KING'S BAY GOLD
CORPORATION

(An Exploration Company)

Financial Statements

December 31, 2015 and 2014

(Expressed in Canadian Dollars)

Management’s Responsibility

To the Shareholders of King’s Bay Gold Corporation (the “Company”):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 18, 2016

(signed)

Dusan Berka
Director

(signed)

Kevin Bottomley
Director

INDEPENDENT AUDITORS' REPORT

To the Shareholders of King's Bay Gold Corporation:

We have audited the accompanying financial statements of King's Bay Gold Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2015, the statements of operations and comprehensive income, changes in equity, and cash flows for the years then ended, and the notes comprising 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 our 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 Company'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 Company'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 the Company as at December 31, 2015, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter
The financial statements of King's Bay Gold Corporation for the year ended December 31, 2014 was audited by another auditor who expressed an unmodified option on these statements on April 29, 2015.

Vancouver, BC, Canada
April 18, 2016 **Chartered Professional Accountants**

King’s Bay Gold Corporation
Statements of Financial Position
As at December 31, 2015 and 2014
Expressed in Canadian dollars

		2015		2014
Assets				
Current				
Cash and cash equivalents	$	1,971	$	9,127
GST receivable		1,348		2,477
Prepaid expenses		-		673
Marketable securities (Note 5)		-		12,825
		3,319		25,102
Non-current assets				
Machinery and equipment (Note 6)		-		9,698
Exploration and evaluation assets (Note 7)		162,312		2,310,142
	$	165,631	$	2,344,942
Liabilities				
Current				
Accounts payable and accrued liabilities	$	767,782	$	732,717
Total current liabilities		767,782		732,717
Deferred income tax liability (Note 15)		-		334,000
Total liabilities		767,782		1,066,717
Shareholders’ Equity				
Share capital (Note 8)		16,103,286		16,102,036
Reserves (Note 9)		1,310		1,310
Deficit		(16,706,747)		(14,825,121)
		(602,151)		1,278,225
	$	165,631	$	2,344,942

Approved and authorized by the Board of Directors on April 18, 2016:

“Dusan Berka” — President

“Kevin Bottomley” — Director

The accompanying notes are an integral part of these financial statements.

King's Bay Gold Corporation

Statements of Operations and Comprehensive Loss
For the years ended December 31, 2015 and 2014
Expressed in Canadian dollars

	2015	2014
Expenses		
Amortization	**$ -**	$ 3,865
Advertising and promotions	**1,087**	-
Consulting fees and salaries	**87,825**	181,423
Filing fees	**27,388**	29,015
Interest and banking expense	**212**	4,021
Office and general expenses	**772**	16,835
Professional services	**14,537**	57,988
Travel and meals	**509**	11,198
	132,330	304,345
Other Income (Expenses)		
Interest income	**-**	5
Other income	**62,430**	-
Loss on sale of machinery and equipment (Note 6)	**(1,707)**	(4,027)
Impairment of machinery and equipment (Note 6)	**(7,491)**	-
Gain on sale of exploration assets (Note 7)	**-**	86,976
Unrealized loss on marketable securities	**-**	(14,250)
Realized gain on sale of marketable securities (Note 5)	**14,225**	25,243
Impairment of exploration and evaluation assets (Note 7)	**(2,150,753)**	-
Net loss before income taxes	**2,215,626**	210,398
Deferred tax (recovery) expense (Note 14)	**(334,000)**	21,000
Net loss and comprehensive loss for the year	**1,881,626**	231,398
Basic and diluted loss per share	**$ (0.02)**	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	**99,157,051**	98,976,914

The accompanying notes are an integral part of these financial statements.

