

Northern Abitibi Mining Corp.
Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Three Months Ended December 31, 2015
(Unaudited)

Northern Abitibi Mining Corp.

(Unaudited - Prepared by Management)

For The Three Months Ended December 31, 2015

February 2, 2016

MANAGEMENT'S RESPONSIBILITY FOR CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Northern Abitibi Mining Corp. ("Northern Abitibi") are the responsibility of the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statement do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with Northern Abitibi's audited annual consolidated financial statements and notes thereto for the year ended September 30, 2015. These unaudited condensed interim consolidated financial statements follow the same significant accounting policies and methods of application as those included in Northern Abitibi's most recent audited annual consolidated financial statements, except as described in Note 3 "Significant accounting policies". Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to Northern Abitibi's circumstances. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting policies consistent with IFRS appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited operations and cash flows of Northern Abitibi, as of the date of and for the period presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfils its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews Northern Abitibi's Management's Discussion and Analysis to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholder.

Management recognizes its responsibility for conducting Northern Abitibi's affairs in compliance with established financial standards, and applicable laws and regulation, and for maintaining proper standards of conduct for its activities.

"Shane Ebert"

Shane Ebert
President/Director

"Douglas Porter"

Douglas Porter
Chief Financial Officer

AUDITOR INVOLVEMENT

The accompanying unaudited condensed interim consolidated financial statements of Northern Abitibi have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three months ended December 31, 2015 have not been reviewed by Northern Abitibi's auditors.

Northern Abitibi Mining Corp.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

	December 31 2015	September 30 2015
ASSETS		
Current Assets		
Cash at bank (Note 5)	\$ 29,393	\$ 46,550
Accounts receivable (Note 6)	1,341	1,477
Mining exploration tax credit receivable (Note 8)	15,040	15,040
Prepaid expenses	5,993	10,076
Short-term investments (Note 7)	173,750	284,750
	<u>225,517</u>	<u>357,893</u>
Non-current Assets		
Exploration and evaluation assets (Note 8)	1,071	1,025
Property and equipment (Note 9)	650	732
	<u>1,721</u>	<u>1,757</u>
TOTAL ASSETS	\$ 227,238	\$ 359,650
EQUITY AND LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 19,513	\$ 25,006
TOTAL LIABILITIES	<u>19,513</u>	<u>25,006</u>
EQUITY		
Share capital	13,597,338	13,597,338
Reserves	1,886,077	1,886,077
Deficit	(15,275,690)	(15,148,771)
TOTAL EQUITY	<u>207,725</u>	<u>334,644</u>
TOTAL EQUITY AND LIABILITIES	\$ 227,238	\$ 359,650

Nature of operations and going concern (Note 1)

Commitments (Note 18)

Approved by the Board

"Shane Ebert"

Director

"Lesley Hayes"

Director

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)
(Unaudited - Prepared by Management)
For the three months ended December 31

	<u>2015</u>	<u>2014</u>
Expenses		
General and administrative (Note 14)	\$ 14,053	\$ 20,464
Reporting to shareholders	-	3,863
Professional fees	-	1,349
Stock exchange and transfer agent fees	1,784	1,810
Depreciation	82	157
	<u>15,919</u>	<u>27,643</u>
Loss before other items	<u>(15,919)</u>	<u>(27,643)</u>
Other items		
Loss from short-term investments (Note 7)	<u>(111,000)</u>	<u>(56,000)</u>
Net loss and comprehensive loss for the period	<u>\$ (126,919)</u>	<u>\$ (83,643)</u>
Basic and diluted loss per share (Note 15)	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average shares outstanding - basic and diluted (Note 15)	<u>84,309,126</u>	<u>84,309,126</u>

Nature of operations and going concern (Note 1)

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.
Condensed Interim Consolidated Statements Cash Flows

(Expressed in Canadian Dollars)
(Unaudited - Prepared by Management)
For the three months ended December 31

	<u>2015</u>	<u>2014</u>
Increase (decrease) in cash		
Operating activities		
Cash paid to suppliers and contractors	\$ <u>(17,111)</u>	\$ <u>(32,869)</u>
Cash used in operating activities (Note 19)	<u>(17,111)</u>	<u>(32,869)</u>
Investing activities		
Cash expended on exploration and evaluation asset additions	<u>(46)</u>	<u>(42,133)</u>
Cash provided by investing activities	<u>(46)</u>	<u>(42,133)</u>
Decrease in cash	(17,157)	(75,002)
Cash:		
Beginning of period	<u>46,550</u>	<u>190,462</u>
End of period	\$ <u>29,393</u>	\$ <u>115,460</u>

Supplementary information:
Interest and taxes

During the three month periods ended December 31, 2015 and December 31, 2014, the Company did not expend cash on interest or taxes.

