NORTHERN FREEGOLD RESOURCES LTD.
(An Exploration Stage Corporation)
Consolidated Interim Financial Statements
Three and Nine Months Ended September 30, 2016
(Unaudited - prepared by Management)
(Expressed in Canadian dollars)

NORTHERN FREEGOLD RESOURCES LTD.

(An Exploration Stage Corporation)

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited, Expressed in Canadian dollars)

	September 30, 2016	December 31, 2015 (Audited)
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (note 8)	115,735	83,836
Trade and other receivables	18,739	78,739
Prepayments and deposits	100,000	16,880
	234,474	179,455
Non-current assets		
Property, plant and equipment (note 4)	34,089	43,971
Investments in equities (note 5)	1	1
Exploration and evaluation assets (notes 6, 9)	2,968,508	2,968,509
	3,002,598	3,012,481
Total assets	3,237,072	3,191,936
LIABILITIES		
Current liabilities		
Trade and other payables (note 9)	30,167	94,229
Non-current liabilities		
Reclamation provision	25,000	25,000
Total liabilities	55,167	119,229
SHAREHOLDERS' EQUITY		
Share capital (note 7)	47,706,679	47,025,993
Contributed surplus (note 7)	3,792,589	3,792,589
Deficit	(48,317,363)	(47,745,875)
	3,181,905	3,072,707
Total shareholders' equity and liabilities	3,237,072	3,191,936

Nature and continuance of operations (note 1)
Commitments and contingencies (notes 6 and 8)

APPROVED ON BEHALF OF THE BOARD

"John Anderson"	" Paul Reynolds "
John Anderson Director	Paul Reynolds President and CEO

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

NORTHERN FREEGOLD RESOURCES LTD.

(An Exploration Stage Corporation)

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited, expressed in Canadian dollars)

	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
	$	$	$	$
Expenses				
Administrative expenses	24,221	63,791	18,674	70,149
Corporate Communications	34,871	82,505	14,020	39,340
Depreciation	2,454	8,388	3,135	9,625
Exploration expenditures (notes 6, 9)	164,135	235,450	42,538	133,400
Listing and filing fees	1,937	15,998	3,807	21,998
Professional fees (note 9)	9,086	47,192	4,222	30,015
Wages and salaries (note 9)	29,790	115,595	95,603	240,332
Loss before other items	266,494	568,919	181,999	544,859
Other items				
Interest and other income	140	282	651	986
Write down of exploration and evaluation assets (note 6)	(1)	(2,851)	(2,575)	(6,255)
	-	-	-	-
Total other items	139	(2,569)	(1,924)	(5,269)
Total loss for the period	(266,355)	(571,488)	(183,923)	(550,128)
Basic and diluted loss per share	($0.01)	($0.02)	($0.01)	($0.02)
Weighted average number of shares outstanding - basic and diluted	39,942,837	35,801,920	28,992,103	27,430,621

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

NORTHERN FREEGOLD RESOURCES LTD.

(An Exploration Stage Corporation)

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, Expressed in Canadian dollars)

	Share Capital $	Contributed Surplus $	Deficit (note 3(c)) $	Total Shareholders' Equity $
Balance, December 31, 2014	**46,308,046**	**3,792,589**	**(47,018,230)**	**3,082,405**
Shares issuance, net of costs (note 7(b))	**717,947**	**-**	**-**	**717,947**
Loss for the period	**-**	**-**	**(550,128)**	**(550,128)**
Balance, September 30, 2015	**47,025,993**	**3,792,589**	**(47,568,358)**	**3,250,224**
Loss for the period			**(177,517)**	**(177,517)**
Balance, December 31, 2015	**47,025,993**	**3,792,589**	**(47,745,875)**	**3,072,707**
Shares issuance, net of costs (note 7(b))	**599,686**	**-**	**-**	**599,686**
Warrants exercised (note 7(b))	**81,000**	**-**	**-**	**81,000**
Loss for the period	**-**	**-**	**(571,488)**	**(571,488)**
Balance, September 30, 2016	**47,706,679**	**3,792,589**	**(48,317,363)**	**3,181,905**

NORTHERN FREEGOLD RESOURCES LTD.