King’s Bay Gold Corporation
Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
Expressed in Canadian dollars

	Number of Shares	Share Capital $	Reserves $	Deficit $	Total $
Balance, December 31, 2013	**98,976,914**	**16,102,036**	**5,180**	**(14,597,593)**	**1,509,623**
Transfer of expired amounts to retained earnings	-	-	(3,870)	3,870	-
Net loss for the year	-	-	-	(231,398)	(231,398)
Balance, December 31, 2014	**98,976,914**	**16,102,036**	**1,310**	**(14,825,121)**	**1,278,225**
Shares issued for option agreement (Note 7 & 8)	250,000	1,250	-	-	1,250
Net loss for the year	-	-	-	(1,881,626)	(1,881,626)
Balance, December 31, 2015	**99,226,914**	**16,103,286**	**1,310**	**(16,706,747)**	**(602,151)**

The accompanying notes are an integral part of these financial statements.

King's Bay Gold Corporation

Statements of Cash Flows
For the years ended December 31, 2015 and 2014
Expressed in Canadian dollars

	2015	2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net loss for the year	**$ (1,881,626)**	$ (231,398)
Adjustments for items not involving cash:		
Gain on sale of marketable securities	**(14,225)**	(25,243)
Gain on sale mineral property	**-**	(86,976)
Depreciation	**-**	3,865
Deferred tax (recovery) expense	**(334,000)**	21,000
Impairment of mineral properties	**2,150,753**	-
Impairment of machinery and equipment	**7,491**	-
Loss on sale of machinery and equipment	**1,707**	4,027
Unrealized loss on marketable securities	**-**	14,250
Changes in non-cash operating working capital:		
HST/GST receivable	**1,129**	4,395
Prepaid expenses	**673**	3,665
Accounts payable and accrued liabilities	**35,065**	114,116
Net cash flows (used in) operating activities	**(33,033)**	(178,299)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Exploration and evaluation costs	**(1,673)**	(28,908)
Sale of marketable securities	**27,050**	83,745
Sale of machinery and equipment	**500**	100,000
Net cash flows from (used in) investing activities	**25,877**	154,837
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(7,156)**	(23,462)
Cash and cash equivalents, beginning of year	**9,127**	32,589
Cash and cash equivalents, end of year	**$ 1,971**	$ 9,127

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

King's Bay Gold Corporation ("King's Bay" or the "Company") was incorporated in Canada pursuant to the *Canada Business Corporations Act* on March 20, 1998, and is in the business of acquiring, exploring, developing and evaluating mineral resource properties. The Company is a public company listed on Tier 1 of the TSX Venture Exchange in Canada with the symbol "KBG".

The head office, principal address and registered and records office of the Company are located at Suite 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

2. GOING CONCERN

The Company has not generated any revenues and has incurred accumulated losses of $16,706,747 (2014 – $14,825,121) since inception. As at December 31, 2015, the Company has working capital deficiency of $764,463 (2014 – $707,615). These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to continue operations, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. The conditions described above, cast significant doubt as to the appropriateness of the use of the going concern assumption.

The Company is not expected to be profitable during the ensuring twelve months and therefore must rely on securing additional funds from either debt or equity financings for cash consideration. While the Company is expanding its best efforts to achieve the continued financing, there is no assurance that any such activity will generate sufficient funds for future operations.

3. BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Approval of the Financial Statements

The financial statements of King's Bay Gold Corporation for the year ended December 31, 2015, were authorized for issue in accordance with a resolution of the directors on April 18, 2016.

3. BASIS OF PRESENTATION – continued

Significant Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements requires management to make judgments, estimates 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 period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;

Management judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

  Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

- Going concern

  Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand; deposits in banks and highly liquid investments with an original maturity of three months or less. There were no cash equivalents as at December 31, 2015 and 2014.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

i. Financial assets

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

- Financial assets at fair value through profit or loss ("FVTPL")
  Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents, and marketable securities are included in this category of financial assets.

- Held-to-maturity investments ("HTM")
  HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

- 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 included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment.

- Available-for-sale financial assets
  Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity.

  Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

- Effective interest method
  The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

  Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

- Impairment of financial assets
  Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

  Objective evidence of impairment could include the following:
  - Significant financial difficulty of the issuer or counterparty;
  - Default or delinquency in interest or principal payments; or
  - It has become probable that the borrower will enter bankruptcy or financial reorganization.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments – continued

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

ii. Financial liabilities

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities

Borrowings and 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 and loss over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

- 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 and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors and officers of the company. The maximum number of common shares which may be issued pursuant to the stock option plan is limited to 10% of the issued and outstanding common shares. In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a yearly basis

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest fully upon the expiry of the hold period of four months from the award date, unless otherwise approved by the relevant regulatory authorities. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three month period.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase 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.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Machinery and equipment

Recognition and measurement
Machinery and equipment are recorded at historical cost less accumulated depreciation and any impairment losses. Residual values, depreciation methods and useful economic lives are reviewed and adjusted as necessary at the end of each reporting period. Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of machinery and equipment have different useful lives, they are accounted for as a separate item of machinery and equipment.

Subsequent costs
The cost of replacing a component of an item of machinery and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the company, and its costs can be reliably measured. The carrying amount of the replaced component is derecognized. The costs of servicing machinery and equipment are recognized in profit or loss as incurred.

Depreciation
Depreciation is based on the cost of an asset less its residual value. Depreciation methods and rates are applied consistently within each asset class except where significant individual assets have been identified which have different depreciation patterns.

Depreciation is recognized in profit or loss. The following rates and method are used:

	Rate	Method
Exploration and evaluation equipment	20%	Declining balance
Vehicles	30%	Declining balance
Computer equipment	30%	Declining balance

In the year of acquisition, depreciation is provided at one half the declining balance rate. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Exploration and evaluation assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “Mines under construction”. No amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Long lived assets and impairment

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management’s estimates of discounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using fair value determinations through management’s estimate of recoverable value.

The carrying amounts of the Company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, then the asset’s recoverable amount is estimated.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy:

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through commitment") as follows:

- Share capital – the fair market price at the date of the issue;
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature, i.e. the portion in excess of the market value of the shares without the flow-through features at the time of issue; and
- Fair value of warrants – if warrants are being issued, based on the valuation derived using the residual method.

In the case that the Company does not issue non flow-through units together with the flow-through units, the flow-through share premium is determined by using the residual method, whereby the fair value of warrants will be valued based on the Black-Scholes option-pricing model, and the flow-through share premium equal to any residual balance after the fair market price of the common shares and fair value of warrants.

Therefore, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period). Additionally, the Company reverses the liability for the flow-through share premium to income, on a proportionate basis, as an offset to deferred tax expense.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Pronouncements

The IASB issued the following standards, which are not yet effective and have not been applied in the preparation of these financial statements. The Company is in the process of determining the extent of the impact on its financial statements.

Pronouncements that are not applicable or that do not have a significant impact to the Company have not been included in these financial statements.

On May 6, 2014 the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The impact of adoption of the amendment has not yet been determined.

On July 24, 2014 the IASB issued the complete IFRS 9. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The impact of adoption of the amendment has not yet been determined.

On May 12, 2014 the IASB issued amendments to IAS 16 Property, Plant and Equipment. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The Company intends to adopt the amendments to IAS 16 in its financial statements for the annual period beginning on November 1, 2016. The impact of adoption of the amendment has not yet been determined.

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”. IFRS 15 replaces IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive framework or recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 allows or early adoption, but the Company does not intend to do so at this time.

In December 2014, the IASB amended IAS 1, “Presentation of Financial Statements”, providing guidance on the application of judgment in the preparation of financial statements and disclosures. The amendments are effective for annual periods beginning on or after November 1, 2016 with early adoption permitted, but the Company does not intend to do so at this time.

Expressed in Canadian dollars

5. MARKETABLE SECURITIES

Marketable securities consist of equity securities over which the company does not have control or significant influence and are designated as FVTPL. Unrealized gains and losses due to period end revaluation to fair value are included in profit or loss for the period. During the year ended December 31, 2015, the Company sold 285,000 common shares of Mega Precious Metals Inc. ("Mega"). As at December 31, 2015 the Company owned nil (2014 – 285,000) common shares of Mega.