Non-cash transactions

During the three month periods ended December 31, 2015 and December 31, 2014, there were no non-cash transactions.

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.

Condensed Interim Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

As at December 31

	Common share capital	Equity-settled share based payment	Other Reserves*	Total Reserves	Deficit	Total
Balance, December 31, 2013	\$ 13,590,417	\$ 54,536	\$ 1,831,541	\$ 1,886,077	\$ (15,000,166)	\$ 476,328
Net and comprehensive loss for the period	-	-	-	-	(109,019)	(109,019)
Options expired	-	(4,000)	4,000	-	-	-
Common shares issued pursuant to mineral property acquisition agreements (net of share issuance costs of \$79)	6,921	-	-	-	-	6,921
Balance, September 30, 2014	13,597,338	50,536	1,835,541	1,886,077	(15,109,185)	374,230
Net and comprehensive loss for the period	-	-	-	-	(83,643)	(83,643)
Balance, December 31, 2014	\$ 13,597,338	\$ 50,536	\$ 1,835,541	\$ 1,886,077	\$ (15,192,828)	\$ 290,587
Net and comprehensive income for the period	-	-	-	-	44,057	44,057
Options expired	-	(45,536)	45,536	-	-	-
Balance, September 30, 2015	13,597,338	5,000	1,881,077	1,886,077	(15,148,771)	334,644
Net and comprehensive loss for the period	-	-	-	-	(126,919)	(126,919)
Balance, December 31, 2015	\$ 13,597,338	\$ 5,000	\$ 1,881,077	\$ 1,886,077	\$ (15,275,690)	\$ 207,725

*Other reserves is comprised of the aggregate of options and warrants that expired or were forfeited without exercise. These values were relieved from common share capital, share based payment reserve and warrants reserve respectively upon the expiry of the equity instrument.

See accompanying notes to the financial statements

Northern Abitibi Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

December 31, 2015

1. Nature of operations and going concern

Northern Abitibi Mining Corp. ("the Company") is engaged in the business of mineral exploration and development in Canada. The Company was originally incorporated under the laws of the Province of Quebec, Canada and has been continued under the Alberta Business Corporations Act, Canada. The address of its primary office is Suite 800, 808 - 4th Avenue SW, Calgary, Alberta, Canada, T2P 3E8. The Company's common shares are listed on the TSX Venture Exchange under the symbol NAI.

Since inception, the efforts of the Company have been devoted to the acquisition, exploration and development of mineral properties. To date the Company has not received any revenue from mining operations and has not determined whether mineral properties contain ore reserves that are economically recoverable.

Mineral properties are recognized in these financial statements in accordance with the accounting policies outlined in Note 3(f) "*Exploration and evaluation assets*" of the annual financial statements for the year ended September 30, 2015. Accordingly, their carrying values represent costs incurred to date, net of recoveries, abandonments and impairments. The recoverability of these amounts is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain necessary financing to complete the development of properties where necessary, and upon future profitable operations; or alternatively, upon the Company's ability to recover its costs through a disposition of its interests.

The Company has an accumulated deficit of \$15,275,690 at December 31, 2015 (September 30, 2015 - \$15,148,771) and working capital of \$206,004 (September 30, 2015 - \$332,887) and has no current source of operating cash flow. The Company is dependent upon raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake exploration and development of its mineral properties, meet its purchase commitments (see Note 18 - "Commitments") and to finance general and administrative and operating expenses. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. These circumstances indicate a material uncertainty that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company will be required to raise additional capital to meet its funding requirements for administrative and operating costs for fiscal 2016 and beyond and to fund ongoing or expanded exploration programs. There can be no assurance that the Company will be successful in obtaining financing. These financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenues and expenses if the Company could not continue as a going concern. Such adjustments could be material.

2. Basis of presentation

a) Basis of presentation

These condensed interim consolidated financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretation of the International Reporting Interpretations Committee ("IFRIC") and are presented in Canadian dollars.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments described in Note 13 and decommissioning obligations described in Note 11. In addition, these statements have been prepared using the accrual basis of accounting except for cash flow information.

Northern Abitibi Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

December 31, 2015

2. Basis of presentation

b) Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its now dormant, wholly-owned US subsidiary, NAMCOEX Inc. NAMCOEX was incorporated by the Company during the year ended September 30, 2005 to acquire Nevada mineral property interests. All intercompany transactions and balances have been eliminated on consolidation. Subsidiaries are those entities that the Company controls through its power to govern the financial and operating policies of the subsidiary. Subsidiaries are fully consolidated from the date control is obtained and are de-consolidated from the date control ceases.

