TSX: BAR
OTCQX: BALMF
BALMORAL
RESOURCES

(An Exploration Stage Company)

AUDITED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

December 31, 2015 and 2014

Corporate Head Office

2300-1177 West Hastings Street
Vancouver, British Columbia
Canada
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BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
AUDITED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

December 31, 2015 and 2014

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BALMORAL RESOURCES LTD.

We have audited the accompanying financial statements of Balmoral Resources Ltd., which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Balmoral Resources Ltd. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 23, 2016

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BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,173,010	$ 15,587,381
Accounts receivable	19,427	6,258
Input tax credits receivable	190,971	140,994
Refundable tax credit	-	248,126
Marketable securities (Note 4)	200,947	152,778
Prepaid expenses (Note 9)	141,243	151,012
	9,725,598	16,286,549
Property, plant and equipment (Note 5)	6,436	5,336
Exploration and evaluation assets (Note 6)	50,067,859	40,712,432
	$ 59,799,893	$ 57,004,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 241,254	$ 452,507
Other liabilities (Note 11)	1,820,585	3,768,262
	2,061,839	4,220,769
Deferred income tax liability (Note 10)	6,019,543	4,261,117
	8,081,382	8,481,886
Shareholders' equity		
Capital stock (Note 7)	67,488,730	64,253,566
Share-based payment reserve	7,529,553	7,425,315
Warrant reserve	297	297
Accumulated other comprehensive loss (Note 4)	(20,490)	-
Deficit	(23,279,579)	(23,156,747)
	51,718,511	48,522,431
	$ 59,799,893	$ 57,004,317

Approved on behalf of the Directors:

"Graeme Currie" Director — *"Lawrence W. Talbot"* Director
Graeme Currie — Lawrence W. Talbot

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
Years Ended December 31

		2015		2014
EXPENSES				
Consulting fees (Note 9)	$	57,910	$	83,274
Depreciation		1,341		1,334
Filing and transfer agent's fees		110,875		127,642
Office and miscellaneous		179,966		146,210
Professional fees		149,294		200,858
Rent		112,653		87,312
Salaries and benefits (Note 9)		555,813		694,545
Share-based payments (Notes 8 and 9)		104,238		1,880,693
Shareholder communication		751,525		647,027
Travel and related costs		100,602		126,392
Loss before other items		(2,124,217)		(3,995,287)
Other items				
Interest income		124,408		111,605
Gain on sale of marketable securities (Note 4)		3,528		-
Impairment losses on marketable securities (Note 4)		(61,111)		(814,390)
Foreign exchange gain		21,304		4,640
Loss before income taxes		(2,036,088)		(4,693,432)
Deferred income tax recovery (Notes 10 and 11)		1,913,256		372,903
Net loss for the year		(122,832)		(4,320,529)
Other comprehensive loss				
Items that may be reclassified subsequently to net loss:				
Fair value adjustment on marketable securities (Note 4)		(20,490)		(305,555)
Transfer to impairment losses on marketable securities (Note 4)		-		814,390
Comprehensive loss for the year	$	(143,322)	$	(3,811,694)
Basic and diluted loss per share	$	0.00	$	(0.04)
Weighted average number of common shares outstanding		111,603,157		101,828,149

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Capital stock	Share-based payment reserve	Warrant reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
Balance, December 31, 2013	**98,111,469**	**$ 52,682,398**	**$ 5,632,050**	**$ 125,150**	**$ (508,835)**	**$ (18,836,218)**	**$ 39,094,545**
Shares issued for cash:							
Private placements	8,480,000	14,545,000	-	-	-	-	14,545,000
Allocation of value to flow-through premium (Note 11)	-	(5,025,600)	-	-	-	-	(5,025,600)
Exercise of warrants	3,145,752	2,359,314	-	-	-	-	2,359,314
Exercise of options	527,300	337,665	-	-	-	-	337,665
Property acquisition (Note 6(e))	117,000	211,750	-	-	-	-	211,750
Share issuance costs	-	(1,211,959)	142,717	-	-	-	(1,069,242)
Reallocation on exercise of warrants	-	145,931	(21,078)	(124,853)	-	-	-
Reallocation on exercise of options	-	209,067	(209,067)	-	-	-	-
Share-based payments	-	-	1,880,693	-	-	-	1,880,693
Net loss for the year	-	-	-	-	-	(4,320,529)	(4,320,529)
Fair value adjustment on marketable securities	-	-	-	-	(305,555)	-	(305,555)
Transfer to impairment losses on marketable securities	-	-	-	-	814,390	-	814,390
Balance, December 31, 2014	**110,381,521**	**$ 64,253,566**	**$ 7,425,315**	**$ 297**	**$ -**	**$ (23,156,747)**	**$ 48,522,431**

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
(Expressed in Canadian Dollars)

	Number of shares	Capital stock	Share-based payment reserve	Warrant reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
Balance, December 31, 2014	**110,381,521**	**$ 64,253,566**	**$ 7,425,315**	**$ 297**	**$ -**	**$ (23,156,747)**	**$ 48,522,431**
Shares issued for cash:							
Private placements	7,247,646	5,435,735	-	-	-	-	5,435,735
Allocation of value to flow-through premium (Note 11)	-	(1,847,912)	-	-	-	-	(1,847,912)
Share issuance costs	-	(352,659)	-	-	-	-	(352,659)
Share-based payments	-	-	104,238	-	-	-	104,238
Net loss for the year	-	-	-	-	-	(122,832)	(122,832)
Fair value adjustment on marketable securities	-	-	-	-	(20,490)	-	(20,490)
Balance, December 31, 2015	**117,629,167**	**$ 67,488,730**	**$ 7,529,553**	**$ 297**	**$ (20,490)**	**$ (23,279,579)**	**$ 51,718,511**