The total value of the company's marketable securities at December 31, 2015 and 2014 are as follows:

	December 31, 2015		**December 31, 2014**	
	Cost	Fair Market Value	Cost	Fair Market Value
	$	$	$	$
Mega Precious Metals Inc.	-	-	76,950	12,825

6. MACHINERY AND EQUIPMENT

The Company's machinery and equipment at December 31, 2015 and 2014 is comprised of the following:

		Exploration & evaluation Equipment		**Vehicles**		**Computer equipment**		**Total**
Costs								
December 31, 2013	$	41,696		9,068		16,418		67,182
Disposals		(19,955)		(1,500)		-		(21,455)
December 31, 2014		21,741		7,568		16,418		45,727
Disposals		-		(7,568)		-		(7,568)
December 31, 2015	**$**	**21,741**	**$**	**-**	**$**	**16,418**	**$**	**38,159**
Accumulated Amortization								
December 31, 2013	$	27,583		5,842		16,168		49,593
Amortization		2,822		968		75		3,865
Disposals		(15,980)		(1,449)		-		(17,429)
December 31, 2014		14,425		5,361		16,243		36,029
Write off assets		7,316		-		175		7,491
Disposals		-		(5,361)		-		(5,361)
December 31, 2015	**$**	**21,741**	**$**	**-**	**$**	**16,418**	**$**	**38,159**
Net Book Value								
December 31, 2014	$	7,316	$	2,207	$	175	$	9,698
December 31, 2015	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**

During the year ended December 31, 2015, the Company disposed or impaired all of the remaining assets of the Company.

Expressed in Canadian dollars

7. EXPLORATION AND EVALUATION ASSETS

Menary Gold Project

(i) The Company entered into an agreement to acquire an option for a number of claim units in a property known as Menary Gold Project. Between 2011 and April 2013, the Company has paid $72,000 cash and issued 200,000 common shares under this option agreement.

The vendors will retain a 4.5% NSR interest in the property. The Company has the right to purchase one half of the NSR for $1,500,000 at any time.

(ii) The Company entered into an agreement to acquire an option for 44 claim units located in the Menary and Claxton townships commonly known as Menary Gold Project. Between August 2011 and August 2013, the Company paid $20,000 and issued 1,100,000 common shares for the property.

The vendor will retain a 2.0% NSR interest in the property. The Company has the right to purchase one half of the NSR for $1,000,000 at any time.

(iii) On April 23, 2012, the Company entered into an agreement to acquire a 100% interest in a number of mining claim units in the townships of Menary and Senn in the District of Kenora in the Province of Ontario. Between July 2012 and March 2014, the company paid $22,000 and issued 500,000 common shares. During the year ended December 31, 2015, the Company issued 250,000 shares with a fair value of $1,250. The Company has agreed to pay additional consideration for these options as follows:

2015	$16,000
2016	$25,000

The vendor will retain a 2.0% NSR interest in the property. The Company has the right to purchase one half of the NSR for $1,000,000 at any time.

Blackjack Property

On January 20, 2013, the Company entered into an agreement to acquire an option in a number of claim units known as the Gold Hill - Blackjack Property in the townships of Kirkup and Manross in the Kenora Mining District in the Province of Ontario. The Company can earn a 100% interest in the property by making a one-time payment of $18,100 and issuing 500,000 common shares. In December 2012, the Company made an advance of $1,000 and in January 2013 made an additional payment of $1,000. In March 2013 the Company issued the 500,000 common shares and in April 2013 made a payment of $15,875.

The vendor will retain a 2.0% NSR interest in the property. The company has the right to purchase one half of the NSR for $1,000,000 at any time.

See Note 15b.

Cameron Lake Property land option agreement

In April 2014 the Company sold its 20% ownership stake in the Meston and Sullivan Prospects property at Cameron Lake (formerly known as the Nucanolan property) in Northwestern Ontario to Cameron Gold Operations Limited, a wholly owned subsidiary of Chalice Gold Mines Limited of Perth, Western Australia for consideration of $100,000.

Halkirk-Watten Claims

In 2004, the Company staked 4 claims, totaling 672 hectares, in an area where microdiamonds had been found. The Company has determined it will not complete any further exploration and has impaired the property in 2015.