(An Exploration Stage Corporation)

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited, Expressed in Canadian dollars)

Nine months ended	September 30, 2016	September 30, 2015
	$	$
Cash flows from operating activities		
Loss for the period	(571,488)	(550,128)
Items not involving cash		
Depreciation	8,388	9,625
Write off of capital assets	1,494	-
Write down of exploration and evaluation assets	2,851	3,680
	(558,755)	(536,823)
Change in non-cash working capital		
Trade and other receivables	60,000	(3,027)
Prepayments and deposits	(83,120)	8,659
Trade and other payables	(64,062)	(32,578)
	(645,937)	(563,769)
Cash flows from investing activities		
Acquisition costs of property, plant and equipment	-	(2,522)
Acquisition costs of exploration and evaluation assets	(2,850)	(13,645)
	(2,850)	(16,167)
Cash flows from financing activity		
Proceeds on issuance of common shares, net of share issuance costs	599,686	717,947
Exercise of warrants	81,000	-
	680,686	717,947
Increase (decrease) in cash and cash equivalents	31,899	138,011
Cash and cash equivalents, beginning of period	83,836	81,635
Cash and cash equivalents, end of period	115,735	219,646

Cash and Cash Equivalents consist of:		
Cash	45,739	202,396
Term Deposit	69,996	17,250
	115,735	219,646

During the quarter ended September 30, 2016, the Company made no cash payments for interest (2015 - $nil) and made no cash payments for income taxes (2015 - $nil). The company received $140 in cash payments for interest (2015 - $651).

Non-cash investing and financing activity:

During the quarter ended September 30, 2016, the Company issued no (2015 - nil) common shares with a value of $nil (2015 - $nil) for mineral exploration property agreements.

(Expressed in Canadian dollars)

1. Nature and continuance of operations

Northern Freegold Resources Ltd. (the "Company") was incorporated under the Alberta Business Corporations Act on January 13, 2006 and was extra-provincially registered in British Columbia and the Yukon Territory. The Company is listed on the TSX Venture Exchange ("TSXV"), having the symbol NFR.V. The Company's principal business activity is the exploration for mineral resources, primarily in the Yukon Territory, Canada and Arizona, USA.

The Company's corporate office and principal place of business is Suite 200, 52A Powell Street, Vancouver, British Columbia, Canada.

The consolidated financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company. Although the Company has a history of raising money, there is no guarantee of this in the future. As a result, there exists material uncertainty which raises significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Basis of preparation

(a) Statement of compliance

The consolidated interim financial statements for the Company for the periods ended September 30, 2016 and 2015 are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

These consolidated interim financial statements were authorized for issue by the Board of Directors on November 28, 2016.

(b) Basis of measurement

These consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as FVTPL and available-for-sale which are stated at their fair value.

In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

2. Basis of preparation (continued)

(c) Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are continuously evaluated and reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant accounting estimates

a. The inputs used in accounting for share-based payments in profit or loss;
b. The estimated carrying value and impairment amount of each mineral property, determined by the recoverable amount of the asset;
c. The tax basis of assets and liabilities and related deferred income tax assets and liabilities; and
d. Amounts of provisions, if any, for environmental rehabilitation and restoration;
e. The useful lives for depreciation of property, plant and equipment.

Significant accounting judgments

a. The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operation expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under circumstances;
b. The assessment of indications of impairment of each mineral property;
c. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management; and
d. The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

3. Significant accounting policies

(a) Principles of consolidation

These consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bushmaster Exploration Services (2007) Ltd., Northern Freegold (USA) Inc. and Northern Freegold (USA) LLLP. All significant intercompany transactions and balances have been eliminated upon consolidation. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting dates of the Company. The functional currency for the Company and it's subsidiaries is the Canadian dollar.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

(c) Exploration and evaluation assets

The Company's mineral interests comprise mineral property surface rights, mining titles, exploration licenses, exploitation permits and concession contracts. All direct costs related to the acquisition of mineral interests are capitalized and classified as intangible assets. All other E&E costs incurred prior to a decision to proceed with development are charged to profit and loss as incurred. When a decision to proceed with development is made, development costs subsequently incurred to develop a mine prior to the start of mining operations are capitalized and carried at cost. Subsequent to entering production, development expenditures are transferred to mineral interests within property and equipment. Mineral interests are classified as tangible assets and depreciated when such assets are put in use.