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
Years Ended December 31

		2015		2014
OPERATING ACTIVITIES				
Net loss for the year	$	(122,832)	$	(4,320,529)
Items not affecting cash:				
Depreciation		1,341		1,334
Share-based payments		104,238		1,880,693
Realized gain on sale of marketable securities		(3,528)		-
Impairment losses on marketable securities		61,111		814,390
Deferred income tax recoveries		(1,913,256)		(372,903)
Changes in non-cash working capital items:				
Accounts receivable		565		(565)
Input tax credits receivable		(49,977)		323,710
Refundable tax credit		198,500		-
Prepaid expenses		9,769		(38,892)
Accounts payable and accrued liabilities		(87,799)		41,783
Net cash flows used in operating activities		(1,801,868)		(1,670,979)
FINANCING ACTIVITIES				
Shares issued for cash		5,435,735		17,241,979
Share issuance costs		(476,566)		(1,069,242)
Net cash flows provided by financing activities		4,959,169		16,172,737
INVESTING ACTIVITIES				
Investment in and expenditures on exploration and evaluation assets		(9,632,989)		(9,056,314)
Cash received from sale of marketable securities		63,758		-
Purchase of property, plant and equipment		(2,441)		-
Net cash flows used in investing activities		(9,571,672)		(9,056,314)
Increase (decrease) in cash and cash equivalents		(6,414,371)		5,445,444
Cash and cash equivalents, beginning of the year		15,587,381		10,141,937
Cash and cash equivalents, end of the year	$	9,173,010	$	15,587,381
Cash and cash equivalents consist of the following:				
Cash	$	1,160,129	$	853,923
Term deposits		8,012,881		14,733,458
	$	9,173,010	$	15,587,381
Supplemental cash flow information				
Accounts receivable related to exploration and evaluation assets	$	19,427	$	5,693
Accounts payable related to exploration and evaluation assets	$	133,055	$	256,060
Refundable tax credit for exploration and evaluation assets	$	-	$	248,126
Marketable securities received for property option (Notes 6(a) and (e))	$	190,000	$	-
Common shares issued for property acquisition	$	-	$	211,750
Agent warrants issued for finder’s fees	$	-	$	142,717

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Balmoral Resources Ltd. (the "Company" or "Balmoral") is incorporated under the laws of British Columbia, Canada, and is primarily engaged in the acquisition, exploration and development of mineral properties. The address of its head office is 2300 – 1177 West Hastings Street, Vancouver, British Columbia, Canada V6E 2K3. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company is a publicly-traded Company listed on the Toronto Stock Exchange ("TSX") under the symbol "BAR", on the OTCQX market in the United States under the symbol "BALMF" and on the Frankfurt Stock Exchange under the symbol "BOR".

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company had a loss of $122,832 for the year ended December 31, 2015 (2014 – $4,320,529). The Company has working capital (which includes short-term tax recoveries and publicly traded shares and excludes other liabilities related to flow-through share obligations) as at December 31, 2015 of $9,484,344 (2014 - $15,834,042) and a deficit of $23,279,579 (2014 - $23,156,747). On October 28, and November 18, 2015, the Company closed two tranches of a non-brokered flow-through private placement by issuing 7,247,646 flow-through common shares at a price of $0.75 per flow-through share for gross proceeds of $5,435,735 (Note 7(a)).

The business of mineral exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. The Company has sufficient cash to meet its requirements for administrative overhead, to conduct due diligence on exploration and evaluation acquisition targets, and to conduct exploration of its exploration and evaluation assets.

The Company does not generate cash flows from operations to fund its activities, and therefore, relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations and financial condition.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies, methods of computation and presentation applied in these financial statements are consistent with those of the previous financial year. The Board of Directors approved the financial statements on March 23, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Significant accounting estimates and judgments

The preparation of financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Assumptions used in the calculation of the fair value assigned to share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Valuation of marketable securities

Management assesses at the end of each reporting period whether there had been any other-than-temporary impairment on its investments, using objective evidence to determine if the marketable securities are impaired. Listed prices on public stock exchanges are used to determine if the fair value is at a significant and prolonged decline below the historical cost of the marketable securities. Management assessed other-than-temporary impairment on its GTA Resources and Mining Inc. (“GTA”) marketable securities (Note 4) for the year ended December 31, 2015.

Provisions for environmental rehabilitation

The Company assesses its provisions for environmental rehabilitation on an annual basis or when new material information becomes available. Provisions for environmental rehabilitation require management to make estimates of the future costs of the work required to comply with legal or constructive obligations. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could increase the extent of work required to be performed, which could materially impact the amounts charged to operations for provisions for environmental rehabilitation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Significant accounting estimates and judgments (Continued)

Critical accounting judgments

Critical accounting judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Refundable tax credits and flow-through expenditures

The Company is entitled to refundable input tax credits and tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether expenditures are eligible for claiming such credits.