Hook Bay of Helena Lake

In 2003, the Company staked 2 claims to explore for gold. In 2005, the Company staked one claim and in 2014, the Company staked one additional claim. The current property covers 560 hectares.

Expressed in Canadian dollars

7. EXPLORATION AND EVALUATION ASSETS - continued

Darkwater at Sturgeon Lake

In 2010, the Company staked 3 claims totaling 752 hectares, in the pursuit of exploring for gold. The Company has determined it will not complete any further exploration and has impaired the property in 2015.

The following schedule shows the property costs for the years ended December 31, 2015 and 2014:

	Menary Gold	Halkirk-Watten	Blackjack	Hook Bay of Helena Lake	Darkwater at Sturgeon Lake	Cameron Lake	Total
Balance, January 1, 2014	$1,428,155	$640,362	$34,855	$88,354	$89,508	$13,024	$2,294,258
Additions during the year							
Exploration	27,167	228	1,113	400	-	-	28,908
Total additions during the year	27,167	228	1,113	400	-	-	28,908
Sale of property	-	-	-	-	-	(13,024)	(13,024)
Balance, December 31, 2014	$1,455,322	$640,590	$35,968	$88,754	$89,508	$ -	$2,310,142
Additions during the year							
Exploration	1,580	-	67	26	-	-	1,673
Shares	1,250	-	-	-	-	-	1,250
Total additions during the year	2,830	-	67	26	-	-	2,923
Impairment	(1,341,901)	(640,590)	-	(78,754)	(89,508)	-	(2,150,753)
Balance, December 31, 2015	$116,251	$ -	$36,035	$10,026	$ -	$ -	$162,312

8. SHARE CAPITAL

a) Authorized: Unlimited Class A common voting shares with no par value, and
Unlimited Class B common non-voting shares with no par value

b) Issued and Outstanding:

On April 15, 2015 the company issued 250,000 common shares under a land option agreement relating to the Menary Gold Project. Based on the estimated fair value of the land options, the shares were valued at $1,250 (Note 7).

9. SHARE-BASED PAYMENTS

The Company has a Stock Option Plan (the "Plan") under which it is authorized to grant options to directors, officers, consultants or employees of the Company. At the Company's Annual and Special General Meeting on September 5, 2015, the shareholders approved the "2015 Stock Option Plan", and set the number of options granted under the Plan to not exceed 10% of the issued and outstanding shares. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over 12 months with one quarter of the options vesting in any three month period.

The following is a summary of option transactions under the Company's stock option plan for the years ended December 31, 2015 and 2014:

Expressed in Canadian dollars

9. SHARE-BASED PAYMENTS - continued

	2015			2014		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	800,000	$	0.10	5,150,000	$	0.10
Forfeited	-		-	(4,350,000)		0.10
Balance, end of year	800,000	$	0.10	800,000	$	0.10

The following stock options were outstanding and exercisable as December 31, 2015:

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Fair Value Stock Options (per option)
July 4, 2016	$0.10	100,000	0.51	$0.04
September 15, 2016	$0.10	200,000	0.71	$0.06
December 29, 2016	$0.10	500,000	1.00	$0.06
Total		800,000	0.86	$0.05

10. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

The Company did not pay employment based remuneration to directors, officers and other members of key management for the years ended December 31, 2015 and 2014. However, the Company did pay contract based remuneration to directors, officers and other members of key management as disclosed in Note 10 (b).

(b) Other related party transactions

Included in these financial statements are the following related party transactions, which have been determined by negotiation amongst the related parties. These transactions are in the normal course of operations and are measured at the same value as if the transactions had occurred with non-related parties. Certain expenditures relating to exploration have been capitalized to exploration and evaluation assets.

The Company incurred the following fees and expenses in the normal course of operations:

		Years ended December 31,	
Related parties	**Type of Service**	**2015**	**2014**
Raymond L. Prefontaine (a)	Consulting services	-	70,678
7851235 Canada Ltd (b)	Consulting services	85,260	123,560
Robert Gagne (c)	Consulting services	-	1,998

During the years ended December 31, 2015 and 2014 there were no amounts due to related parties.