The Company assesses mineral interests for impairment when indicators of impairment are present. When a project is deemed to no longer have commercially viable prospects to the Company, mineral interests in respect of that project are deemed to be impaired. As a result, those mineral interests, in excess of estimated recoveries, are written off and recognized in profit and loss.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to exploration costs. Exploration and evaluation acquisition costs that are capitalized are included as part of cash flows from investing activities whereas exploration and evaluation expenditures that are expensed are included as part of cash flows from operating activities.

3. Significant accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded on a declining balance basis at the following annual rates, except in the year of acquisition when one-half of the rate is used:

Automotive	30%
Computer equipment	30%
Computer software	100%
Equipment	20%

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

(e) Reclamation obligations

The Company recognizes liabilities for statutory, constructive or legal obligations associated with the reclamation of mineral properties, or plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The Company records the present value of the estimated costs of statutory, legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

(f) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income/loss for the period.

3. Significant accounting policies (continued)

(f) Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

(g) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(h) Foreign currency translation

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the reporting date and the related translation differences are recognized in profit and loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

3. Significant accounting policies (continued)

(i) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

(j) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the period is disclosed separately as flow-through share proceeds in Note 8, if any.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financing expense until qualifying expenditures are incurred.

(k) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

3. Significant accounting policies (continued)

(l) Earnings (loss) per common share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. As at September 30, 2016, there were 668,500 options and 17,876,480 warrants outstanding that were not included as their inclusion was anti-dilutive in nature (2015 – 1,137,000 options and 15,589,031 warrants).

(m) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

The fair value of each option granted was calculated at the time of the grant by using the Black-Scholes option pricing model based on historical volatility.

3. Significant accounting policies (continued)

(n) Financial instruments

Financial Assets

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company has classified its cash and cash equivalents as FVTPL.

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

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company’s investments in equities are classified as available-for-sale. The criteria for designating financial assets as available for sale are those not classified as held-for-trading, loans-and-receivables, or held-to-maturity.

Transactions costs associated with FVTPL and available-for-sale financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

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

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss. The Company has not classified any financial liabilities as FVTPL.

3. Significant accounting policies (continued)

(o) Investments in equities

Investments in equities are shares held of other publicly traded companies on the TSXV. These are designated as available-for-sale and are therefore recorded at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered impaired which are reclassified to profit or loss and deficit. The Company measures fair value at the quoted closing bid price on the last day of trading in the period. Any transactions are recorded at the trade date.

(p) New standards, amendments and interpretations adopted

The Company has adopted these accounting standards effective January 1, 2015. The adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

IFRS 2 Share-based Payment: The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition.

IAS 24: Related Party Disclosures: The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation.

IFRS 13: Fair Value Measurement: This amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. This amendment also clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

3. Significant accounting policies (continued)

(q) New standards, amendments and interpretations not yet adopted

The International Accounting Standards Board has issued the following new standards which have not yet been adopted by the Company. The Company has not yet fully assessed the impact of these standards. The Company has determined to not adopt this future accounting policy early.

IFRS 7: Financial Instruments: The amendment clarifies the applicability of the amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements.

This amendment is effective for reporting periods beginning on or after January 1, 2016.

IFRS 9: Financial Instruments: This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

This standard is effective for reporting periods beginning on or after January 1, 2018.

IAS 34: Interim Financial Reporting: The amendment clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' and requires a cross reference.

This amendment is effective for reporting periods beginning on or after January 1, 2016.

IFRS 11: Joint Arrangements: These amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRS standards, except for those principles that conflict with the guidance in IFRS 11; and (b) disclose the information required by IFRS 3 and other IFRS standards for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

These amendments are effective for reporting periods beginning on or after January 1, 2016.

IFRS 16: Leases: IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

This standard is effective for reporting periods beginning on or after January 1, 2019.

(Expressed in Canadian dollars)

4. Property, plant and equipment

	Automotive	Computer Equipment	Computer Software	Equipment	Total
Cost	$	$	$	$	$
Balance, December 31, 2014	107,242	134,158	110,756	139,905	**492,061**
Additions	-	2,522	-	-	2,522
Balance, December 31, 2015	107,242	136,680	110,756	139,905	**494,583**
				(1,494)	**(1,494)**
Balance, September 30, 2016	107,242	136,680	110,756	138,411	**493,089**
Depreciation	$	$	$	$	$
Balance, December 31, 2014	100,598	120,794	110,756	105,128	**437,276**
Depreciation	1,993	4,388	-	6,955	13,336
Balance, December 31, 2015	102,591	125,182	110,756	112,083	**450,612**
Depreciation	1,711	2,587	-	4,090	8,388
Balance, September 30, 2016	104,302	127,769	110,756	116,175	**459,002**
Carrying amounts	$	$	$	$	$
At December 31, 2014	6,644	13,364	-	34,777	**54,785**
At December 31, 2015	4,651	11,498	-	27,822	**43,971**
At September 30, 2016	2,940	8,911	-	22,238	**34,089**

