

## FORM 5

### QUARTERLY LISTING STATEMENT

Name of CNSX Issuer: NORTHERN SPHERE MINING CORP. (the "Issuer").

Trading Symbol: NSM

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the CNSX.ca website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the CNSX Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

The Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2015 (the "Financial Statements") are attached.

#### **SCHEDULE B: SUPPLEMENTARY INFORMATION**

##### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

**Other than those disclosed in Note 7 to the Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2016, there are no other related party transactions in the first quarter.**

**2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

**No shares have been issued between January 1, 2014 and November 9, 2015.**

**On November 9 and 30, 2015, the Company issued 7,094,084 and 450,000 common shares respectively in two separate private placements.**

**On March 3, 2016, the Company closed the first tranche of its previously announced private placement of up to \$500,000 (2,500,000 common shares of the Company). The Company issued 1,475,000 common shares at a price of \$0.20 each and raised \$286,539 net of transaction costs.**

**The total common shares outstanding at March 31, 2016 was 11,354,698.**

**On May 18, 2016 the Company issued 1,335,000 common shares at a price of \$0.20 each for aggregate gross proceeds of \$267,000.**

**Summary of securities as at the end of the reporting period.**

Provide the following information as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions – **unlimited number of common shares (see note 8, Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2016)**
- (b) number and recorded value for shares issued and outstanding – **As at March 31, 2016, 11,354,698 shares issued and outstanding, \$5,264,010.**
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value – **as at March 31, 2016, there were 22,500**

common stock options outstanding with an exercise price of \$0.03 and a remaining life of 0.9 years. There were no warrants outstanding. See Note 8 and 12 in the Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2016 for further details.

Subsequent to year end the following occurred.

#### Consulting Agreement

On April 4, 2016 the Company entered into an advisory agreement with Fosters & Associates Financial Services Inc. (“Fosters”) pursuant to which Fosters will provide advisory services to Northern Sphere for cash consideration and the issuance of 100,000 common share purchase warrants. Each warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of \$0.25 per share for a period of two years from the date of issuance and subject to a four-month hold.

#### Incentive Stock Options

On April 4, 2016, the Company granted to its directors, officers and consultants 625,000 incentive stock options (“Option(s)”) under the Company’s stock option plan. Each Option entitles the holder thereof to purchase one Common Share at an exercise price of \$0.22 per share for a period of three years from the date of the grant and subject to a four-month hold.

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer – **None**

**3. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

- Directors:
  - Bohdan Leshchyshen
    - Chairman of Governance Committee
  - Arthur John Carter
  - Peter Tassiopoulos
  - Denis Laviolette
  
- Officers
  - Arthur John Carter – President, Chief Executive Officer
  - Robin Pilkey – Chief Financial Officer

## **SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

The management's discussion and analysis for the three months ended March 31, 2016 is attached hereto as Schedule "C".

**NORTHERN SPHERE MINING CORP.**  
**Management's Discussion and Analysis**  
**Quarter Ended March 31, 2016**  
**Dated May 31, 2016**  
(Form 51-102F1)

*This Management Discussion and Analysis ("MD&A") is provided for the purpose of reviewing the first quarter period ended March 31, 2016. The MD&A was prepared as of May 31, 2016 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and corresponding notes for the period ending March 31, 2016. The unaudited interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. All monetary amounts are expressed in Canada dollars unless otherwise indicated.*

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website located at [www.northersphere.com](http://www.northersphere.com)

**Management's Assessment of Internal Control Over Financial Reporting ("ICFR")**

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

As the Company is a Canadian Stock Exchange ("CSE") Issuer (as defined under under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

**Description of Business**

Northern Sphere Mining Corp. (the "Company") is a mineral exploration company that has been focused on the acquisition and exploration of mineral resources.

The Company is a reporting issuer in the Province of Ontario and its common shares trade on the Canadian Stock Exchange ("CSE") under the symbol NSM.

Northern Sphere has been able to restart exploration of its mineral properties, in particular, its Arizona properties but has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties.

The profitability and operating cash flow of the Company is affected by various factors, including the market price of minerals under exploration, operating costs, interest and foreign exchange rates, regulatory and environmental compliance, general and administrative costs, the level of exploration and development expenditures and other discretionary costs. While the Company seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

## **1.1 Corporate Activities**

The Company's management has spent the last year primarily getting ready to begin production on certain mining property while it has sought various financing options.

