



CONDENSED INTERIM FINANCIAL STATEMENTS

For the quarter ended

November 30, 2015

KAPUSKASING GOLD CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	November 30, 2015	May 31, 2015
ASSETS		
CURRENT		
Cash	\$ 6,644	\$ 104,460
Prepaid expenses	46,949	45,750
Sales taxes receivable	3,449	11,627
	<u>57,042</u>	<u>161,837</u>
NON-CURRENT		
EXPLORATION AND EVALUATION ASSETS (Note 5)	430,396	428,329
	<u>\$ 487,438</u>	<u>\$ 590,166</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 443,584	\$ 382,495
Other liability (Note 7)	5,022	5,022
	<u>448,606</u>	<u>387,517</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	2,848,990	2,842,990
Contributed surplus	979,669	973,869
Deficit	(3,789,827)	(3,614,210)
	<u>38,832</u>	<u>202,649</u>
	<u>\$ 487,438</u>	<u>\$ 590,166</u>

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
 COMMITMENTS (Note 11)

Approved and authorized for issue on behalf of the Board on January 15, 2016:

“Signed”
 Dean Nawata

“Signed”
 Andrew Davidson

The accompanying notes form an integral part of these financial statements

KAPUSKASING GOLD CORP.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	3 months ended Nov. 30, 2015 (Unaudited)	3 months ended Nov. 30, 2014 (Unaudited)	6 months ended Nov. 30, 2015 (Unaudited)	6 months ended Nov. 30, 2014 (Unaudited)
GENERAL AND ADMINISTRATION:				
Bank charges	\$ 62	\$ 43	\$ 160	\$ 246
Consulting (Note 6)	43,654	39,375	97,654	76,875
Investor relations	24,439	82,917	45,854	95,656
Office and miscellaneous	217	406	1,578	1,260
Professional fees (Note 6)	19,438	20,732	23,212	33,882
Rent	(500)	375	(500)	625
Transfer agent and filing fees	2,050	2,495	7,659	5,663
	89,360	146,342	175,617	214,206
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ 89,360	\$ 146,342	\$ 175,617	\$ 214,206
LOSS PER SHARE, basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	25,812,096	20,721,099	25,769,410	24,054,465

The accompanying notes form an integral part of these financial statements

KAPUSKASING GOLD CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the periods ended November 30,	2015	2014
OPERATING ACTIVITIES		
Net loss for the period	\$ (86,257)	\$ (214,206)
Changes in non-cash working capital items:		
Prepaid expenses	(59,123)	(42,000)
Sales taxes receivable	35,744	19,566
Accounts payable and accrued liabilities	37,214	118,017
	(72,422)	(118,623)
FINANCING ACTIVITIES		
Share issuance	-	119,619
Share issuance costs	-	(1,575)
Share subscription receivable	-	72,889
	435,152	190,933
INVESTING ACTIVITIES		
Exploration and evaluation assets	(53,260)	(6,755)
	(53,260)	(6,755)
CHANGE IN CASH	68,639	65,555
CASH, BEGINNING OF PERIOD	35,821	35,821
CASH, END OF PERIOD	\$ 104,460	\$ 101,376
SUPPLEMENTAL INFORMATION		
Interest paid	\$ -	\$ -
Income taxes paid	-	-
Warrants issued for exploration and evaluation assets	5,800	-
Warrants issued for share issue costs	-	714
Shares issued for exploration and evaluation assets	6,000	208,000