The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management’s judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities can materially increase the flow-through premium liability and outstanding commitments (Note 11).

Valuation of exploration and evaluation assets

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned and results of exploration and evaluation activities on the exploration and evaluation assets. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit (“CGU”)) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. Management has determined that there were no indicators of impairment during the years ended December 31, 2015 and 2014.

Evaluation of the nature of interests in undivided assets

Management has determined that the contractual arrangement in Note 6(b) does not meet the definition of a joint operation under IFRS 11 *Joint Arrangements* as the Company and GTA do not share joint control. However, as the Company retains a 49% undivided interest on the Northshore Property, the Company has accounted for this interest by recognizing its share of the assets, liabilities and expenditures under the arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Allocation of flow-through funds

The Company determines the flow-through share premium by allocating the total funds received between common share and flow-through premium liability by first assessing the fair value of the common shares issued, based on market price at issuance, with any excess considered being allocated to warrants (if any) and the flow-through premium. In the year ended December 31, 2015, no warrants were issued as part of flow-through financings.

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on deposit at financial institutions and highly liquid investments with original maturities of three months or less from the date of purchase, that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes.

(d) Property, plant and equipment

Recognition and measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including directly attributable borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability, if any, is recognized within provisions.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

Depreciation is recognized in profit or loss on a declining-balance basis at the following annual rates:

Office equipment	20%
Vehicle	20%
Computer equipment	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Mineral exploration and evaluation expenditures

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors, and camp costs during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer a part of a mineral interest as consideration for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would have otherwise been undertaken by the Company. The Company uses the carrying amount of the interest before the farm-out as the carrying amount for the portion of the interest retained. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the cost previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for in profit or loss.

When a project is deemed to no longer have commercially viable prospects for the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has not commenced commercial operations, any incidental revenues, including receipt of input tax credit receivables, earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

(f) Impairment of non-current assets

Non-current assets are evaluated at least annually by management for indicators that the carrying value is impaired. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a CGU, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU’s fair value less costs to sell and its value in use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Impairment of non-current assets (Continued)

An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating the recoverable amount, if applicable, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions, and hence, affect the recoverable amount.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

(g) Reversal of impairment of non-current assets

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(h) Provisions for environmental rehabilitation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and/or internal expertise, and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

(i) Mining and exploration tax recoverable

The Company recognizes mining and exploration tax recoveries in the period in which the related qualifying resource expenditures are incurred. The amount recoverable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income (loss), except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

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 and deferred 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.

(k) Capital stock

The proceeds from the exercise of stock options and warrants and the cost initially recognized on their issuance are recorded as capital stock in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

Commissions paid to agents, and other related share issue costs, such as legal, auditing, and printing, on the issue of the Company’s shares are charged directly to capital stock.

Valuation of equity units issued in private placements

The Company has adopted the 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 common shares issued in the private placements at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded in shareholders’ equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Capital stock (Continued)

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. 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 allocates the flow-through share into i) fair value of capital stock and ii) the residual as a flow-through share premium, which is recognized as a liability. On issuance of a flow-through unit, the Company allocates the flow-through unit into i) fair value of capital stock, ii) fair value of a warrant and iii) the residual as a flow-through share premium, which is recognized as a liability. Upon expenses being incurred, the Company derecognizes the liability and recognizes a credit to deferred tax expense.

The Company is required to spend the proceeds received from the issuance of flow-through shares on 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 Company's period, is disclosed separately in Note 11.

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 financial expense until paid.

Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(l) 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 using the graded vesting method. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Share-based payments (Continued)

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 or are directly related to the acquisition of an exploration and evaluation asset. Amounts related to the issuance of shares are recorded as a reduction of capital stock, whereas amounts directly related to the acquisition of an exploration and evaluation asset are capitalized as a component of the asset cost.

When the value of goods or services received in exchange for the share-based payments 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 behavioural considerations.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to capital stock, and 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 or settlement as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the revised 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.

(m) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, available-for-sale ("AFS"), held-to-maturity or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash and cash equivalents are included in this category of financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Loans and receivables are comprised of accounts receivable.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any other financial asset category. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity. AFS assets include marketable securities.

Management assesses the carrying value of AFS financial assets at each reporting date and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in accumulated other comprehensive loss are included in profit or loss.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Other financial liabilities include accounts payable and accrued liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments (Continued)

Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

This category is comprised of derivative financial liabilities. Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss.

(n) New accounting pronouncements

The IASB has issued pronouncements effective for accounting periods beginning on or after January 1, 2016. Only those which may significantly impact the Company are discussed below:

IFRS 9 Financial Instruments (2014)

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Financial liabilities are classified in a similar manner to under IAS 39, however, there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 also introduces a "fair value through other comprehensive income" category for certain debt instruments. The finalized version of IFRS 9 is applicable to the Company's annual periods beginning January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model in the recognition of revenue to be applied to all contracts with customers. The five steps in the model are as follows:

- identify the contract with the customer
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to the performance obligations in the contracts
- recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is applicable to the Company’s annual periods beginning on or after January 1, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) New accounting pronouncements (Continued)

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRS 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 remeasured). The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted. Amendments to IFRS 11 are applicable to the Company's annual periods beginning on or after January 1, 2016.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendments to IAS 16 and IAS 38 are applicable to the Company's annual periods beginning on or after January 1, 2016.

