bankruptcy of subsidiary	$	30,591,998

5. Investments

	September 30, 2016			December 31, 2015
	Cost	Accumulated unrealized holding gain (loss)	Carrying value	Carrying value
Endurance Gold Corporation	$ 85,400	$ 48,800	$ 134,200	100,000
Pacific Ridge Explorations Ltd.	-	-	-	4,000
	$ 85,400	**$ 48,800**	**$ 134,200**	**$ 104,000**

(Expressed in Canadian dollars, except as otherwise noted)

6. Property, plant and equipment

	Mine construction and development costs	Plant and equipment - in construction	Computer equipment and software	Laboratory and gem processing equipment	Office furniture and equipment	Plant and equipment - exploration	Total
Cost							
Balance - December 31, 2015	$ 32,100,074	$ 5,755,080	$ 125,669	$ 13,634	$ 3,828	$ 1,350,973	$ 39,349,258
Additions	2,274,723	2,432,206	-	-	-	-	4,706,928
Capitalized depreciation	58,400	-	-	-	-	-	58,400
Capitalized interest	218,486	-	-	-	-	-	218,486
Effect of translation	(1,871,051)	(342,607)	-	-	-	-	(2,213,659)
Provision for reclamation	179,303	-	-	-	-	-	179,303
Write off on loss of control	(32,959,935)	(7,844,678)	(18,263)		(3,828)	(1,350,973)	(42,177,677)
Balance - September 30, 2016	$ -	$ -	$ 107,406	$ 13,634	$ -	$ -	$ 121,040
Accumulated depreciation							
Balance - December 31, 2015	$ -	$ -	$ 105,164	$ 7,649	$ 2,116	$ 1,067,738	$ 1,182,667
Depreciation	-	-	3,964	899	165	58,400	63,427
Effect of translation	-	-	-	-	-	(64,722)	(64,722)
Write off on loss of control	-	-	(10,971)	-	(2,281)	(1,061,416)	(1,074,668)
Balance - September 30, 2016	$ -	$ -	$ 98,157	$ 8,548	$ -	$ -	$ 106,704
Carrying amount - December 31, 2015	**$ 32,100,074**	**$ 5,755,080**	**$ 20,505**	**$ 5,985**	**$ 1,712**	**$ 283,235**	**$ 38,166,592**
Carrying amount - September 30, 2016	**$ -**	**$ -**	**$ 9,249**	**$ 5,086**	**$ -**	**$ -**	**$ 14,335**

As of September 30, 2016, as a result of the voluntary bankruptcy and loss of control of TNGG all property, plant and equipment relating to the Aappaluttoq project have been deconsolidated from the Company's financial statements.

7. Restricted cash - reclamation

As of September 30, 2016, as a result of the voluntary bankruptcy and loss of control of TNGG, the funds (DKK 8,823,307 ($1,702,902)) held at the Bank of Greenland as security for the fulfillment of any abandonment (closure) obligations have been deconsolidated from the Company's financial statements.

8. Deposit on finance lease obligation

As of September 30, 2016, as a result of the voluntary bankruptcy and loss of control of TNGG, the deposit on the finance lease obligation has been deconsolidated from the Company's financial statements.

9. Exploration and evaluation assets

The following table details the expenditures on exploration and evaluation assets by area of interest:

The following table details the expenditures on exploration and evaluation assets by area of interest:

Areas of Interest	Greenland Property	Baffin Island Property	Other Yukon Properties	Total
Balance - December 31, 2015	$ 2,529,202	$ 903,625	$ 1	$ 3,432,828
Effect of translation	(151,836)	-	-	(151,836)
Technical services	31,099	-	-	31,099
Deconsolidation on loss of control	(2,408,465)	-	-	(2,408,465)
Balance - September 30, 2016	**$ -**	**$ 903,625**	**$ 1**	**$ 903,626**

Greenland Property

As of September 30, 2016, as a result of the voluntary bankruptcy and loss of control of TNGG, expenditures on exploration and evaluation assets (the Fiskenaesset – Licence 2008/46, Qaqqatsiaq - Licence 2008/01, Maniitsoq - Licence 2014/47 and non-exclusive prospecting licence, Licence 2016/18) have been deconsolidated from the Company's financial statements.