3. Significant accounting policies

The financial framework and accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those as disclosed in its most recently completed audited annual consolidated financial statements for the year ended September 30, 2015.

a) New accounting policies

Northern Abitibi did not adopt any new accounting policies during the three months ended December 31, 2015.

b) New accounting standards and interpretations

Certain new accounting standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for periods subsequent to those disclosed in these financial statements. Many are not applicable or do not have a significant impact to Northern Abitibi and have been excluded from below. They include the following:

IFRS 9 - Financial Instruments

IFRS 9 - Financial instruments, and consequential amendments to other related standards, is effective for accounting periods commencing on or after January 1, 2015. There have been new amendments related to IFRS 9 issued in November 2013. Although the transition date has been deferred, these amendments would be required to be prospectively applied in the financial statements for the 2014 year and beyond, as the Company has early adopted this section. However, these amendments relate to hedging and own credit risk, to which the Company is not exposed, therefore these amendments do not have a significant impact on its financial reporting.

4. Significant accounting judgments and estimates

The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. Circumstances could arise over the years that would require material revisions to these estimates. Changes in assumptions could have a material effect on the fair value of estimates.

These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Adjustments resulting from revisions to accounting estimates are recognized in the period in which the estimate is revised, and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and

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4. Significant accounting judgments and estimates (continued)

other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Significant estimates include:

- the carrying value of investments and the recoverability of the carrying value which is included in the balance sheet.
- the carrying values of exploration and evaluation assets that are included in the balance sheet, including the assumptions that are incorporated into the impairment assessments, and the amount of impairments that are including in the statement of profit or loss. (Refer to Note 1)
- the estimate of the amount of decommissioning obligations and the inputs used in determining the net present value of the liabilities for decommissioning obligations included in the balance sheet.

5. Cash at bank

Cash at bank is comprised of:

	<u>Dec 31, 2015</u>	<u>Sept 30, 2015</u>
Current bank accounts	\$ <u>29,393</u>	\$ <u>46,550</u>

6. Accounts receivable

	<u>Dec 31, 2015</u>	<u>Sept 30, 2015</u>
Trade receivables	\$ <u>35</u>	\$ <u>28</u>
Due from related parties	<u>498</u>	<u>696</u>
Sales tax receivables	<u>808</u>	<u>753</u>
	\$ <u>1,341</u>	\$ <u>1,477</u>

7. Short-term investments

	<u>Dec 31, 2015</u>	<u>Sept 30, 2015</u>
Société d'Exploration Minière Vior Inc.		
Common shares (Dec 31, 2015 - 150,000, Sept 30, 2015 - 150,000)	\$ <u>6,750</u>	\$ <u>8,250</u>
Spruce Ridge Resources Ltd.		
Common shares (Dec 31, 2015 - 11,000,000, Sept 30, 2015 - 11,000,000)	<u>165,000</u>	<u>275,000</u>
Commander Resources Ltd.		
Common shares (Dec 31, 2015 - 100,000, Sept 30, 2015 - 100,000)	\$ <u>2,000</u>	\$ <u>1,500</u>
	<u>173,750</u>	<u>284,750</u>

The common shares of Société d'Exploration Minière Vior Inc., Spruce Ridge Resources Ltd. and Commander Resources Ltd. were valued at their fair value, based on their respective period-end trading prices, at December 31, 2015 and September 30, 2015.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Prepared by Management)
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8. Exploration and evaluation assets

	British Columbia		
	Total	Ches Property	Cariboo Gold Property
Three months ended, December 31, 2015	\$	\$	\$
Exploration expenditures:			
Balance, September 30, 2015 and December 31, 2015	525	-	525
Property acquisition costs			
Balance, September 30, 2015	500	-	500
Acquisition costs incurred	46	-	46
Balance, December 31, 2015	546	-	546
Total exploration and evaluation assets, December 31, 2015	1,071	-	1,071