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Amends IAS 27 *Separate Financial Statements* to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. They are applicable to the Company's annual periods beginning on or after January 1, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) New accounting pronouncements (Continued)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Amends IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 *Business Combinations*)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e., a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g., whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The amendments to IFRS 10 and IAS 28 have been deferred indefinitely.

IFRS 16 Leases

IFRS 16 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 *Leases*.

IFRS 16 is applicable to the Company's annual periods beginning on January 1, 2019.

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. 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 manage its capital to be able to sustain the future development of the Company's business. The Company currently has no source of revenues, and therefore, is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. 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 year ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of these financial instruments.

(Expressed in Canadian Dollars)

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Concentration of credit risk exists with respect to the Company's cash, as all amounts are held at a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure is as follows:

		2015		2014
Cash and cash equivalents	$	9,173,010	$	15,587,381

The credit risk associated with cash and cash equivalents is minimized by ensuring it is placed with a major Canadian financial institution with a strong investment-grade rating issued by a primary ratings agency.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. During the year ended December 31, 2015, the Company raised net proceeds of $4,959,169 from two tranches' of a non-brokered flow-through private placement. The proceeds were used for working capital purposes and investment in and expenditures on exploration and evaluation assets. All outstanding liabilities are due within three months of December 31, 2015.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

i. Interest rate risk

The Company's cash and cash equivalents consist primarily of cash held in bank accounts and term deposits. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of December 31, 2015. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subject to interest rate risk.

(Expressed in Canadian Dollars)

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

ii. Foreign currency risk

During the year ended December 31, 2015, the Company is not exposed to material foreign currency risk.

iii. Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

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

Assets and liabilities measured at fair value at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9,173,010	-	-	$ 9,173,010
Marketable securities	$ 200,947	-	-	$ 200,947

Assets and liabilities measured at fair value at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 15,587,381	-	-	$ 15,587,381
Marketable securities	$ 152,778	-	-	$ 152,778

iv. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, foreign currency risk or commodity price risk.

The Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. The Company's marketable securities are carried at market value and are directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 10% change in the market prices would not have a material effect on net income (loss) and comprehensive loss.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

As at December 31, 2015, the Company held 3,055,555 (2014 - 3,055,555) common shares of GTA with a fair value of $91,667 (2014 - $152,778). The Company classified these shares as AFS. Based on objective evidence that the fair value of the GTA shares is at a significant and prolonged decline below the historical cost, $814,390 was transferred from accumulated other comprehensive loss to impairment loss on marketable securities in profit or loss at December 31, 2014. Fair value adjustments for the year ended December 31, 2015 amounted to unrealized loss of $61,111 being recorded as impairment loss on marketable securities in profit or loss.

On February 26, 2015, the Company received 1,000,000 common shares of Wealth Minerals Ltd. ("Wealth") with a fair value of $190,000 as a first option payment as part of an option agreement whereby Wealth may earn an initial 51% interest in the N1 and N2 Properties (Note 6(a)). During the year ended December 31, 2015, the Company sold 317,000 common shares of Wealth for an average price of $0.205 per share for gross proceeds of $65,113, a realized net gain of $3,528. As at December 31, 2015, the Company held 683,000 (2014 –Nil) common shares of Wealth with a fair value of $109,280 (2014 - $Nil). The Company classified these shares as AFS. Fair value adjustments for the year ended December 31, 2015 amounted to unrealized loss of $20,490, recorded as other comprehensive loss. Subsequent to December 31, 2015, the Company sold 508,000 shares of Wealth for an average price of $0.256 per share for gross proceeds of $130,236 and a realized net gain of $32,076.

5. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Vehicle	Computer	Total
Cost				
Balance, December 31, 2013 and 2014	$ 1,681	$ 9,698	$ -	$ 11,379
Addition for the year	-	-	2,441	2,441
Balance, December 31, 2015	$ 1,681	$ 9,698	$ 2,441	$ 13,820
Depreciation				
Balance, December 31, 2013	$ 907	$ 3,802	$ -	$ 4,709
Depreciation for the year	155	1,179	-	1,334
Balance, December 31, 2014	1,062	4,981	-	6,043
Depreciation for the year	123	942	276	1,341
Balance, December 31, 2015	$ 1,185	$ 5,923	$ 276	$ 7,384
Carrying amounts				
At December 31, 2015	$ 496	$ 3,775	$ 2,165	$ 6,436
At December 31, 2014	$ 619	$ 4,717	$ -	$ 5,336