On July 1, 2015 the Company entered into a Joint Venture Agreement ("Joint Venture - Arizona" or "JV") with a related party, TrueClaim Resources Inc. ("TrueClaim Resources"). The Joint Venture – Arizona was formed for the mining of certain Arizona Properties ("Arizona Property") of which TrueClaim Resources is the legal and beneficial owner of all mineral interests and mining rights on this Arizona Property. The Joint Venture – Arizona stipulates Northern Sphere shall control all recovery operations on the Arizona Property for the benefit of TrueClaim Resources and Northern Sphere.

On November 12, 2015 the Company entered into a second Joint Venture Agreement ("JV Agreement" or "JV-Scadding") with a related party, TrueClaim Exploration Limited ("TrueClaim Exploration"). The Joint Venture – Scadding was formed for the mining of certain Scadding, Ontario Properties ("Scadding Property") of which TrueClaim Exploration is the legal and beneficial owner of all mineral interests and mining rights on this Scadding Property. The Joint Venture – Scadding stipulates Northern Sphere shall control all recovery operations on the Scadding Property for the benefit of TrueClaim Exploration and Northern Sphere. As of the date of this filing, the Company has not yet completed its initial funding obligations under the Joint Venture – Scadding and as such only a deposit of \$17,500 has been recognized in the Company's accounts as at December 31, 2015. The Company intends to complete the funding obligation under the JV-Scadding and proceed with the joint venture.

The Company continues to hold a debenture payable of just over \$1.9 million relating to property rights it controlled in 2013. The history of this debenture is as follows:

On November 29, 2010, the Company entered into an agreement with RX Exploration Inc. (the "Debenture Holder") for debentures (the "Debentures") with a principal amount equal to \$1,901,300 (the "Principal"), without interest, and granted the Debenture Holder a security interest in assets comprising the Sill Lake assets. The Debentures had a maturity date of November 29, 2013.

On November 29, 2013, the Company defaulted on the Debentures when it failed to repay the Principal to the Debenture Holder.

On April 9, 2014, the Company entered into a second agreement with the Debenture Holder to provide the Company a period of forbearance in order to afford the Company an opportunity to find a financing or funding solution and to repay the Debenture Holder (the "Forbearance"). The Debenture Holder agreed to forebear temporarily from enforcing its rights and remedies under the Debenture, subject to certain conditions, until no later than June 15, 2014 (the "Forbearance Deadline").

The Company was unsuccessful in obtaining the financing required and on June 15, 2014, the Company was in default of its obligations under the Debentures when it failed to repay the Principal to the Debenture Holder on or before the Forbearance Deadline.

### **Letter of Intent**

Northern Sphere entered into a Letter of Intent on May 3, 2013 with Taku Gold Corp ("Taku"). Taku paid a \$50,000 deposit to Northern Sphere as part of the execution of the letter of intent. As of June 30, 2013, certain conditions under the LOI were not met. Per a demand promissory note dated September 1, 2013 the full principal amount of \$50,000 is due in full to Taku on or before June 30, 2014. At May 31, 2015 the full principal amount of \$50,000 is still owed to Taku in relation to this transaction.

### **Option Agreement & Impairment of Assets**

In 2014, the Company's claims associated with the Sill Lake property lapsed and the Company failed to renew its rights to renew under the claims. On April 30, 2014, the Company entered into an Option Agreement with Shoreline Resource Management Inc. who was the legal and beneficial owner of these claims and what is referred to in the Option Agreement as the "Property". The terms of the Option Agreement required a \$10,000 payment on signing as well as several other conditions. The Company has been unable to satisfy the other conditions and as such, has not regained control of the Sill Lake claims.

Further, in 2014, the Company was not able to repay its Debenture relating to the Sill Lake property, As such, the assets values of \$1,431,122 previously recorded in 2010 plus acquisition costs of \$34,000 for a total of \$1,465,122 were fully impaired and the impairment charge was included in the expenditures for the year ended December 31, 2014.

As described above, the Debenture remains an obligation of the Company as of March 31, 2016. No commitments under the Option Agreement have been accrued for in the results for the years ended March 31, 2016 or 2015.

### **Capital structure and other changes**

On August 20, 2015 the Company held an annual and special meeting of shareholders of the Company. The purpose of the meeting was to approve the following special considerations:

- An amendment to its share structure by consolidating its issued and outstanding common shares on the basis on one new common share for each twenty old common shares (the "Consolidation") on August 26, 2016.
- In connection with the Consolidation, the name of the Company was changed to "Northern Sphere Mining Corp." The board of directors of the Company believes that the Consolidation will better position the Company for future corporate development opportunities and financing transactions.
- An amendment to the articles of the Corporation to provide that the board of directors of the Corporation may appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders.
- The board of directors believes this amendment provides the Corporation with maximum flexibility to ensure that there is appropriate representation on the board of directors and its committees in between annual meetings of shareholders, with a view to best practices and applicable securities laws.