(Expressed in Canadian dollars, except as otherwise noted)

Baffin Island Property
The property is located on southeastern Baffin Island, Nunuvut, near the town of Kimmirut. The Company holds a 100% interest in 10 claims, NAIP I to NAIPI 10, which 2 claims are subject to a 2% Net Smelter Returns royalty and a 2% Gross Overriding royalty. Conversion of NAIPI 1 TO NAIPI 4 claims to a mining lease was initiated in 2011 and the lease applications are still underway.

Other Yukon Properties
a) Tsa da Glisza Property
Pursuant to an agreement dated March 7, 2002 with Expatriate Resources Ltd., the Company acquired 100% of the Tsa da Glisza Property. The property consists of 93 claims located in the Watson Lake Mining District, Yukon Territory. There has been no recent exploration activity on this property.
b) True Blue Property
The property consists of 301 claims located 55 kilometres south of Ross River, Yukon.

10. Loans payable

	September 30, 2016	December 31, 2015
Demand loans bearing interest at the rate of 5% per annum (accrued interest - $1,096)(note 16)	$ 87,061	$ -
Non-current debt		
Equity investment - Class B shares	$ -	$ 151,533
Term loan	-	1,773,214
Loans payable	$ -	$ 1,924,747

As of September 30, 2016, as a result of the voluntary bankruptcy and loss of control of TNGG, the non-current debt obligations consisting of the equity investment – Class B shares and the term loan have been deconsolidated from the Company’s financial statements.

11. Provision for reclamation

The Company has an obligation under various agreements to reclaim and restore the lands disturbed by its exploration and mine development activities. Changes to the provision are as follows:

	Greenland Property	Baffin Island Property	Total
Balance - December 31, 2015	$ 1,584,009	$ 28,500	$ 1,612,509
Deconsolidation on loss of control	(1,666,460)	-	(1,666,460)
Effect of translation	(96,852)	-	(96,852)
Revision in estimates	179,303	-	179,303
Balance - September 30, 2016	$ -	$ 28,500	$ 28,500

As of September 30, 2016, as a result of the voluntary bankruptcy and loss of control of TNGG, the provision for reclamation for the decommissioning and closure of the Aappaluttoq Ruby and Pink Sapphire Deposit has been deconsolidated from the Company’s financial statements.

(Expressed in Canadian dollars, except as otherwise noted)

12. Finance lease obligation

	September 30, 2016			December 31, 2015
	Future minimum lease payments	Interest	Present value of minimum lease payments	Present value of minimum lease payments
Less than 1 year	$ 148,225	$ (794)	$ 147,431	$ 153,848
Between 1 and 5 years	580,544	(16,992)	563,552	600,344
More than 5 years	-	-	-	61,177
Deconsolidation on loss of control	(728,769)	17,786	(710,983)	-
	$ -	$ -	$ -	$ 815,369

As of September 30, 2016, as a result of the voluntary bankruptcy and loss of control of TNGG, the finance lease obligation has been deconsolidated from the Company's financial statements.

13. Equity

a) Authorized

An unlimited number of common shares without par value are authorized for issue

b) Reserves

Reserves consist of share purchase warrants and the accumulated fair value of common share stock options recognized as share-based compensation.

Warrants

	September 30, 2016		December 31, 2015	
	Number of warrants	Amount	Number of warrants	Amount
Opening balance	980,656	$ 43,511	9,313,990	$ 306,357
Warrants expired	(980,656)	(43,511)	-	-
Warrants exercised	-	-	(8,333,334)	(262,846)
Closing balance	**-**	**$ -**	**980,656**	**$ 43,511**

Stock options

On September 23, 2016, the shareholders approved the Stock Option Plan (the "Plan"), for which up to 10% of the issued share capital can be reserved for issuance to executive officers, directors, employees and consultants. The exercise price of the options is set at the Company's closing share price on the day before the grant date less the applicable discount permitted under the TSX Venture Exchange policies. The options have a maximum term of five years and vest at date of grant. At September 30, 2016, 12,573,538 options are available for future grant under the Plan.