5. Investments in equities

The Company holds securities that have been designated as available-for-sale as follows:

Balance, September 30, 2016 and 2015	At Cost	At Market
150,000 common shares of Dawson Gold Corp.	$380,000	$1

The shares of Dawson Gold Corp. are currently halted on the TSXV, pending a change of business and the loss in value has been determined to be other than temporary and the loss has been reclassified from accumulated other comprehensive income (loss) to net loss.

For securities traded in an active market, market value is based on the quoted closing bid prices of the securities at the financial statement date. The fair value of these securities may differ from the quoted trading price due to the effect of market fluctuations and adjustment for quantities traded.

(Expressed in Canadian dollars)

6. Exploration and evaluation assets

The Company has classified its exploration properties into three separate geographical locations, namely Freegold Mountain Yukon, Other Yukon and Burro Creek USA. The following is a summary of acquisition and exploration expenditures in the above-noted areas:

	Freegold Mountain YT	**Other YT**	**Burro Creek AZ**	**Total**
Balance, December 31, 2014	**$ 2,965,084**	**$ 1**	**$ 1**	**$ 2,965,086**
Additions 2015				
Administration expenses	6,851	-	2,395	9,246
Geological costs	30,782	-	-	30,782
Travel and accommodation	14,326	-	-	14,326
Wages and labor costs	102,898	-	-	102,898
Total exploration costs	154,857	-	2,395	157,252
Add: Acquisition costs	3,423	-	7,627	11,050
Total 2015 additions	158,280	-	10,022	168,302
Expense exploration costs	(154,857)	-	(2,395)	(157,252)
Write down of exploration and evaluation assets	-	-	(7,627)	(7,627)
Balance, December 31, 2015	**2,968,507**	**1**	**1**	**2,968,509**
Additions 2016				
Administration expenses	2,717	-	-	2,717
Camp costs	25,991	-	-	25,991
Equipment and supplies	15,073	-	1,494	16,567
Geological costs	76,385	-	-	76,385
Transportation and storage	16,840	-	-	16,840
Travel and accommodation	6,217	-	-	6,217
Wages and labor costs	90,893	-	1,494	90,893
Total exploration costs	233,981	-	1,494	235,475
Add: Acquisition costs	-	-	6,169	6,169
Total 2016 additions	233,981	-	7,663	241,644
Expense exploration costs	(233,981)	-	(1,494)	(235,475)
Write down of exploration and evaluation assets	-	-	(6,170)	(6,170)
Balance, September 30, 2016	**$ 2,968,507**	**$ 1**	**$ -**	**$ 2,968,508**

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

Cumulative Expenditures	Freegold Mountain YT	Other YT	Burro Creek AZ	Total
Administration expenses	$ 661,557	$ -	$ 96,563	**$ 758,120**
Camp expenses	2,446,064	-	80,516	**2,526,580**
Drilling costs	12,333,983	-	543,221	**12,877,204**
Equipment and supplies	15,073	-	1,494	**16,567**
Geological costs	4,644,804	39,227	241,895	**4,925,926**
Geophysical costs	1,286,667	-	-	**1,286,667**
Transportation and storage	1,171,367	21,614	89,655	**1,282,636**
Travel and accommodation	554,603	-	36,114	**590,717**
Wages and labor costs	9,249,407	15,633	232,025	**9,497,065**
Exploration tax credit	(300,000)	-	-	**(300,000)**
Total Exploration costs	32,063,525	76,474	1,321,483	**33,461,482**
Add: Acquisition costs	2,968,507	412,014	832,637	**4,213,159**
Total cumulative expenditures	35,032,032	488,488	2,154,121	**37,674,641**
Expense exploration costs	(35,032,032)	(76,474)	(1,321,483)	**(33,461,482)**
Write down of exploration and evaluation assets	-	(412,013)	(832,638)	**(1,244,649)**
Balance, September 30, 2016	$2,968,507	$1	$-	**$2,968,508**

(a) Freegold Mountain, Yukon

Freegold Mountain project is comprised of the following individual exploration properties:

(i) Tinta Hill property

The Company has acquired a 100% interest in the Tinta Hill property subject to an advanced royalty payment and a 3% NSR from Bill Harris (a director) by making cash payments of $10,000, issuing 225,000 common shares and incurring $500,000 in exploration expenditures.