	British Columbia		
	Total	Ches Property	Cariboo Gold Property
Year ended September 30, 2015	\$	\$	\$
Exploration expenditures:			
Balance, September 30, 2014	3,600	3,600	-
Geological consulting	6,750	6,000	750
Field	(985)	(985)	-
Travel	882	882	-
Geochemical	10,471	10,471	-
Excavating	9,495	9,495	-
Mobilization and demobilization	16,300	16,300	-
Equipment rental	1,970	1,970	-
Decommissioning obligation	7,370	7,370	-
BC mining exploration tax credit	(16,123)	(15,898)	(225)
Impairments	(39,205)	(39,205)	-
Balance, September 30, 2015	525	-	525
Property acquisition costs			
Balance, September 30, 2014	10,424	10,424	-
Acquisition costs incurred	500	-	500
Impairments	(10,424)	(10,424)	-
Balance, September 30, 2015	500	-	500
Total exploration and evaluation assets, September 30, 2015	1,025	-	1,025

The Company has applied for a British Columbia mining exploration tax credit in the amount of \$15,040, for qualified expenditures totalling \$50,134 incurred during the year ended September 30, 2015. These expenditures relate to both the Ches property and the Cariboo Gold property.

From time to time the Company is required to advance amounts to service providers prior to their commencing exploration work on the mineral interests. The advance is applied to the invoiced services, generally through the final invoice. As these advances pertain to costs that form part of the long-term exploration and evaluation assets, they are classified as long-term. At December 31, 2015 and September 30, 2015, the Company held \$nil in exploration and evaluation asset advances and deposits.

Northern Abitibi Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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December 31, 2015

9. Property and equipment

Computer equipment and software	Dec 31, 2015	Sept 30, 2015
Cost		
Balance, beginning of period and end of period	\$ 9,685	\$ 9,685
Accumulated depreciation		
Balance, beginning of period	8,953	8,326
Depreciation	82	627
Balance, end of period	9,035	8,953
Net Book Value		
Balance, end of period	\$ 650	\$ 732

10. Accounts payable and accrued liabilities

	Dec 31, 2015	Sept 30, 2015
Trade payables	\$ 144	\$ 829
Due to related parties	2,369	7,177
Sales taxes payable	-	-
Accrued liabilities	17,000	17,000
	\$ 19,513	\$ 25,006

11. Decommissioning obligation

Changes in the decommissioning obligation the three months ended December 31, 2015 and year ended September 30, 2015 are as follows:

	Three months ended Dec 31, 2015	Year ended Sept 30, 2015
Balance, beginning of period	\$ -	\$ 7,250
Ches property additions	-	-
Ches property expenditures	-	(7,250)
Balance, end of period	\$ -	\$ -

The above noted provision represents estimated costs to restore the Ches property, including the cost of filling trenches and revegetation as applicable. Management believes that there are no other significant legal obligations as at the respective year end dates for current and future decommissioning obligations.

12. Share capital, stock options and warrants

a) Authorized

Unlimited number of common shares without par value

Northern Abitibi Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited - Prepared by Management)
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12. Share capital, stock options and warrants (continued)

b) Issued and outstanding common share capital

	<u>Dec 31, 2015</u>	<u>Sept 30, 2015</u>
	<u>Number of shares</u>	
Balance, end of period	84,309,126	84,309,126

During the three month period ended December 31, 2015, and the year ended September 30, 2015, there were no shares issued or cancelled and returned to treasury.

c) Stock options outstanding

<u>Expiry</u>	<u>Number of options</u>		<u>Exercise Price</u>
	<u>Dec 31, 2015</u>	<u>Sept 30, 2015</u>	
January 9, 2017	<u>500,000</u>	<u>500,000</u>	\$0.10

The Company has an option plan (the Plan), under which up to 10% of the issued and outstanding common shares are reserved for issuance. Under the Plan, the options that have been granted expire at the earlier of five years from the grant date, the date at which the Directors determine, or 60 days from the date on which the optionee ceases to be a director, officer, employee or consultant. The exercise price of the options granted under the Plan will not be less than that from time to time permitted under the rules of the stock exchange or exchanges on which the shares are then listed, which price reflects trading values at that time. All of the options outstanding at the respective period ends have vested.

d) Stock option transactions

During the three month period ended December 31, 2015, there were no stock option transactions. Subsequent to December 31, 2015 and the approval date of these financial statements, there were no stock options granted, cancelled or issued.

e) Warrant transactions and warrants outstanding

As of December 31, 2015 and September 30, 2015, there were no warrants outstanding. Subsequent to December 31, 2015 and the approval date of these financial statements, there were no warrants issued.

13. Financial instruments

Financial instruments recorded at fair value are classified using a fair value hierarchy that prioritizes the inputs to fair value measurements. The three levels of fair value are summarized below:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities either directly, (i.e. prices), or indirectly, (i.e. derived from prices); and
- Level 3 - Inputs that are not based on observable market data.

Level 1 has been utilized to value common shares included in short-term investments. The warrants included in short-term investments are categorized as Level 2.