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Fenelon (Note 6(a))	N2 (Note 6(a))	Martiniere (Note 6(a))	Northshore (Note 6(b))	Detour East (Note 6(c))	Grasset (Note 6(d))	Others (Note 6(e))	Total
Balance, December 31, 2013	$ 4,439,730	$ 1,902,443	$ 18,923,482	$ 375,389	$ 3,247,066	$ 2,085,500	$ 592,712	$ 31,566,322
Acquisition costs								
Cash payments	-	-	-	-	-	2,683	5,976	8,659
Share issuances	-	-	-	-	-	-	211,750	211,750
Total acquisition costs	-	-	-	-	-	2,683	217,726	220,409
Deferred exploration costs:								
Camp	20,422	-	501,756	8,145	14,485	807,385	2,087	1,354,280
Drilling and analysis	-	-	1,645,622	-	-	3,234,223	-	4,879,845
Land maintenance and tenure	10,162	6,023	3,416	1,500	18,808	18,846	3,383	62,138
Personnel and geology	135,164	8,630	955,135	4,750	14,226	1,608,114	151,545	2,877,564
Total deferred exploration costs	165,748	14,653	3,105,929	14,395	47,519	5,668,568	157,015	9,173,827
Total expenditures for the year	165,748	14,653	3,105,929	14,395	47,519	5,671,251	374,741	9,394,236
Quebec mineral exploration tax credit	(4,261)	(236)	(84,973)	-	(786)	(153,662)	(4,208)	(248,126)
Balance, December 31, 2014	$ 4,601,217	$ 1,916,860	$ 21,944,438	$ 389,784	$ 3,293,799	$ 7,603,089	$ 963,245	$ 40,712,432

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

	Fenelon (Note 6(a))	N2 (Note 6(a))	Martiniere (Note 6(a))	Northshore (Note 6(b))	Detour East (Note 6(c))	Grasset (Note 6(d))	Others (Note 6(e))	Total
Balance, December 31, 2014	$ 4,601,217	$ 1,916,860	$ 21,944,438	$ 389,784	$ 3,293,799	$ 7,603,089	$ 963,245	$ 40,712,432
Acquisition costs								
Cash payments	-	-	-	-	-	1,707	497	2,204
Total acquisition costs	-	-	-	-	-	1,707	497	2,204
Deferred exploration costs:								
Camp	166,423	2,013	411,998	6,349	11,463	1,028,182	32,513	1,658,941
Drilling and analysis	288,653	-	1,292,951	-	5,427	2,949,816	149,919	4,686,766
Land maintenance and tenure	11,182	1,082	5,699	3,016	8,247	4,312	23,086	56,624
Personnel and geology	379,705	4,673	725,316	900	15,533	1,916,921	48,218	3,091,266
Total deferred exploration costs	845,963	7,768	2,435,964	10,265	40,670	5,899,231	253,736	9,493,597
Total expenditures for the year	845,963	7,768	2,435,964	10,265	40,670	5,900,938	254,233	9,495,801
Cost recoveries (Note 4)	-	(95,000)	-	-	-	-	(95,000)	(190,000)
Quebec mining tax credit	849	47	16,921	-	157	30,814	838	49,626
Balance, December 31, 2015	$ 5,448,029	$ 1,829,675	$ 24,397,323	$ 400,049	$ 3,334,626	$ 13,534,841	$ 1,123,316	$ 50,067,859

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Fenelon, N2 and Martiniere, Quebec

The Company owns 100% interests in each of the Fenelon, N2 and Martiniere Properties.

There are certain net smelter return (“NSR”) royalties on the properties - 2% at Martiniere, between 2% and 4% for Fenelon and 1% to 5% on the N2 Property - in favour of former property owners with said royalties payable on commencement of commercial production. Buyout provisions exist for certain portions of said royalties.

On February 2, 2015, the Company agreed to option a partial interest in its N1 (Note 6(e)) and N2 Properties (the “Project”) to Wealth. Under the terms of the Option Agreement, Wealth would have been granted an option to earn an initial 51% interest in the Project by completing $2,200,000 in exploration on the Project over three years, including a minimum of $1,200,000 in drilling, and issuing 3,000,000 common shares to the Company. Under a second option, Wealth could have earned an additional 24% interest in the Project (for an aggregate 75% interest) through additional expenditures of $2,800,000 (for total aggregate expenditures of $5,000,000) and making cash payments of $600,000 to the Company. Wealth received final approval from the TSX Venture Exchange on February 25, 2015 and issued 1,000,000 common shares to the Company on February 26, 2015 (Note 4). The Option Agreement was terminated on February 25, 2016. The Company and Wealth entered into a Termination Agreement dated February 25, 2016 under which Wealth will pay to the Company a sum of $400,000 in cash or common shares of Wealth, at Wealth’s option, in three payments (April 1, July 1 and October 1, 2016). Wealth will also be responsible for making any payments required to maintain the two properties in good standing which come due prior to August 25, 2016. The Company currently holds a 100% interest in the Project and Wealth will maintain no interest in the Properties.

(b) Northshore, Ontario

As at December 31, 2015 the Company owns a 49% interest in the Northshore Property along with certain surface rights attached to the property. The Northshore Property mineral rights are underlain by a sliding-scale NSR royalty to a third-party (Autotrac Limited), which is adjusted to the contained number of ounces of gold outlined in a pre-production resource estimate.

On July 24, 2011, the Company and GTA entered into an option agreement whereby GTA was granted the exclusive right to acquire up to a 70% interest in the Northshore Property.

Under the terms of the Option Agreement, GTA was granted a First Option to earn an initial 51% interest in the Northshore Property by making cash payments to the Company of $50,000 (received), issuing in favour of Balmoral 2,500,000 common shares of GTA (received) and incurring a minimum of $2,500,000 in eligible exploration expenditures (incurred) on the property over a three-year period from the date of receipt of regulatory approval, including the production of a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* technical report.