As per the agreement the Company has committed to make $20,000 annual advanced royalty payments to the property owner when the property owner ceases to be an insider, a director, officer or beneficial owner of greater than 10% of the issued and outstanding common shares of the Company. The advanced royalty payment will be netted against royalty interest payments after commencement of commercial production.

Of the 3% NSR, the Company can elect to purchase 2% at a cost of $250,000 for the first 1% and $1,000,000 for the second 1%.

(ii) Freegold property

The Company has acquired a 100% interest in the Freegold property subject to an advanced royalty payment and a 3% NSR from Bill Harris (a director) by making cash payments of $5,000, issuing 75,000 common shares and incurring $500,000 in exploration expenditures.

6. Exploration and evaluation assets (continued)

(a) Freegold Mountain, Yukon (continued*)*

(ii) Freegold property (continued)

As per the agreement the Company has committed to make $10,000 annual advanced royalty payments to the property owner when the property owner ceases to be an insider, a director, officer or beneficial owner of greater than 10% of the issued and outstanding common shares of the Company. The advanced royalty payment will be netted against royalty interest payments after commencement of commercial production.

Of the 3% NSR, the Company can elect to purchase 2% at a cost of $250,000 for the first 1% and $1,000,000 for the second 1%.

(iii) Goldstar property

Under the terms of option agreement dated March 15, 2006 with Bill Harris (a director) and a private investor, the Company acquired a 100% interest in the Goldstar property by making aggregate cash payments of $415,000 and incurring aggregate expenditures of $500,000, subject to a 3% NSR.

Pursuant to this option agreement, the Company has committed to make $10,000 annual advanced royalty payment to the property owner in the event that the property owner ceases to be an insider of the Company. The advanced royalty payment will be netted against royalty interest payments after the commencement of commercial production.

The net smelter return royalty and the advance royalty payments will be granted and paid to the property owners on the condition that the related party to such agreements is not a director, officer or beneficial owner of greater than 10% of the issued and outstanding common shares of the Company.

Of the 3% NSR, the Company can elect to purchase 2% at a cost of $500,000 for the first 1% and $1,000,000 for the second 1%.

(iv) Golden Revenue property

Under the terms of agreements dated March 15, 2006 and August 22, 2007, the Company acquired a 100% interest in the Golden Revenue property (including Nucleus Zone), Nitro and Sey properties by making aggregate cash payments of $185,000 and issuing 230,000 common shares to ATAC Resources Ltd. (“ATAC”).

ATAC has retained a 1% NSR on the above property. An underlying 2% NSR on the Revenue Zone (part of the property) exists and 1.5% NSR can be purchased for $600,000.

The Company, as part of its impairment analysis, evaluates its mineral exploration assets or mineral properties based on management’s thresholds of whether a property is technically feasible and potential commercial viability exists. No impairment provision has been recorded on Freegold Mountain project for the quarters ended September 30, 2016 and 2015.

6. Exploration and evaluation assets (continued)

(b) Burro Creek, Arizona USA

On February 25, 2014, the Company and Coelton Ventures Ltd. ("Coelton") amended the terms of the original option agreement whereby the Company can acquire 100% interest by making the final payment of 17,500 common shares to be issued as follows:

1. On or before May 3, 2014, issue and deliver 7,500 commons shares of the Company to Coelton (issued);
2. The company issue and deliver 10,000 common shares to Coelton on or before one of the following events occur:

    (i) The Company and Coelton reach a mutually agreed upon payment date which is specified and agreed to in writing by both parties; or

    (ii) The Company enters into an agreement with a third party, whereby the Company loses any percentage of interest already granted under the option agreement.

The underlying vendors have retained a 3% NSR (2% of which can be purchased by making cash payments totaling US$1,100,000) and will receive a payment of US$500 per month to be included in, and not addition to, the royalty payments. During the quarter the Company relinquished the option on the Burro Creek property.

During the nine months ended September 30, 2016, the Company wrote down exploration and evaluation acquisition costs in the amount of $6,170 (2015 - $6,255).