Northern Abitibi Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)
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13. Financial instruments (continued)

The following summarizes the categories of the various financial instruments:

	Dec 31, 2015	Sept 30, 2015
	<u>Carrying Value</u>	
Financial Assets		
Financial assets measured at fair value:		
Short-term investments	\$ 173,750	\$ 284,750
Financial asset measured at amortized cost:		
Cash	29,393	46,550
Accounts receivable	533	724
	<u>\$ 29,926</u>	<u>\$ 47,274</u>
Financial Liabilities		
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	\$ 19,513	\$ 25,006

The above noted financial instruments are exclusive of any sales tax.

The carrying value of financial assets and liabilities measured at amortized cost approximates fair value due to the short-term nature of the instruments.

14. General and administrative

Three months ended	Dec 31, 2015	Dec 31, 2014
Administrative consulting fees	\$ 1,925	\$ 5,040
Occupancy costs	1,500	3,390
Office, secretarial and supplies	7,619	7,535
Insurance	2,883	2,853
Directors' fees	-	1,000
Computer network and website maintenance	126	646
	<u>\$ 14,053</u>	<u>\$ 20,464</u>

15. Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive. The following adjustments were made in arriving at diluted weighted average number of common shares for the period ended December 31:

Weighted average number of common shares:	2015	2014
Basic	84,309,126	84,309,126
Effect of dilutive securities:		
Stock options	-	-
Warrants	-	-
Diluted	84,309,126	84,309,126
Loss per share		
Basic	\$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ 0.00

Northern Abitibi Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Prepared by Management)
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16. Income tax information

The estimated taxable income for the three months ended December 31, 2015 is \$Nil. Based on the level of historical taxable income it cannot be reasonably estimated at this time if it is more likely than not the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities. Consequently, the future recovery or loss arising from differences in tax values and accounting values has been reduced by an equivalent estimated taxable temporary difference valuation allowance. The estimated taxable temporary difference valuation allowance will be adjusted in the period in which it is determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized.

For further information on the Company's actual losses for tax purposes, refer to the September 30, 2015 audited financial statements. The benefit of these losses and the estimated loss for the period ended have not been recognized in these financial statements.

17. Related party balances and transactions and key management remuneration

The Company is considered a related party to Manson Creek Resources Ltd. ("Manson") and Guatavita Gold Corporation ("Guatavita") because of its common directors, officers and key management personnel that have some direct financial interest in both the Company and Manson and Guatavita. In addition, related parties include members of the Board of directors, officers and their close family members. The Company incurred the following amounts charged by(to) related parties:

Three months ended:		<u>Dec 31, 2015</u>		<u>Dec 31, 2014</u>
Key management remuneration:				
President and director	a	\$ -	\$	4,000
Corporate secretary	d	5,063		4,387
Director's fees	b	-		1,000
		<u>\$ 5,063</u>	\$	<u>9,387</u>
Other related party transactions:				
Manson Creek Resources Ltd. ("Manson")				
Office rent and operating costs paid	c	\$ 1,500	\$	-
General and administrative and secretarial costs received	c	-	\$	1,372
Guatavita Gold Corporation ("Guatavita")				
Office rent and operating costs paid	d	-	\$	(3,390)
General and administrative and secretarial costs paid	d	(7,365)	\$	(7,166)

The following amounts were receivable from or due to related parties at the respective period ends:

		<u>Dec 31, 2015</u>		<u>Sept 30, 2015</u>
Balances receivable (owing)				
Consulting fees:				
President and director	a	\$ -	\$	(4,200)
General and administrative and secretarial costs:				
Guatavita Gold Corporation	d	\$ (2,369)	\$	(1,437)
Manson Creek Resources Ltd.	c	-	\$	(525)
Guatavita Gold Corporation	d	11	\$	374
Manson Creek Resources Ltd.	c	487	\$	315

Northern Abitibi Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

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17. Related party balances and transactions and key management remuneration (continued)

Management compensation payable to "key management personnel" during the respective three month periods is reflected in the table above and consists of consulting fees paid to the President, the CFO, salary for the Corporate Secretary and directors' fees. Officers and directors are also compensated through the granting of options from time-to-time. There were no options granted to officers and directors during the three month periods ended December 31, 2015 or December 31, 2014. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company.

a) The President and director of the Company billed for consulting services that were either expensed or, when his services related directly to mineral property exploration, capitalized to exploration and evaluation assets. During the three months ended December 31, 2015 \$Nil (2014 - \$Nil), was expensed through reporting to shareholder expenses or general and administrative expenses and \$Nil (2014 - \$4,000), was capitalized to exploration and evaluation assets.