### **Other**

The Company's management continues to explore other options to increase shareholder value including exploiting the Company's current Nye County, Nevada assets or acquiring additional assets that would be complementary to its property portfolio.

## **1.2 Overall Performance**

In summary the Company's financial condition continues to improve over the past three months ended March 31, 2016. The Company successfully attracted \$295,000 from interested investors in the quarter and an additional \$267,000 subsequent to the quarter ended March 31, 2016. The additional capital has been used to begin exploration of the Arizona properties, acquire a second joint-venture project - the Scadding properties, and pay ongoing operating costs of the Company.

After giving consideration to the transactions above, working capital deficiency declined by \$33,941 from \$2,201,726 at December 31, 2015 to \$2,167,785 at March 31, 2016. The increase is mainly attributable



## **1.4 Results of Operations**

For the three month periods ended March 31, 2016 and 2015, the Company had no revenue. Exploration expenses for the three month periods ended March 31, 2016 were \$96,908 and (2015 - NIL).

Expenses incurred during the period consist of:

- i. Management and director fees \$34,000 (2015 – \$Nil), primarily related fees to the CEO and director fees accrued to the independent directors of the board.
- ii. General and administrative of \$25,424 (2015 – \$3,878), primarily related to public company costs.
- iii. Professional fees of \$20,673 (2015 – \$2,000), primarily related to audit and accounting costs.
- iv. Consulting fees of \$21,000 (2015 – \$Nil), related to fees paid to an independent consultant.
- v. Exploration fees of \$96,908 (2015 – \$Nil), related to the operations of the mine in Arizona.
- vi. Other gains of \$2,907 relating to gains of forgiveness of debt and foreign exchange.

## **1.5 Summary of Quarterly Results**

Total assets as at the end of March 31, 2016 were \$1,919,556 (March 31, 2015 - \$1,605,210) and consisted of cash \$44,611 (March 31, 2015 - \$4,482), Receivables of \$20,000 (March 31, 2015 – Nil), HST recoverable of \$Nil (March 31, 2015 - \$865, mineral properties of \$1,854,945 (March 31, 2015 - \$1,599,863 which represent the value assigned the twelve (12) claims in Nevada acquired through the purchase of Soilfor Inc., a Florida company and in 2016, the cost of two joint-ventures, one in Arizona and another in Scadding, Ontario).

Total current liabilities as at March 31, 2016 were \$2,232,396 (March 31, 2015 - \$2,826,628) consisting primarily of trade payables of \$281,096 (March 31, 2015 - \$785,308), non-interest bearing advances from a director of \$Nil (March 31, 2015 - \$90,020), a demand promissory note from Taku Gold Corp. of \$50,000 (March 31, 2015 - \$50,000) and a debenture payable to US Silver & Gold Inc. (formerly RX Exploration Inc.) of \$1,901,300 (March 31, 2015 - \$1,901,300), for the purchase of certain mining claims in Sill Lake, Ontario which were restaked by third parties in 2014 and no longer under the control of the Company.

The Company has no sales and has never earned revenues with the exception of non-material interest revenue. Raising capital through sales of its common shares funds the Company's exploration operations.

### **Three months Ended March 31, 2016 Compared to Three months Ended March 31, 2015**

*Operating Revenues:* The Company is a mineral exploration company and has no operating revenues.

*Expenses:* Expenses for the three months ended March 31, 2016 were \$195,098 primarily for exploration and the overhead and general and administrative costs of a public company (March 31, 2015 - \$5,878 primarily related to expenses general and administrative as there was no active exploration).

*Net earnings (loss):* The Company incurred a net loss of \$195,098 for the three months ended March 31, 2016 (March 31, 2015 - \$5,878). Since the Company had no revenue, the net losses are attributable to the expenses as noted above.