(c) Other Yukon

The Other Yukon projects are comprised of the following individual exploration properties:

(i) Tad/Toro property

Under the terms of an agreement dated March 21, 2007, the Company acquired a 100% interest in the Tad/Toro property from Bill Harris (a director) and his siblings by making aggregate cash payments of $50,000 and issuing 30,000 common shares. The vendors retained an underlying 3% NSR, of which the first 1% may be purchased for $500,000 and a second 1% for $1,000,000.

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

(c) Other Yukon (continued)

(ii) Nit property

Under the terms of an agreement dated August 22, 2007, the Company acquired a 100% interest in the Nit gold-silver property from ATAC Resources Ltd., subject to a 1% NSR, by issuing a total of 10,000 common shares.

The Company had an agreement with Dawson Gold Corporation ("Dawson Gold") to acquire a 100% interest in the Tad/Toro and Nit properties. During the quarter ended June 30, 2014, Dawson Gold terminated the agreement.

During the course of the agreement, Dawson Gold paid the Company $100,212 in cash, issued 150,000 post consolidation shares and incurred $2,000,000 in exploration expenditures.

(iii) Severance property

The Company acquired a 100% interest in the Severance property by making aggregate cash payments of $50,000 and issuing 80,000 common shares to companies which have a common director with the Company.

The vendor has retained an underlying 3% NSR, of which 2% may be purchased for $1,500,000.

Due to the limitation of cash resources, the Company has been unable to explore other Yukon properties to the full extent and has written down the value of the property to $1. When economic conditions change, the Company may pursue further exploration.

7. Share capital

(a) Authorized

Unlimited common shares with no par value
Unlimited preferred shares the series rights and restrictions to be determined by the Board of Directors on issuance

Issued and outstanding	Number of shares	Share Capital
Balance, December 31, 2014	15,240,989	$46,308,046
Financing, net of issue costs	13,751,114	717,947
Balance, December 31, 2015	28,992,103	$47,025,993
Financing, net of issue costs	10,050,734	599,686
Exercise of warrants	900,000	81,000
Balance, September 30, 2016	39,942,837	$47,706,679

(Expressed in Canadian dollars)

7. Share capital (continued)

(b) Issued and outstanding (continued)

2016 Shares issuance

On April 5, 2016, the Company completed a private placement by issuing 10,050,734 units at a price of $0.06 per unit for gross proceeds of $603,044. No finder's fees were paid in connection with the financing. Each unit is comprised of one common share of the Company and one half of one transferable common share purchase warrant of the Company. Each whole warrant is exercisable into an additional common share at a price of $0.10 per share for a period of 3 years from the date of closing. The Company incurred share issue costs of $3,358.

In the event that the Company's common shares trade at a 10-day volume-weighted average trading price of $0.25 or greater on the TSXVat any time after six months after the closing date, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof, and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

During the nine months ended September 30, 2016, 900,000 warrants were exercised for a total value of $81,000.

2015 Shares issuance

In February 2015, the Company closed a private placement by issuing 13,751,114 units at a price of $0.0525 per unit for gross proceeds of $721,934. Each unit consists of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at $0.09 for a period of 5 years from the closing of the financing. The Company incurred share issue costs of $3,987.

In the event that the Company's common shares trade at a 20-day volume-weighted average trading price of $0.25 or greater on the TSXV at any time one year after the closing date, the Company may accelerate the expiry date of 50% of the warrants outstanding to 20 calendar days from the date of notice; and in the event that the Company's common shares trade at a 20-day volume-weighted average trading price of $0.40 or greater on the TSXV at any time one year after the closing date, the Company may accelerate the expiry date of 100% of the warrants outstanding to 20 calendar days from the date of notice.

(c) Contributed surplus

The following is a summary of the composition in contributed surplus as at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Warrants	$ 21,112	$ 21,112
Share Options	3,771,477	3,771,477
Contributed surplus	$ 3,792,589	$ 3,792,589

(Expressed in Canadian dollars)

7. Share capital (continued)

(d) Stock option

The Company has a stock option plan whereby options to purchase common shares are granted by the board of directors to directors, officers, employees and consultants to the Company. Under the terms of the plan, the Company has reserved an amount of common shares for options up to 10% of the issued and outstanding common shares. Options granted under this plan are non-transferable; expire no later than the tenth anniversary of the date the option is granted and must comply with the requirements of the regulatory authorities.