b) The Company pays directors who are not officers of the Company \$500 for meeting attendance in person and \$300 for meeting attendance by telephone. There are two directors who are not officers and the amounts above reflect directors fees paid/payable for meetings attended during the above-noted periods.

c) Manson incurred certain administrative expenses on the Company's behalf that were subsequently billed to the Company on a quarterly basis. Further, the Company incurred certain administrative costs on behalf of Manson that were billed on a quarterly basis. Effective April 1, 2015, the Company commenced to lease office space from Manson. Manson and the Company share three common officers and two common directors.

d) Guatavita employs two individuals who also perform work for the Company and incurs certain administrative expenses on behalf of the Company and bills on a quarterly basis for these expenses. Included in these billings are the services provided by the Corporate Secretary. Effective January 1, 2012 to March 31, 2015, the Company leased office space from Guatavita. The Company incurred certain administrative expense on Guatavita's behalf that were subsequently billed to Guatavita on a quarterly basis. Guatavita and the Company share three common officers and one common director.

Related party receivables pertain to billings plus applicable sales taxes for which payment has not been received and related party payables reflect billings plus applicable sales taxes that were not yet paid by the Company at the respective period ends. Related party transactions were measured at the amounts agreed to by the transacting parties.

18. Commitments

Pursuant to a lease agreement for office space, the Company is committed to pay its share of base lease costs plus additional rent, which include its proportionate share of costs incurred in the operation, maintenance, management and supervision of the property as defined by the landlord's current lease for the premises. Additional annual rent is estimated to be approximately \$3,600. As at December 31, 2015, the committed base lease costs to the termination of the lease are as follows:

January 1, 2016 - September 30, 2016	\$	1,800
October 1, 2016 - March 31, 2017	\$	1,200
Total to lease termination	\$	<u>3,000</u>

Northern Abitibi Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)
(Unaudited - Prepared by Management)
December 31, 2015

19. Supplemental disclosure statement of cash flows

Reconciliation of cash used in operating activities to operating loss.

	Three months ended Dec 31, 2015	Three months ended Dec 31, 2014
Loss and comprehensive loss	\$ (126,919)	\$ (83,643)
Depreciation	82	157
Impairment charges	-	-
Interest and other income	-	-
Loss on short-term investments	111,000	56,000
Changes in assets and liabilities pertaining to operations:		
Accounts receivable	136	(4,237)
Prepaid expenses	4,083	3,828
Accounts payable and accrued liabilities	(5,493)	(4,974)
Cash used in operating activities	\$ (17,111)	\$ (32,869)

20. Segment disclosures

During the current period ended December 31, 2015 and the comparative period ended December 31, 2014 as well as during the year ended September 30, 2015, the Company was only engaged in mineral exploration and all exploration activities were undertaken in Canada. Consequently, segmented information is not presented in these financial statements.

21. Capital

The Company's objective when managing capital is to continue as a going concern so that it can provide value to shareholders by acquiring and conducting exploration on mineral exploration properties with the ultimate objective of finding commercial quantities of base and/or precious metals. Capital is defined as capital stock, warrants, contributed surplus and deficit. The Company has traditionally financed through equity issues rather than debt and does not anticipate using debt to finance its continuing grass roots exploration. Should the Company evolve to the point where it is developing or operating a mine, debt options will be investigated.

The Company will raise equity as cash flow requirements dictate and will attempt, when able, to time financings with more favorable market conditions. The Company can scale back exploration, and to a certain extent, discretionary administrative costs during tighter equity markets. The Company invests capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments such as Bankers' Acceptances and Term Deposits.

The externally imposed capital requirement that the Company is exposed to relates to flow-through shares. Pursuant to flow-through agreements entered into with flow-through share subscribers, the Company has committed to use the full proceeds of these issuances to incur qualifying mineral exploration expenditures within a prescribed time frame. Should the Company not incur these expenditures, they are required to pay the flow-through subscribers an amount equal to the tax payable by the subscriber as a result of the Company's failure to incur the expenditures. As at December 31, 2015 and September 30, 2015 there were no qualifying expenditures required by flow-through agreements, consequently there was no restricted cash at December 31, 2015 and September 30, 2015.