On July 14, 2014, GTA delivered a First Option vesting notice to the Company and subsequently advised the Company that it would not be proceeding with a Second Option, which had been granted under the terms of the Option Agreement. As a consequence, a 51%/49% participatory contractual arrangement has now been formed with respect to the Northshore Property with GTA as the majority holder and project operator. As the Company does not have joint control over the operations, but retains a 49% undivided interest to the property, the Company accounted for the disposal of its Northshore Property and the

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Northshore, Ontario (Continued)

acquisition of this interest in Northshore by recognizing its share of the assets under the arrangement at $400,049, the carrying value of the Northshore Property.

(c) Detour East, Quebec

The Company owns a 100% interest in the Detour East Property, except for 18 claims, which are in a 63%/37% participatory joint venture with Encana Corp. for which the Company is the operator.

There is a NSR royalty of 2%, which relates to the entirety of the property, payable to a former property owner, which may be repurchased by the Company at any time, at a cost of $1,000,000 for the first of 50% of the NSR interest and $2,000,000 for the remaining 50% of the NSR interest.

(d) Grasset, Quebec

The Company acquired a 100% interest by staking a group of mineral claims located east of the Company's Fenelon Project (Note 6(a)). During the year ended December 31, 2015, the Company acquired claims for staking fees of $1,707 (2014 - $2,683). There are no underlying royalties on the Grasset Property.

(e) Others, Quebec

Harri

The Company acquired by staking and holds a 100% interest in, with no underlying royalties, a group of mineral claims that connect the Company's Martiniere and Fenelon Properties (Note 6(a)). During the year ended December 31, 2015, the Company acquired claims for staking fees of $276 (2014 - $Nil).

Doigt

The Company acquired by staking and holds a 100% interest in, with no underlying royalties, a group of mineral claims located northwest of the Company's Martiniere Property (Note 6(a)).

N1

The Company acquired by staking and holds a 100% interest in, with no underlying royalties, a group of mineral claims located just west of the Company's N2 Property (Note 6(a)).

On February 2, 2015, the Company agreed to option its N1 and N2 (Note 6(a)) Properties to Wealth. The option agreement was terminated on February 25, 2016.

Lac Fleuri and Nantel

During the year ended December 31, 2015, the Company acquired additional claims for staking fees of $221. During the year ended December 31, 2014, the Company acquired by staking and holds a 100% interest in, with no underlying royalties, two groups of claims located east of the Company's Grasset Property (Note 6(d)) for staking fees of $328.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(e) Others, Quebec (Continued)

Jeremie

During the year ended December 31, 2014, the Company acquired by staking a 100% undivided interest in the Jeremie Property located north of the Fenelon Property (Note 6(a)) for $5,648.

Jeremie South

On July 31, 2014, the Company acquired a 100% interest in the Jeremie South Property by completing the following property acquisition agreements:

i. Jeremie (ABE) Property Agreement

The Company acquired a 100% interest in the Jeremie (ABE) Property from ABE Resources Inc. ("ABE") through the issuance of 60,000 common shares of the Company fair valued at $109,200 or $1.82 per common share on July 30, 2014 and the granting to ABE of a 1% NSR royalty on the 17 claims which comprise the property.

At any time, the Company will have the right to purchase from ABE 50% of ABE's 1% NSR interest for $500,000 and shall have a right of first refusal on the sale or transfer of ABE's royalty interest.

In addition, the Company purchased an existing 2% NSR interest in the property from two underlying vendors through the issuance of 30,000 common shares fair valued at $54,600 or $1.82 per common share on July 30, 2014.

ii. Jeremie 5 Property

The Company acquired a 100% interest in the Jeremie 5 Property from an arm's length individual through the issuance of 20,000 common shares of the Company fair valued at $36,400 or $1.82 per common share on July 30, 2014 and the granting to the individual a 1% NSR royalty on the claims which comprise the property.

At any time, the Company will have the right to purchase from the individual 50% of the individual's 1% NSR interest for $1,000,000 and shall have a right of first refusal on the sale or transfer of the individual's royalty interest.

iii. Jeremie 8 Property

The Company acquired a 100% interest in the Jeremie 8 Property from an arm's length individual through the issuance of 7,000 common shares of the Company fair valued at $11,550 or $1.65 per common share on August 29, 2014 and the granting to the individual a 1% NSR royalty on the claims which comprise the property.

At any time, the Company will have the right to purchase from the individual 50% of the individual's 1% NSR interest for $1,000,000 and shall have a right of first refusal on the sale or transfer of the individual's royalty interest.

7. CAPITAL STOCK

(a) Common shares

Authorized

An unlimited number of common shares without par value.

Share issuances

i. During the year ended December 31, 2015:

a. On November 18, 2015, the Company closed second tranche of a non-brokered private placement and raised gross proceeds of $900,000 through the issuance of 1,200,000 flow-through common shares at a price of $0.75 per share.

In consideration of the agents' services, the Company paid cash commission of $51,000 and paid an additional $49,560 in share issuance costs.

b. On October 28, 2015, the Company closed first tranche of a non-brokered private placement and raised gross proceeds of $4,535,735 through the issuance of 6,047,646 flow-through shares of the Company priced at $0.75 per share.

In consideration of the agents' services, the Company paid cash commission of $268,544. In connection with the financing, the Company paid an additional $107,462 in share issuance costs.

ii. During the year ended December 31, 2014:

a. On November 6, 2014, the Company closed a brokered private placement and raised gross proceeds of $10,030,000 through the issuance of 5,900,000 flow-through common shares at a price of $1.70 per share.