A summary of the status of stock option plan as at September 30, 2016 is as follows:

Number of stock options outstanding	Exercise price ($)	Expiry Date	Number of stock options exercisable
176,500	1.00	October 18, 2016	176,500
212,000	1.00	October 10, 2017	212,000
240,000	1.00	August 16, 2018	240,000
40,000	1.00	May 13, 2017	40,000
668,500	1.00		668,500

	Number of stock options	Weighted average exercise price ($)
Balance , December 31, 2014	1,137,000	1.00
Options expired	(157,500)	(1.00)
Options forfeited	(84,000)	(1.00)
Balance , December 31, 2015	895,500	1.00
Options expired	(227,000)	(1.00)
Balance, September 30, 2016	668,500	1.00

No options were granted during the quarter (2015 - nil).

The fair value of each stock option granted was estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	2016	2015
Share price	N/A	N/A
Exercise price	N/A	N/A
Risk free interest rate	N/A	N/A
Expected life of options (Years)	N/A	N/A
Annualized volatility	N/A	N/A
Dividend rate	N/A	N/A
Fair value	N/A	N/A

(Expressed in Canadian dollars)

7. Share capital (continued)

(e) Share purchase warrants

Warrant transactions are summarized as follows:

	Warrants	Weighted Average Exercise Price
Balance: December 31, 2014	1,837,917	1.12
Granted	13,751,114	0.09
Balance: December 31, 2015	15,589,031	$0.21
Granted	5,025,367	(0.10)
Expired	(1,302,917)	(1.00)
Exercised	(900,000)	(0.09)
Balance: September 30, 2016	17,876,480	0.10

The following warrants are outstanding at September 30, 2016:

Number of Warrants	Exercise price	Expiry date	Remaining life (Years)
5,025,367	$0.10	April 4, 2019 (2)	3.50
12,851,113	$0.09	January 30, 2020 (1)	2.68
17,876,480			

(1) In the event that the Company's common shares trade at a 20-day volume-weighted average trading price of $0.25 or greater on the TSXV at any time one year after the closing date, the Company may accelerate the expiry date of 50% of the warrants outstanding to 20 calendar days from the date of notice; and in the event that the Company's common shares trade at a 20-day volume-weighted average trading price of $0.40 or greater on the TSXV at any time one year after the closing date, the Company may accelerate the expiry date of 100% of the warrants outstanding to 20 calendar days from the date of notice.

(2) In the event that the Company's common shares trade at a 10-day volume-weighted average trading price of $0.25 or greater on the TSXV at any time six months after the closing date, the Company may accelerate the expiry date of the warrants outstanding by giving notice to the holders thereof, and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

8. Commitments and contingencies

As of September 30, 2016, the Company has $13,800 in term deposits with a Canadian financial institution for the guarantee of business credit cards.

Under the terms of the Company's by-laws, the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company. The claims covered by such indemnifications are subject to statutory and other legal limitation periods.

(Expressed in Canadian dollars)

9. Related party transactions

The Company had the following transactions involving key management during the three months ended September 30, 2016:

(a) An officer of the Company provides accounting services to the Company. Fees incurred during the period were $nil (2015- $nil).

(b) Westview Consulting Ltd., a company controlled by the President and CEO of the Company, provided geological services during the period. The fees incurred were $12,500 (2015- $7,500). At September 30, 2016, this company was owed $5,250 (2015 – $nil).

(c) Purplefish Capital Limited, a company controlled by a director of the Company, provides consulting services to the Company. Fees incurred during the period were $7,500 (2015– $7,500). At September 30, 2016, this company was owed $nil. (2015 – $nil).

(d) Wages and salaries of $10,000 (2015 - $15,000) were paid to two directors of the Company.

(e) OMC Services Ltd. a company controlled by an officer of the Company provided consulting services to the Company. Fees incurred during the period were $200 (2015 – $nil).

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to/from the related parties are non-interest bearing, unsecured and have no fixed terms of repayment. Fair value cannot be readily determined.

10. Segmented information

The Company operates in one operating segment, that being exploration of mineral properties. The Company's assets and net loss by geographic location are as follows:

	September 30, 2016	December 31, 2015
	$	$
Yukon, Canada	2,968,508	2,965,085
Arizona, USA	1	1
Total exploration and evaluation assets	2,968,509	2,965,086

(Expressed in Canadian dollars)

11. Capital management

The Company includes cash and cash equivalents and equity, comprising of issued common shares, contributed surplus, accumulated other comprehensive income (loss) and deficit, in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the periods ended September 30, 2016 and 2015. The Company is not subject to externally imposed capital requirements.