Northern Abitibi Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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22. Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of receivables, (excluding sales tax and government grant receivables) and cash held in Bankers' Acceptances and Term Deposits. The Company has had a history of prompt receipt of their receivables and considers credit risk to be low on these instruments as at December 31, 2015 and September 30, 2015.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity risk is the utilization of budgets, to attempt to maintain sufficient liquidity in order to meet operational and exploration requirements as well as property acquisition commitments. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. The Company will be required to raise additional capital to meet its funding requirements for administrative and operating costs and exploration and acquisition costs for the period ended December 31, 2015 and beyond. There can be no assurance that the Company will be successful in obtaining financing. As a result, there is significant doubt regarding the Company's ability to continue as a going concern. Refer to Note 1 "Nature of operations and going concern".

c) Market risk

Market risk consists of currency risk, price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There were no foreign currency denominated transactions during the periods disclosed and the Company did not hold cash balances in foreign currencies. As a result the Company is not exposed to foreign currency exchange risks at this time. As the Company has not yet developed producing mineral interests, it is not exposed to commodity price risk at this time. As the Company has no debt facilities and has minimal amounts of interest income, it is not exposed to significant interest rate risk at this time. The Company's equity investments are subject to market price risk. These investments were received as proceeds for the sale of mineral property interests. The Company does not invest excess cash in equity investments as a general rule. The investments in common shares and warrants are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings. The price or value of these investments can vary from period to period. During the three month period ended December 31, 2015, the market price fluctuation on the investments held resulted in a net loss of \$111,000 (39%) (year ended September 30, 2015 - net gain of \$105,000 (58%)) on short-term investments. In 2016 a 10% change in fair value of the Company's marketable investments would result in a charge to income of \$17,375 (2015 - \$28,475). The Company does not intend to hold these investments for more than one year.

**NORTHERN ABITIBI MINING CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following management discussion and analysis (MD&A) is management's assessment of the results and financial condition of Northern Abitibi Mining Corp ("Northern Abitibi" or "the Company") and should be read in conjunction with the Condensed Interim Consolidated Financial Statements as at and for the three months ended December 31, 2015 ("Q1 2016") and related notes thereto as well as the Audited Consolidated Financial Statements for the year ended September 30, 2015 and related notes thereto. The date of this MD&A is February 2, 2016. Northern Abitibi's common shares trade on the TSX Venture Exchange under the symbol "NAI". The Company's most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com.

The Company's Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2015 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the IFRS accounting policies adopted in the Annual Consolidated Financial Statements as at and for the year ended September 30, 2015. The Company has consistently applied the same accounting policies throughout all periods presented. The Company's accounting policies are provided in Note 3 "Significant accounting policies" to the annual Consolidated Financial Statements as at September 30, 2015. All dollar amounts are in Canadian dollars unless otherwise noted.

The "Qualified Person(s) under the guidelines of National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101") for Northern Abitibi's exploration projects in the following discussion and analysis is Dr. Shane Ebert, P. Geo., a Professional Geologist, registered in the Provinces of British Columbia and Newfoundland and Labrador and the President and Director of Northern Abitibi. The scientific and technical information concerning such properties contained herein has been reviewed by Dr. Ebert.

Statements and/or financial forecasts that are unaudited and not historical, including without limitation, exploration budgets, data regarding potential mineralization, exploration results and future plans and objectives, are to be regarded as forward-looking statements that are subject to risks and uncertainties that can cause actual results to differ materially from those anticipated. Such risks and uncertainties include risks related to the Company's business including, but not limited to: general market and economic conditions, continued industry and public acceptance, regulatory compliance, potential liability claims, additional capital requirements and uncertainty of obtaining additional financing and dependence on key personnel. Actual exploration and administrative expenditures can differ from budget due to unforeseen circumstances, changes in the market place that will cause suppliers' prices to change, and additional findings that will dictate that the exploration plan be altered to result in more or less work than was originally planned.

All forward-looking information is stated as of the effective date of this document, and is subject to change after this date. There can be no assurance that forward-looking information will prove to be accurate and future events and actual results could differ materially from those anticipated.

1) Principal Business of the Company

Northern Abitibi, including its now dormant, wholly owned subsidiary, NAMCOEX Inc., is engaged exclusively in the business of mineral exploration and development and, as the Company has no mining operations and no earnings therefrom, is considered to be in the exploration stage. The recoverability of the amounts comprising exploration and evaluation assets is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain financing to complete the development of the mineral properties where necessary and upon future profitable production; or, alternatively, upon the Company's ability to recover its costs through a disposition of its interests. The Company's philosophy is to acquire projects at the grass roots level and advance them to a point where partners can be brought in to further the properties to the stage where a mine is commercially feasible or the property can be sold outright.

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The Company has no operating income and no earnings; exploration and operating activities are financed by the sale of common shares and warrants. None of the Company's mineral properties are in production. Consequently, the Company's net income is a limiting indicator of its performance and potential.