Stock option transactions for the nine month period ended September 30, 2016 and year ended December 31, 2015 and the number of stock options outstanding and exercisable are summarized for the respective financial period ends as follows:

(Expressed in Canadian dollars, except as otherwise noted)

	September 30, 2016			December 31, 2015		
	Number of options		Weighted Average Exercise Price of Options Exercisable	Number of options		Weighted Average Exercise Price of Options Exercisable
Opening balance	18,950,000	$	0.13	18,800,000	$	0.13
Options granted	-	$	-	7,800,000	$	0.16
Options exercised	(250,000)	$	0.10	(1,920,000)	$	0.14
Options expired	(500,000)	$	0.15	(5,430,000)	$	0.15
Options forfeited	-	$	-	(300,000)	$	0.12
Closing balance	**18,200,000**	**$**	**0.13**	**18,950,000**	**$**	**0.13**

At September 30, 2016, stock options outstanding are as follows:

Number of options outstanding and exercisable	Range of exercise prices	Weighted Average Exercise Price of Options Exercisable	Weighted Average Remaining Contractual Life
3,000,000	$0.10	$0.10	0.20
7,400,000	$0.12	$0.12	0.87
7,800,000	$0.15-$0.17	$0.16	1.44
18,200,000	$0.13	$0.13	2.51

14. Non-controlling interest

As of September 30, 2016, as a result of the voluntary bankruptcy and loss of control of TNGG, the non-controlling interest held by the LNS Group (10%) and Greenland Venture S/A (7%) has been deconsolidated from the Company's financial statements.

The Option Agreement dated August 7, 2013, as amended effective October 30, 2014 between the Company and the LNS Group whereby the LNS Group was granted the option to earn 20% of the issued and outstanding Class A shares of TNGG Agreement and the Pledge Agreement (whereby the Company had pledged the Class A TNGG shares, which may be earned by the LNS Group as security for the LNS Group's earn in expenditures) was terminated effective September 5, 2016, the date TNGG initiated voluntary bankruptcy proceedings under the Bankruptcy Act in Greenland.

The Share Purchase and Option Agreement dated August 25, 2015 whereby the Company had the option to repurchase 2,861,470 Class A shares of TNGG from Greenland Venture S/A for a period of three years was terminated effective September 5, 2016, the date TNGG initiated voluntary bankruptcy proceedings under the Bankruptcy Act in Greenland.

(Expressed in Canadian dollars, except as otherwise noted)

15. Supplementary disclosure of cash flow information

	For the three month period ended September 30,		For the nine month period ended September 30,	
	2016	**2015**	**2016**	**2015**
Changes in non-cash working capital items				
Restricted cash	$ 34,617	$ -	$ -	$ -
Accounts receivable	(11,697)	(10,830)	12,531	$ 12,501
Deposits and prepaid expenses	19,164	(30,730)	13,887	(24,941)
Accounts payable and accrued liabilities	(331,050)	(559,042)	997,649	(64,479)
	$ (288,966)	$ (600,602)	$ 1,024,067	$ (76,919)

	For the three month period ended September 30,		For the nine month period ended September 30,	
	2016	**2015**	**2016**	**2015**
Non-cash investing and financing activities				
Property, plant and equipment				
Depreciation	$ -	$ 34,425	$ -	$ 900,148
Effect of translation	$ -	$ 1,843,195	$ -	$ 2,970,288
Reclamation	$ -	$ 458,077	$ -	$ 982,077
Share-based compensation	$ -	$ -	$ -	$ 140,732
Exploration and evaluation assets				
Effect of translation	$ -	$ 165,409	$ -	$ 266,116

	For the three month period ended September 30,		For the nine month period ended September 30,	
	2016	**2015**	**2016**	**2015**
Interest income received	$ (20)	$ 15	$ 37	$ 697

16. Related party transactions

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

During the nine month period ended September 30, 2016, key management personnel loaned the Company $85,965 (note 10).