The accompanying notes form an integral part of these financial statements

KAPUSKASING GOLD CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Number of Shares	Share Capital \$	Share Subscriptions Receivable \$	Shares Committed For Issuance \$	Contributed Surplus \$	Deficit \$	Total Shareholders' Equity \$
Balance, May 31, 2014	19,005,722	2,451,788	(95,090)	208,000	763,831	(3,138,681)	189,848
Issued for exploration and evaluation assets	1,600,000	208,000	-	(208,000)	-	-	-
Issued for cash pursuant to private placements	1,730,650	61,819	(22,202)	-	-	-	39,617
Warrants issued	-	-	-	-	55,714	-	55,714
Share issue costs	-	(2,379)	-	-	-	-	(2,379)
Share subscriptions receivable	-	-	95,090	-	-	-	95,090
Net loss for the period	-	-	-	-	-	(214,206)	(214,206)
Balance, November 30, 2014	22,336,372	2,716,228	(22,202)	-	819,545	(3,352,887)	163,684
Balance, May 31, 2015	25,727,652	2,842,990	-	-	973,869	(3,614,210)	202,649
Shares issued for exploration and evaluation assets	200,000	6,000	-	-	-	-	6,000
Warrants issued for exploration and evaluation assets	-	-	-	-	5,800	-	5,800
Net loss for the period	-	-	-	-	-	(175,617)	(175,617)
Balance, November 30, 2015	25,927,652	2,848,990	-	-	979,669	(3,789,827)	38,832

The accompanying notes form an integral part of these financial statements

KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2015
(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Kapuskasing Gold Corp. (the "Company") (formerly Olympic Resources Ltd.) was incorporated under the Business Corporations Act in British Columbia on April 26, 2010. The head office, principal address and records office of the Company are located at 1021 West Hastings Street, Suite 650, Vancouver, British Columbia, V6E 0C3. The Company's registered address is 700 West Georgia Street, 25th Floor, Vancouver, British Columbia, V7Y 1B3.

GOING CONCERN

The Company's principal business activities include the acquisition and exploration of mineral property assets. At November 30, 2015, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for an exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and future profitable production from the properties or realizing proceeds from their disposition.

The Company has an accumulated deficit of \$3,789,827 as at November 30, 2015. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

As at November 30, 2015, the Company's current cash resources are insufficient to cover the expected expenditures in fiscal 2016. The Company's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

The Company reported net losses in the six months ended November 30, 2015 and fiscal 2015 of \$175,617 and \$475,529 respectively. These recurring losses and the need for continued financing to further successful exploration may cast significant doubt as to the Company's ability to continue as a going concern.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

These financial statements were approved for issuance by the Board of Directors on January 15, 2016.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, has been omitted or condensed.

The same accounting policies and methods of computation were followed in the preparation of these condensed interim financial statements as were followed in the preparation and described in note 4 of the annual audited financial statements as at and for the year ended May 31, 2015. Accordingly, these condensed interim financial statements for the three and six month periods ended and as at November 30, 2015 and 2014 should be read together with the annual financial statements as at and for the year ended May 31, 2015.

KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2015
(Expressed in Canadian dollars)

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared on a historical cost basis, and are prepared and presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New standards not yet adopted

The Company is currently assessing whether or not the adoption of the following standards will have a material effect on the Company's future financial statements:

IFRS 9, "Financial Instruments"

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2018. Early adoption is permitted and the standard is required to be applied retrospectively.

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation asset expenditures by nature are detailed as follows:

	2015	2014
Sampling, technical reports, data compilation and mapping	\$ 267	6,756
Total	\$ 267	6,756

Exploration and evaluation assets by properties are detailed as follows:

	Acquisition	Exploration	Impairment	Nov. 30, 2015	May 31, 2015
Borden North	\$ 114,020	\$ 57,555	\$ -	\$ 171,575	\$ 168,015
Borden South	29,910	239	-	30,149	27,789
Golden Route	5,280	-	-	5,280	7,920
Chapleau West	39,340	-	-	39,340	41,980
Rollo	152,460	3,224	-	155,684	154,257
Schewabik	28,368	-	-	28,368	28,368
Total	\$ 369,378	\$ 61,018	\$ -	\$ 430,396	\$ 428,329

KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2015
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (*continued*)

BORDEN NORTH PROPERTY, ONTARIO

On February 27, 2014 the Company entered into a purchase agreement to acquire a 100% interest in the Borden North Property ("Borden North"). The Vendors retain a 2% Net Smelter Royalty, of which 1% may be repurchased for \$1,000,000. Under the terms of the agreement, the Company is committed to issue 600,000 shares to the Vendors and have agreed to issue an additional \$600,000 worth of bonus shares, contingent on the Company's release of a NI 43-101 compliant measured and indicated resource of 2,000,000 ounces or more of gold within the claims of Borden North. In addition, the Company paid \$33,660 in cash as a repayment of staking costs associated with Borden North. During the year ended May 31, 2015, the Company received regulatory approval for the agreement and issued the 600,000 shares (valued at \$78,000) to the Vendors.