### **Summary of Quarterly Results to March 31, 2016**

Description	Mar 31/16	Dec 31/15	Sep 30/15	Jun 30/15	Mar 31/15	Dec 31/14	Sep 30/14	Jun 30/14
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	\$	\$	\$	\$	\$	\$	\$	\$
Sales/Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss)	(195,098)	172,031	(132,138)	(1,142)	(5,878)	(1,465,393)	(6,808)	(116,259)
Weighted Ave. no shares	10,333,544	7,370,501	2,335,614	2,335,614	2,335,614	2,335,614	2,335,614	2,335,614
- Basic & Diluted Earnings per share <sup>(1)</sup>	(0.019)	0.026	(0.057)	(0.001)	(0.003)	(0.627)	(0.003)	(0.050)

(1): After giving retroactive effect to the common share consolidation effective August 25, 2015

## **1.6 Liquidity**

As at March 31, 2016, the Company had current assets in the amount of \$64,611 (December 31, 2015 - \$Nil) and current liabilities of \$2,232,396 (December 31, 2015 - \$2,823,832). As at March 31, 2016, the Company has a working capital deficiency of \$2,167,785 (December 31, 2015 - \$2,201,726). The primary reason for an overall significance of the deficiency continues to be the recognition of the debenture of \$1,901,300 in short term liabilities. Coupled with the no revenues, the Company continues to have liquidity risk and is dependent on raising capital.

## **1.7 Capital Resources**

For its long term business objectives, the Company will require funds for ongoing exploration work on its properties, to work on any other mineral projects that it acquires, as well as to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company. The Company does not have any other commitments for material capital expenditures over either the near or long term or none are presently contemplated other than as disclosed above and/or over normal operating requirements.

## **1.8 Off-Balance Sheet Arrangements**

At May 31, 2016, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## **1.9 Transactions with Related Parties**

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount. Related party transactions have been disclosed in note 7 of the financial statements.

## **1.10 Proposed Transactions**

There are no other proposed or pending transactions as of March 31, 2016 other than those disclosed in the Subsequent Events note of this document.

## **1.11 Critical Accounting Estimates and Judgements**

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact

the reported amount of the Company's asset, liabilities, equity or earnings. Actual results could differ from those estimates.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to impairment assessments of mineral properties, estimating the fair value of the debenture payable and the calculation of share based payments. The most significant judgments relate to the use of the going concern assumption in the preparation of the financial statements, recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

### **1.12 Going Concern**

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assume 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. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the Financial Statements.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements.

The Company will require substantial additional funds to further explore and, if warranted, develop its exploration properties. The Company has limited consolidated financial resources and no current source of recurring revenue, however, additional funding will be required by the Company to carry out the completion of its planned exploration activities. Management plans to secure the necessary financing through a combination of the issue of new equity or debt instruments and the entering into joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

There can be no assurance that the Company will be able to obtain adequate financing through these plans or otherwise in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and property development. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company.

### **1.13 Changes in Accounting Policies including Initial Adoption**

#### **Basis of Preparation**

The financial statements are presented in Canadian dollars.

The financial statements are prepared on the historical cost basis except historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted these standards, amendments and interpretations.

However, the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

IFRS 9 Financial Instruments is part of the IASB's wider project to 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. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has yet to evaluate the impact of the new standard.

## **Principles of Consolidation**

### **a) Subsidiaries**

All entities, in which the Company has a controlling interest, specifically when it has the power to direct the financial and operational policies of these companies to obtain benefit from their operations, are fully consolidated.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Soilfor, Inc.

### **b) Transactions eliminated on consolidation**

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

## **Mineral Properties**

### **Exploration and evaluation activities (IFRS 6)**

All direct expenditures related to the acquisition continue to be capitalized, while exploration and evaluation costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property will be capitalized. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base. All initial acquisition costs relating to the properties are capitalized with regular impairment analysis conducted to assess the viability of each property.

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

## Investments

Financial instruments at fair value through profit or loss ("FVTPL") are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement. Where the Company has the positive intent and ability to hold reclamation bonds to maturity, they are stated at amortized cost less impairment losses.

Other financial instruments held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly under other comprehensive income, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss. The fair value of financial instruments classified as FVTPL and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as FVTPL or available-for-sale investments are recognized or derecognized by the Company on the date it commits to purchase or sell the investments respectively. Securities held-to-maturity are recognized or derecognized on the day they are transferred to or by the Company respectively.

Impairment losses for the different financial assets and liabilities are recognized as follows:

*FVTPL:* An impairment loss on a financial asset or financial liability classified as held for trading is recognized in net income in the period in which it arises.

*Available-for-sale financial assets:* When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

*Held-to-maturity securities:* The recoverable amount of the Company's investments in held-to-maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). An impairment loss is recognized in net income and through the amortization process. Effective interest method: The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognized on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

The Company's financial instruments measured at fair value on the balance sheet consist of cash, reclamation bonds, accounts payable and accrued liabilities, restoration liabilities and promissory notes payable. Cash is measured at level 1 of the fair value hierarchy. The Company does not have any financial instruments at level 2 or 3 of the fair value hierarchy. The three levels of the fair value hierarchy as follows:

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

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

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

### **Debenture payable and Other Borrowings**

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

### **Provisions**

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### **Trade and Other Payables**

Trade and other payables are stated at cost.