12. Financial instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk - The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper. Included in trade and other receivables at December 31, 2014 was a $100,000 deposit receivable from a vendor who has filed for bankruptcy. The Company recognized an impairment of $35,000 during the year ended December 31, 2015. In the quarter ended September 30, 2016, the company received a payment of $55,983 leaving a receivable of $9,017.

Liquidity Risk – The Company's cash and cash equivalents are invested in business accounts with high-credit quality financial institutions and which is available on demand for the Company's programs. Currently the Company's capital is not sufficient to meet long term business requirements when taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. Future operations or exploration programs will require additional financing primarily through equity markets.

(Expressed in Canadian dollars)

12. Financial instruments (continued)

Market Risk – Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk exposures to which the Company is exposed include shares held in Dawson Gold Corp.

Price risk - The Company's investment designated as available-for-sale is listed on the TSXV. A $0.01 change in the quoted share price would change the fair value of the investments by approximately $1,500. The change would be recorded in accumulated other comprehensive income (loss).

Interest rate risk – In respect to the Company's financial assets, the interest rate risk mainly arises from the interest rate impact on our cash and cash equivalents and term deposits. For the period ended September 30, 2016, every 1% fluctuation in interest rates up or down would have an insignificant impact on profit or loss.

Foreign currency risk - The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in United States dollars. The Company has not entered into any foreign currency contracts to mitigate this risk, as it believes this risk is minimized by the minimal amount of financial instruments held in United States funds.

Commodity price risk – The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

Fair Value - The Company has various financial instruments comprised of cash and cash equivalents, trade and other receivables, investments in equities and trade and other payables.

For disclosure purposes, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

September 30, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 115,735	$ -	$ -	$ 115,735
Investments in equities	$ 1	$ -	$ -	$ 1

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 83,836	$ -	$ -	$ 83,836
Investments in equities	$ 1	$ -	$ -	$ 1

(Expressed in Canadian dollars)

13. Income taxes

(a) As of December 31, 2015 and 2014, a reconciliation of the statutory tax rate to the average effective rate for the Company is as follows:

		2015		2014
Loss before income taxes	$	(727,645)	$	(1,400,586)
Statutory tax rates		26.0%		26.0%
Tax recovery at statutory rate		(189,188)		(364,152)
Non-deductible expenses		200		52,679
Difference in tax rates from foreign jurisdiction		108		8,473
Tax benefits unrecognized		188,880		303,000
Deferred income tax recovery	$	-	$	-

(b) The component of the Company's deferred income tax asset is a result of the origination and reversal of temporary differences and is comprised of the following:

		2015		2014
Mineral exploration properties	$	5,869,175	$	5,832,807
Non-capital Losses Carried forward		4,334,702		4,154,416
Share issue costs		10,590		47,188
Other		154,953		151,594
		10,369,420		10,186,005
Unrecognized deferred tax assets		(10,369,420)		(10,186,005)
Net deferred income tax assets	$	-	$	-

(c) At December 31, 2015, the Company has non-capital losses of approximately $16,672,000 that may be carried forward to apply against future income taxes in Canada expiring as follows:

2026	$	482,000
2027		1,574,000
2028		1,862,000
2029		2,012,000
2030		2,049,000
2031		3,099,000
2032		2,777,000
2033		1,221,000
2034		903,000
2035		693,000
	$	16,672,000

(d) As of December 31, 2015, subject to confirmation by income tax authorities, the Company has approximately the following available tax pools:

	2015	2014
Undepreciated capital cost	$ 448,285	$ 445,764
Resource-related deductions	22,592,809	22,469,506
Undeducted share issue costs carried forward	40,729	181,492
	$ 23,081,823	$ 23,096,762

14. Subsequent Events

On November 21, 2016, the Company completed a private placement by issuing 7,105,000 units at a price of $0.25 per unit for gross proceeds of $1,776,250. Each Unit is comprised of one common share of the Issuer and one share purchase warrant of the Issuer. Each Warrant is exercisable into an additional common share at a price of $0.35 per share for a period of 4 years from the date of closing. Finders' fees of $51,000 are payable in connection with the private placement.