BORDEN SOUTH PROPERTY, ONTARIO

During the year ended May 31, 2014, the Company acquired, by staking, the Borden South Property in Ontario. The total cost associated with the acquisition was \$27,550.

GOLDEN ROUTE PROPERTY, ONTARIO

During the year ended May 31, 2014, the Company acquired, by staking, the Golden Route Property in Ontario. The total cost associated with the acquisition was \$7,920.

On October 30, 2015, the Company sold a 0.5% royalty interest, on certain claims within the group, to the Ontario Exploration Corp. The payment of \$5,000 has been recorded against the properties acquisition costs.

CHAPLEAU WEST PROPERTY, ONTARIO

During the year ended May 31, 2014, the Company acquired, by staking, the Chapleau West Property in Ontario. The total cost associated with the acquisition was \$41,980.

On October 30, 2015, the Company sold a 0.5% royalty interest, on certain claims within the group, to the Ontario Exploration Corp. The payment of \$5,000 has been recorded against the properties acquisition costs.

ROLLO PROPERTY, ONTARIO

On February 25, 2014 the Company entered into a purchase agreement to acquire a 100% interest in the Rollo Property in Ontario ("Rollo"). The Vendors retain a 2% Net Smelter Royalty, of which 1% may be repurchased for \$1,665,000. Under the terms of the agreement, the Company is committed to issue 1,000,000 shares to the Vendors and have agreed to issue an additional \$1,000,000 worth of bonus shares, contingent on the Company's release of a NI 43-101 compliant measured and indicated resource of 2,000,000 ounces or more of gold within the claims of Rollo. In addition, the Company paid \$20,100 in cash as a repayment of staking costs associated with Rollo. During the year ended May 31, 2015, the Company received regulatory approval for the agreement and issued the 1,000,000 shares (valued at \$130,000) to the Vendors.

SCHEWABIK PROPERTY, ONTARIO

During the year ended May 31, 2014, the Company acquired, by staking, the Schewabik Property in Ontario. The total cost associated with the acquisition was \$28,368.

KAPUSKASING GOLD CORP.
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6. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended May 31, 2015, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

Related party	Nature of transactions
Andrew Davidson, CFO	Consulting fees
Dean Nawata, President & CEO	Consulting fees

Included for the six month periods ended November 30, 2015 and 2014 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. The Company has identified its directors and certain senior officers as its key management personnel. Exchange amounts are the amounts agreed upon by the transacting parties.

Included in accounts payable and accrued liabilities is \$358,190 (May 31, 2015 - \$289,781) payable to directors and officers.

	2015	2014
Consulting	\$ 75,000	\$ 75,000
Totals	\$ 75,000	\$ 75,000

7. OTHER LIABILITY

During the year ended May 31, 2015, the Company closed financings and recorded a premium received on flow-through shares of \$9,822, which was recorded as a liability to be reversed to profit and loss when the eligible expenditures are incurred. As at November 30, 2015, the remaining liability is estimated at \$5,022 and the Company has recognized the difference of nil (May 31, 2015 - \$4,800) to the statement of operations and comprehensive loss.

8. SHARE CAPITAL

a) Share capital

Authorized

Unlimited common shares without par value.

Issued and outstanding

As at November 30, 2015, the issued share capital is comprised of 25,927,652 common shares (May 31, 2015 – 25,727,652):

Fiscal 2015

- i. The Company issued 1,000,000 shares at a value of \$0.13 per share as partial payment for the Borden North property (see also Note 6)
- ii. The Company issued 600,000 shares at a value of \$0.13 per share as partial payment for the Rollo property (see also Note 6)
- iii. The Company completed a private placement issuing 506,560 flow-through units at \$0.075 per unit raising gross proceeds of \$37,992 and issuing 1,727,370 non-flow-through units at \$0.0675 per unit raising gross proceeds of \$116,598. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase a further non-flow-through common share in the Company at a price of \$0.10 per share for 2 years after closing. Also as part of the financing, the Company issued 14,777 finders' warrants exercisable at a price of \$0.10 per warrant for 2 years after closing.