### **Share-based Compensation**

Directors and officers of the Company will sometimes receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

### **Equity settled transactions**

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are 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 share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

## **Loss Per Share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the period ended March 31, 2016 and 2015 all the outstanding stock options and warrants were anti-dilutive.

## **Consolidated Balance Sheet**

Assets and liabilities expected to be realized in, or intended for sale or consumption in, the entity’s normal operating cycle, usually equal to 12 months, are recorded as current assets or liabilities.

## **Consolidated Statement of Cash Flows**

The Company prepares its consolidated statement of cash flows using the indirect method.

### **1.15(b)(i) Additional Disclosure for Venture Issuers Without Significant Revenue**

Additional disclosure concerning the Company’s: (a) capitalized or expensed exploration and development costs; (b) expensed research and development costs; (c) deferred development costs; (d) general and administrative expenses; and (e) any material costs, deferred or expenses, not already referred to in (a) through (d), is provided in the Company’s Consolidated Statement of Comprehensive Income (Loss) contained in its audited Consolidated Financial Statements for the year ended December 31, 2015, which can be accessed on SEDAR under the Company’s profile page at [www.sedar.com](http://www.sedar.com).

### **1.15(b)(ii) Disclosure of Outstanding Share Data**

The Company’s authorized share capital consists of unlimited common shares without par value.

Issued and outstanding: March 31, 2016 – 11,354,698;

Issued and outstanding: May 31, 2016 (date of this report) – 12,689,698

Warrants outstanding: March 31, 2016 – Nil

Warrants outstanding: May 31, 2016 – 100,000

Options outstanding: March 31, 2016 – 22,500

Options outstanding: May 31, 2016 – 647,500

## **Dividend Policy**

No dividends have been paid on any shares of the Corporation since the date of its incorporation, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

## **Controls and Procedures**

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures, for the nature and size of the entity, are effective in

providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that these controls and procedures are effective, for the nature and size of the entity, in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

### **Litigation**

There is no litigation pending, nor does management have knowledge of any potential litigation.

### **Risks Associated with Exploration and Mining Operations**

The exploration of mineral properties involves a high degree of risk which cannot be avoided despite the experience, knowledge and careful evaluation of prospective properties by management. There can be no assurance commercial quantities of ore will be discovered on the Corporation's mineral properties. Even if such commercial quantities are subsequently discovered by the Corporation's exploration efforts, there can be no assurance such properties can be brought in to commercial production. Operations may be subject to disruption due to weather conditions, labour unrest or other causes beyond the control of the Corporation. Hazards such as unexpected formations, pressures, flooding, or other conditions over which the Corporation does not have control may be encountered and may adversely affect the Corporation's operations and financial results.

### **Environmental Risks**

Environmental legislation is continuing to evolve such as will require strict standards and enforcement, increased fines and penalties for non-compliance, more stringent assessment of proposed projects and a greater degree of corporate responsibility. There can be no assurance that future changes to environmental legislation may not adversely affect the Corporation's operations.

### **Mineral Market**

The market for minerals is subject to factors beyond the Corporation's control, such as market price fluctuation, currency fluctuation and government regulation. The effect of such factors cannot be accurately calculated. The existence of any or all such factors may restrict the access to a market, if same exists, for the sale of commercial ore which may be discovered.

### **Funding Requirements**

In order to move forward with its exploration activities, the Corporation may require additional funding. There can be no guarantee that such funds will be available as and when required or, if available, be accessible on reasonable commercial terms.

### **Reliance on Management**

The Corporation anticipates that it will be heavily reliant upon the experience and expertise of management with respect to the further development of the mineral properties. The loss of any one of their services or their inability to devote the time required to effectively manage the affairs of the Corporation could materially adversely affect the Corporation

## **Auditors, Transfer Agent and Registrar**

The auditors of the Corporation are Parker Simone LLP, Chartered Accountants of Mississauga, Ontario. The Transfer Agent and Registrar for the Common Shares of the Corporation is Computershare of Vancouver, British Columbia

## **Forward Looking Statements**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's internal projections, expectations, future growth, performance and business prospects and opportunities and are based on information currently available to the Company. Since they relate to the Company's current views with respect to future events, they are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.