In consideration of the agents' services, the Company paid cash commission of $501,500 and issued 236,000 agent warrants recorded as share issuance costs. Each agent warrant entitles the agent to purchase one common share of the Company at a price of $1.45 until November 6, 2015. Using the Black-Scholes option pricing model, the agent warrants had a fair value of $47,221, or $0.20 per warrant. In connection with the financing, the Company paid an additional $115,076 in share issuance costs.

b. On June 20, 2014, the Company closed a brokered private placement and raised gross proceeds of $4,515,000 through the issuance of 2,580,000 flow-through common shares at a price of $1.75 per share.

In consideration of the agents' services, the Company paid cash commission of $225,750 and issued 154,800 agent warrants recorded as share issuance costs. Each agent warrant entitles the agent to purchase one common share of the Company at a price of $1.25 until June 20, 2016. Using the Black-Scholes option pricing model, the agent warrants had a fair value of $95,496, or $0.62 per warrant. In connection with the financing, the Company paid an additional $226,916 in share issuance costs.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (Continued)

(a) Common shares (Continued)

Share issuances (Continued)

ii. During the year ended December 31, 2014 (Continued):

c. Issued 445,020 common shares at $0.75 per share pursuant to the exercise of agent's warrants issued October 17, 2013 and October 30, 2013 and reclassified $21,078 from share-based payment reserve to capital stock.

d. Issued 2,700,732 common shares at $0.75 per share to the exercise of warrants issued on October 17, 2013.

e. Issued 480,000 common shares at $0.60 per share on the exercise of stock options granted on January 23, 2014 and reclassified $181,353 from share-based payment reserve to capital stock.

f. Issued 47,300 common shares at $1.05 per share on the exercise of stock options granted on February 6, 2013 and reclassified $27,714 from share-based payment reserve to capital stock.

g. On July 30, 2014, issued 110,000 common shares fair valued at $1.82 pursuant to the Jeremie (ABE) and the Jeremie 5 Property Agreements (Note 6(e)).

h. On August 29, 2014, issued 7,000 common shares fair valued at $1.65 pursuant to the Jeremie 8 Property Agreement (Note 6(e)).

(b) Warrants

The following common share purchase warrants entitle the holders thereof to purchase one common share for each common share purchase warrant. Warrant transactions are summarized as follows:

	2015		2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the year	390,800	$ 1.37	3,152,002	$ 0.75
Issued	-	$ -	390,800	$ 1.37
Exercised	-	$ -	(3,145,752)	$ 0.75
Expired	(236,000)	$ 1.45	(6,250)	$ 0.75
Balance, end of the year	154,800	$ 1.25	390,800	$ 1.37

The weighted average remaining contractual life of warrants outstanding at December 31, 2015 was 0.47 (2014 – 1.10) year.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (Continued)

(b) Warrants (Continued)

As at December 31, 2015 and 2014, the Company had outstanding warrants as follows:

	2015		2014	
Expiry date	Exercise price	Number of warrants	Exercise price	Number of warrants
June 20, 2016 (agent warrants)	$ 1.25	154,800	$ 1.25	154,800
November 6, 2015 (agent warrants)	$ -	-	$ 1.45	236,000
		154,800		390,800

The fair value of agent warrants and compensation warrants were determined using the Black-Scholes option pricing model based on the following assumptions:

	2015	2014
Risk-free interest rate	N/A	1.07%
Expected life of agent warrants and compensation warrants	N/A	1.4 years
Expected annualized volatility	N/A	78%
Expected dividend yield	N/A	0.0%

Expected volatility is based on historical price volatility to the extent of the expected life of the warrant.

The weighted average fair value of warrants issued in 2015 is $Nil (2014 - $0.37).

8. SHARE-BASED PAYMENTS

(a) Stock options

Stock option transactions are summarized as follows:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the year	7,932,700	$ 0.81	3,720,000	$ 1.10
Granted	360,000	$ 0.77	4,850,000	$ 0.61
Expired	(870,000)	$ (0.88)	(110,000)	$ (1.06)
Exercised	-	$ -	(527,300)	$ (0.64)
Balance, end of the year	7,422,700	$ 0.78	7,932,700	$ 0.81

(Expressed in Canadian Dollars)

8. SHARE-BASED PAYMENTS (Continued)

(a) Stock options (Continued)

The weighted average remaining contractual life of options outstanding at December 31, 2015 was 2.60 (2014 - 3.48) years.

Stock options outstanding and exercisable are as follows:

	2015			2014		
Expiry date	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
June 6, 2016	$ 1.25	695,000	695,000	$ 1.25	855,000	855,000
February 6, 2018	$ 1.05	2,397,700	2,397,700	$ 1.05	2,707,700	2,707,700
January 23, 2019	$ 0.60	3,520,000	3,520,000	$ 0.60	3,920,000	3,920,000
February 5, 2019	$ 0.61	300,000	300,000	$ 0.61	300,000	300,000
December 23, 2019	$ 0.90	150,000	150,000	$ 0.90	150,000	150,000
June 18, 2020	$ 0.77	360,000	90,000	$ -	-	-
		7,422,700	7,152,700		7,932,700	7,932,700

(b) Share-based payments

Share-based payment expenses for the year ended December 31, 2015 totalled $104,238 (2014 - $1,880,693). The fair value of stock options was determined using the Black-Scholes option pricing model based on the following assumptions:

	2015	2014
Risk-free interest rate	0.96%	1.59%
Expected life of options	5 years	5 years
Expected annualized volatility	75%	78%
Expected dividend yield	0.0%	0.0%
Forfeiture rate	0.0%	0.0%
Share price	$0.77	$0.61

The weighted average fair value of options at measurement date is $0.45 (2014 - $0.37).