KAPUSKASING GOLD CORP.
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(Expressed in Canadian dollars)

8. SHARE CAPITAL *(continued)*

- iv. The Company completed a private placement issuing 803,000 flow-through units at \$0.075 per unit raising gross proceeds of \$60,225 and issuing 2,085,000 non-flow-through units at \$0.0675 per unit raising gross proceeds of \$140,737. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase a further non-flow-through common share in the Company at a price of \$0.10 per share for 2 years after closing. Also as part of the financing, the Company issued 97,600 finders' warrants exercisable at a price of \$0.10 per warrant for 2 years after closing.

Fiscal 2016

- v. The Company issued 200,000 shares at a value of \$0.03 per share as under a memorandum of understanding with certain First Nations bands in the Chapeau region. The Company has allocated and recorded the amounts as acquisition costs of exploration and evaluation assets.

b) Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to 5 years from the date of grant, and must comply with the rules of the TSX Venture Exchange. The stock options vest at the board's discretion.

On January 15, 2015, 1,125,000 options exercisable at \$0.10 and expiring on January 15, 2020 were granted. Share-based compensation of \$63,000 was recorded using the Black-Scholes Model with the following assumptions:

Expected term	5 years
Volatility	172.8%
Risk-free interest rate	1.02%
Expected dividend yield	nil

- (i) The following stock options were outstanding and exercisable as at November 30, 2015:

Number of Options	Exercise Price	Expiry Date
850,000	\$ 0.28	May 3, 2017
1,125,000	\$ 0.10	January 15, 2020

- (ii) A summary of the Company's issued and outstanding stock options and changes during those years are presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life Remaining (in years)
Balance, May 31, 2014	1,000,000	\$0.28	2.93
Expired/ cancelled	(150,000)	\$0.28	
Issued	1,125,000	\$0.10	
Balance, May 31, 2015 and August 31, 2015	1,975,000	\$0.18	3.47

KAPUSKASING GOLD CORP.
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(Expressed in Canadian dollars)

8. SHARE CAPITAL *(continued)*

c) Warrants and finders' warrants

(i) The following warrants were outstanding and exercisable as at August 31, 2015:

Number of Warrants	Exercise Price	Expiry Date
200,000	\$0.05	October 23, 2020
4,000,000	\$0.10	February, 5, 2019
1,459,600	\$0.10	May 19, 2017
1,526,000	\$0.10	April 16, 2017
511,057	\$0.10	December 17, 2016
1,737,650	\$0.10	November 24, 2016
45,500	\$0.15	May 27, 2016
724,400	\$0.20	May 27, 2016

(ii) A summary of the Company's outstanding and exercisable share purchase warrants are as follows:

	Number of Warrants Outstanding	Number of Warrants Exercisable	Weighted Average Exercise Price
Balance, May 31, 2014	5,269,900		\$0.13
Expired	(500,000)	(500,000)	\$0.30
Issued	5,434,307	5,434,307	\$0.10
Balance, May 31, 2015	10,004,207	10,004,207	\$0.11
Issued	200,000	50,000	\$0.05
Balance, November 30, 2015	10,204,207	10,054,207	\$0.11

In February 2014, the Company issued 4,000,000 share purchase warrants in connection to the private placement units described in Note 9 (a)(iii) above. The warrants are exercisable at \$0.10 per share and expire on February 5, 2019. A fair value of \$91,500 was allocated to the warrants issued using the Black-Scholes model with the following assumptions:

Expected term	5 years
Volatility	140.6%
Risk-free interest rate	1.58%
Expected dividend yield	nil

In May 2014, the Company issued 724,400 share purchase warrants and 45,500 finders' warrants in connection to the private placement units described in Note 9 (a)(iv) above. The warrants are exercisable at \$0.20 per share and the finders' warrants are exercisable at \$0.15 per share and all warrants expire on May 27, 2016. A fair value of \$59,100 was allocated to the share purchase warrants and \$5,892 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	157.2%
Risk-free interest rate	1.04%
Expected dividend yield	nil

KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2015
(Expressed in Canadian dollars)

8. SHARE CAPITAL *(continued)*

c) Warrants and finders' warrants *(continued)*

In November 2014, the Company issued 1,730,650 share purchase warrants and 7,600 finders' warrants in connection to the private placement units described in Note 9 (a)(vii) above. The warrants are exercisable at \$0.10 per share and expire on November 24, 2016. A fair value of \$54,621 was allocated to the unit warrants and \$338 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	238.2%
Risk-free interest rate	1.03%
Expected dividend yield	nil

In December 2014, the Company issued 503,280 share purchase warrants and 7,777 finders' warrants in connection to the private placement units described in Note 9 (a)(vii) above. The warrants are exercisable at \$0.10 per share and expire on December 17, 2016. A fair value of \$14,886 was allocated to the unit warrants and \$334 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	230.3%
Risk-free interest rate	0.99
Expected dividend yield	nil

In April 2015, the Company issued 1,368,000 share purchase warrants and 91,600 finders' warrants in connection to the private placement units described in Note 9 (a)(viii) above. The warrants are exercisable at \$0.10 per share and expire on April 16, 2017. A fair value of \$38,585 was allocated to the unit warrants and \$5,917 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	219.5%
Expected dividend yield	nil
Risk-free interest rate	0.57

In May 2015, the Company issued 1,520,000 share purchase warrants and 6,000 finders' warrants in connection to the private placement units described in Note 9 (a)(viii) above. The warrants are exercisable at \$0.10 per share and expire on May 19, 2017. A fair value of \$32,111 was allocated to the unit warrants and \$246 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	215.6%
Expected dividend yield	nil
Risk-free interest rate	0.70

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(Expressed in Canadian dollars)

8. SHARE CAPITAL *(continued)*

c) Warrants and finders' warrants *(continued)*

In October 2015, the Company issued 400,000 share purchase warrants in connection to signing of the memorandum of understanding described in Note 9 (a)(v) above. The warrants are exercisable at \$0.05 per share and vest 25% on approval of TSXV, and 25% each 6 months thereafter and expire on October 23, 2020. A fair value of \$5,800 was allocated to the warrants issued using the Black-Scholes model with the following assumptions:

Expected term	5 years
Volatility	201.8%
Risk-free interest rate	1.26%
Expected dividend yield	nil

9. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the periods ended November 30, 2015 and November 30, 2014 was based on the loss attributable to common shareholders of \$175,617 (November 30, 2014 – \$214,206) and the weighted average number of common shares outstanding of 25,769,410 (November 30, 2014 – 24,054,465).

10. INCOME TAXES

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2015	Expiry Date Range	2014	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ 1,401,000	No expiry date	\$ 751,000	No expiry date
Share issue costs	22,000	2034 to 2038	6,000	2034 to 2037
Non-capital losses available for future periods	1,702,000	2031 to 2035	1,844,000	2031 to 2034

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. COMMITMENTS

The Company is obligated to make certain payments and issue shares as described in Note 5 in connection with the acquisition of its exploration and evaluation assets.

12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties. The Company does not have any externally imposed capital requirements to which it is subject.

As at November 30, 2015, the Company considers capital to be all 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. The Company did not change its approach to management of capital from the year ended May 31, 2015.

KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions.

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 manages liquidity risk through the management of its capital structure and financial leverage as described in Note 12.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments and corresponding maturities:

		<1 year	1 – 3 Years	Total
Accounts payable and accrued liabilities	\$	443,584	-	\$ 443,584

Foreign Exchange Risk

The Company currently does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Commodity Price Risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Fair Value Measurements

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

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13. FINANCIAL INSTRUMENTS (continued)

The fair value of cash is determined based on “Level 1” inputs which consist of quoted prices in active markets for identical assets. As at November 30, 2015, the Company believes that the carrying values of accounts payable approximates its fair value because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company’s Statement of Financial Position as of November 30, 2015 as follows:

	Level 1	Level 2	Level 3	Total
Cash	\$ 6,644	\$ -	\$ -	\$ 6,644