10. RELATED PARTY TRANSACTIONS - continued

a) Raymond L. Préfontaine Advisory Services, a business owned by a director and an officer for consulting services relating to a position of office for the company.

b) 7851235 Canada Ltd., a business owned by a director, for consulting services relating to marketing and administrative support.

c) Robert Gagne, a former director for consulting services relating to information technology and website support.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

11. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of loss associated with a counter party’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

(b) 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 has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and is not exposed to any significant interest rate risk.

(e) Capital management

Capital is comprised of the Company’s shareholders’ equity and any debt it may issue. As at December 31, 2015, the Company’s shareholders’ deficiency was $602,151 (2014 – shareholders’ equity of $1,278,225). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Expressed in Canadian dollars

11. FINANCIAL RISK MANAGEMENT - continued

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

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

(f) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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.

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2015 and 2014:

	As at December 31, 2015		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 1,971	$ -	$ -
Total	$ 1,971	$ -	$ -
	As at December 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 9,127	$ -	$ -
Marketable securities	$ 12,825	$ -	$ -
Total	$ 21,952	$ -	$ -

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the current year's financial statements presentation.

13. OTHER INCOME

During the year ended December 31, 2015, the Company received a refund from the Canada Revenue Agency for payroll taxes, interest, and penalties that had been previously paid by the Company in prior years and were recovered through an appeal and settlement.

Expressed in Canadian dollars

14. DEFERRED TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2015 and 2014:

		2015		2014
Loss before income taxes	$	(2,215,626)	$	(210,398)
Statutory tax rate		26.50%		27.00%
Expected income tax expense (recovery)		(587,141)		(57,000)
Differences due to recognition of items for tax purposes:				
Non-deductible items		(4,957)		100
Change in estimates		8,530		-
Change in tax rates		24,740		-
Expiry of non-capital losses carried forward		164,605		
Change in deferred tax asset not recognized		172,423		77,900
Deferred income tax (recovery) expense	$	(334,000)	$	21,000
Deferred tax (recovery) expense		(334,000)		21,000
Deferred income tax expense (recovery)	$	(334,000)	$	21,000

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used in the calculation of taxable income. Deferred tax assets (liabilities) at December 31, 2015 and 2014 are comprised of the following:

		2015		2014
Non-capital losses carry forwards	$	1,478,164	$	1,651,633
Exploration and evaluation assets		155,407		(422,365)
Capital losses		6,612		-
Property and equipment		88,819		88,012
Financing costs		-		10,000
		1,729,002		1,327,280
Deferred tax asset not recognized		1,729,002		1,661,280
Net deferred tax asset (liability)	$	-	$	(334,000)

The Company has non-operating loss carryforwards of approximately $5,577,982 (2014: $6,117,159) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expressed in Canadian dollars

14. DEFERRED TAXES - continued

2016	$	932,233
2026		548,969
2027		638,118
2028		582,143
2029		495,912
2030		377,922
2031		538,049
2032		424,562
2033		629,007
2034		329,093
2035		89,974
	$	5,577,982

In addition, the Company has capital loss of $6,612 (2014: Nil), which may be carried forward indefinitely to apply to reduce future capital gains.

15. SUBSEQUENT EVENTS

a. Effective January 1, 2015, the Company signed a Management Services Agreement with Zimtu Capital Corp. ("Zimtu") to provide management and administrative services at a rate of $12,500 per month for one year.

b. On February 3, 2016, the Company signed an agreement with Intact Gold Corp. ("Intact") for the sale of the Blackjack Property. In consideration, the Company will receive cash of $10,000 (received), 100,000 common shares of Intact within 10 days of TSX Venture approval, and 100,000 purchase warrants of Intact priced at $0.25 for a term of 24 months from the date of the agreement. There is a 2% Net Smelter Return ("NSR") on future gold production payable to original vendors. Intact can buy back one half or 1% of the NSR at any time by paying $1,000,000 to the original vendors.