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended December 31, 2015 and 2014, the Company entered into the following transactions with related parties:

Key management compensation

Key management consists of senior officers and directors of the Company; their compensation is as follows:

		2015		2014
Short-term benefits (included in consulting fees and salaries and benefits)*	$	693,250	$	829,091
Share-based payments		104,238		1,273,496
	$	797,488	$	2,102,587

*Included in the table above are:
1. Consulting fees of $120,000 paid to 68B Resource Consultants Ltd., a company controlled by the president and CEO; and
2. Consulting fees of $48,410 paid to Blue Pegasus Consulting Inc, a company controlled by the CFO.

Transactions with other related parties

Amount due to related parties of $12,553 (2014 - $1,678) is due to officers of the Company for reimbursement of expenses and included in accounts payable and accrued liabilities. The amount is non-interest-bearing with no fixed terms of repayment.

A short-term advance of $11,225 (2014 - $11,064) to officers of the company for travel is included in prepaid expenses.

(Expressed in Canadian Dollars)

10. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2014 – 26.00%) to loss before income taxes. The reasons for the differences are as follows:

		2015		2014
Loss before income taxes	$	(2,036,088)	$	(4,693,432)
Statutory income tax rate		26.00%		26.00%
Expected income tax recovery		(529,383)		(1,220,292)
Items not deductible for tax purposes		50,979		709,612
Change in timing differences		2,386,053		1,786,352
Under provided in prior years		(404)		260
Flow-through premium		(3,795,589)		(1,725,118)
Unused tax losses and tax offsets not recognized		(148,819)		76,283
	$	(2,037,163)	$	(372,903)
Allocation of deferred income tax recovery				
Deferred income tax recovery		(1,913,256)		(372,903)
Capital Stock *		(123,907)		-
	$	(2,037,163)	$	(372,903)

* Net against share issuance costs.

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2015 and 2014 are presented below:

		2015		2014
Deferred income tax liabilities:				
Exploration and evaluation assets	$	(10,141,612)	$	(7,755,825)
Deferred income tax assets:				
Non-capital loss carry-forwards		3,632,540		2,962,125
Marketable securities		124,610		106,172
Property, plant, and equipment		1,920		1,571
Share issuance costs		362,999		424,840
Net deferred income tax liabilities	$	(6,019,543)	$	(4,261,117)

(Expressed in Canadian Dollars)

10. INCOME TAXES (Continued)

The Company recognizes deferred tax assets for tax benefits on losses or other deductible amounts where it is probable the Company will generate sufficient taxable income. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2015	2014
Non-capital loss carry-forwards	$ (4,249)	$ 598,000
Capital losses	314,878	314,878
Non-refundable income tax credits	175,340	175,340
Donations	12,125	7,875
Unrecognized deferred tax assets	$ 498,094	$ 1,096,093

The Company's unused tax losses at December 31, 2015 have the following expiry dates:

2027	$ 291,000
2028	186,000
2029	155,000
2030	1,167,000
2031	1,873,000
2032	2,403,000
2033	2,466,000
2034	2,852,000
2035	2,574,000
	$ 13,967,000

(Expressed in Canadian Dollars)

11. OTHER LIABILITIES

On issuance, the Company allocates the amount received for flow-through shares as i) capital stock and ii) 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. Upon qualifying expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax recovery in income for the amount of tax reduction renounced to the shareholders. Other liabilities include the portion of the premium on flow-through shares that, at year-end, has not been settled upon incurrence of qualifying exploration expenditures. The following is a continuity schedule of the liability portion of the flow-through share issuances:

Flow-through shares

Balance, December 31, 2013	$	467,780
Liability incurred on flow-through shares issued June 20, 2014		954,600
Liability incurred on flow-through shares issued November 6, 2014		4,071,000
Settlement of flow-through share liability on incurring expenditures		(1,725,118)
Balance, December 31, 2014		3,768,262
Liability incurred on flow-through shares issued October 28, 2015		1,511,912
Liability incurred on flow-through shares issued November 18, 2015		336,000
Settlement of flow-through share liability on incurring expenditures		(3,795,589)
Balance, December 31, 2015	$	1,820,585

During the year ended December 31, 2015, the Company incurred $9,366,104 of qualified flow-through funded exploration expenditures, which fulfilled its commitment to the flow-through share financing on November 6, 2014 and partially fulfilled its commitment to the flow-through share financing on October 28, 2015. As at December 31, 2015, approximately $5,353,754 remains to be incurred on qualifying expenditures during fiscal 2016.

12. SUBSEQUENT EVENT

Subsequent to December 31, 2015:

On March 14, 2016, the Company granted 2,035,000 stock options at an exercise price of $0.60 per share and expiry date of March 14, 2021.