(Expressed in Canadian dollars, except as otherwise noted)

Details of key management personnel compensation are as follows:

	For the three month period ended September 30, 2016	For the three month period ended September 30, 2015	For the nine month period ended September 30, 2016	For the nine month period ended September 30, 2015
Services provided:				
Salaries	$ 163,917	$ 203,804	$ 590,151	$ 907,977
Directors fees	21,000	21,000	63,000	83,000
Share-based compensation	-	-	-	555,579
Key management personnel compensation	$ 184,917	$ 224,804	$ 653,151	$ 1,546,556

Balances payable to key management personnel for compensation

	September 30, 2016	December 31, 2015
Balances payable to key management personnel for compensation	$ 909,954	$ 403,196

17. Segmented information

The Company's operations comprise one reportable segment, exploration and development of mineral properties. The Company carries on business in Canada and in Greenland up to September 5, 2016, the date TNGG initiated voluntary bankruptcy proceedings under the Bankruptcy Act in Greenland. The carrying value of the Company's non-current assets on a geographical basis is as follows:

	September 30, 2016			December 31, 2015		
	Canada	Greenland	Total	Canada	Greenland	Total
Property, plant and equipment	$ 14,335	$ -	$ 14,335	$ 17,922	$ 38,148,669	$ 38,166,591
Restricted cash - reclamation	-	-	-	-	1,777,013	1,777,013
Deposit on finance lease obligation	-	-	-	-	6,054,391	6,054,391
Exploration and evaluation assets	903,626	-	903,626	903,626	2,529,202	3,432,828
Total	$ 917,961	$ -	$ 917,961	$ 921,548	$ 48,509,274	$ 49,430,822

18. Management of capital risk

The Company's objectives when managing its capital is to maintain the ability to continue as a going concern in order to pursue the development of its mineral properties for the benefits of its stakeholders and to maintain flexible capital structure, which optimizes the costs of capital at an acceptable risk level.

In the management of capital, the Company includes the components of shareholders' equity.

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 new debt, acquire or dispose of assets.

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.

The Company monitors actual expenses to budget for exploration projects and overheads to manage costs, commitments and exploration.

In order to maximize ongoing development efforts, the Company does not currently pay out dividends.

The Company's investment policy is generally to invest its cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. Periodically, the Company will invest in interest bearing investments with maturities exceeding 90 days, if it is for a specific purpose.

(Expressed in Canadian dollars, except as otherwise noted)

The Company will be required to access financial resources through the issuance of securities via equity placements in the junior resource market, sale of the Company's investments or obtaining debt financing in the current year to sustain operations of the Company. Further information related to management of capital risk and liquidity is set out in Note 1.

19. Financial instruments

a) Fair values

The Company's financial assets and liabilities consist of cash and cash equivalents, restricted cash, accounts receivable, investments, bank overdraft, accounts payable and loans payable.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – 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); and,
Level 3 – inputs for the asset or liability that are not based on observable market data.

At September 30, 2016 and December 31, 2015, the Company's financial assets that are measured and recognized at fair value on a recurring basis are categorized as follows:

		September 30, 2016	December 31, 2015
Investments	Level 1	$ 134,200	$ 104,000

The carrying value of the Company's cash and cash equivalents, accounts receivable, bank overdraft, accounts payable and loans payable are representative of their respective fair value at September 30, 2016 and December 31, 2015 due to their short term nature. The fair value of accounts payable and loans payable may be less than the carrying value as a result of the Company's credit and liquidity risk.

b) Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk:

i) *Credit risk*
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

ii) *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 is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in notes 1 and 18.

Accounts payable and accrued liabilities are due within the current operating period.

iii) *Interest risk*

Interest risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its loans payable. This risk is immaterial as at September 30, 2016.