2) Highlights – Three months ended December 31, 2015

- The Company staked the Cariboo Gold Property located in central British Columbia. For more information refer to Note 3 "Mineral properties, Cariboo Gold property, British Columbia" below.
- The Company continues to evaluate and interpret all available historic exploration data from the Cariboo Gold Property and design an appropriate exploration program for 2016.
- The Company continues to actively search for new early stage exploration opportunities and avenues for growth in stable jurisdictions within North America. The Company has not entered into any business combination, acquisition or similar agreements except as noted above.

3) Mineral Properties

Cariboo Gold Property, British Columbia

During the year ended September 30, 2015, the Company staked the Cariboo Gold Property located in central British Columbia.

The Cariboo Gold Property is 30 kilometres southeast of Quesnel, B.C. with good road access, located in the heart of the Cariboo gold fields which have produced several million ounces of gold from both placer and lode deposits. Major deposits located south and southeast of the Cariboo Gold Property include the QR Mine, the Gibraltar Mine, the Mt. Polley Mine, and the Spanish Mountain and Woodjam projects.

The Cariboo Gold Property has seen significant historic exploration including geophysical and geochemical surveys and drilling. The property is known to contain gold skarn style mineralization similar to the nearby QR deposit, along with epithermal Au mineralization. Historic drilling has also encountered high temperature potassic alteration along with intrusive rocks and breccias indicating potential for Cu-Au porphyry style mineralization.

Historic drilling by Placer Dome and Cross Lake Minerals encountered strong gold mineralization including intercepts of 11 metres grading 1.41 g/t Au, 6 metres grading 2.18 g/t Au, 6 metres grading 1.72 g/t Au, and individual assays up to 4.5 g/t Au. An induced polarization geophysical survey conducted in 2003 for Cross Lake Minerals defines an area 800 metres by 350 metres with anomalous chargeability that remains open to the southwest, west and northeast, with a coincident resistivity high that is 200 metres by 500 metres and appears open to the west and northeast. The known mineralized zones have not been fully drill tested or delineated and significant geophysical and geological targets on the property remain untested.

The Company will continue to evaluate and interpret all available historic exploration data from the Cariboo Gold Property and design an appropriate exploration program for 2016.

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Ches, British Columbia

In December 2014, the Company received the assay results for the surface sampling on the Ches property. Significant intervals of highly anomalous copper and zinc have been encountered in the trenches demonstrating the system contains significant anomalies in bedrock. These values range from 200 to 1000 ppm copper, and 200 to 5150 ppm zinc. After a thorough review of the 2014 exploration results the Company decided to terminate the Option Agreement on the Ches property and on March 5, 2015, the Company returned the property to the vendors. During the summer of 2015 all reclamation work was completed on the property and the reclamation bond held by the Government of British Columbia was returned. The Company has no further legal obligations or commitments with respect to the Ches property.

4) Operating Results

Three months ended December 31, 2015 compared to three months ended December 31, 2014:

A summarized statement of operations appears below to assist in the discussion that follows:

Three months ended December 31	2015	2014
General and administrative	\$ (14,053)	\$ (20,464)
Reporting to shareholders	-	(3,863)
Professional fees	-	(1,349)
Stock exchange and transfer agent fees	(1,784)	(1,810)
Depreciation	(82)	(157)
Loss on short-term investments	(111,000)	(56,000)
Net and comprehensive loss	\$ (126,919)	\$ (83,643)

In general, the objective to tightly manage costs as a strategy to conserve resources during this economically challenging time remains a priority for the Company. Variances in general and administrative expenditures and professional fees are examined in further detail in the chart below. The most significant changes in other expenditures follow:

- There were no expenditures relating to Reporting to shareholders, which relate to the filing and dissemination of the annual audited financial statements, in the current period due to the timing of the annual audited financial statements which was conducted in Q2 2016.
- The loss on short-term investments results from adjusting the Company's holding in common shares and warrants of Société d'Exploration Minière Vior Inc. ("Vior Inc."), Spruce Ridge Resources Ltd. ("Spruce Ridge") and Commander Resources Ltd. ("Commander") to fair value at the respective period ends. At December 31, 2015 Spruce Ridge shares were trading at \$0.015 versus \$0.025 at September 30, 2015, resulting in a loss of \$110,000. At December 31, 2014 these shares were trading at \$0.010 per share versus \$0.015 at September 30, 2014, resulting in a loss of \$56,000. At December 31, 2015, The Vior Inc. shares were trading at \$0.045 per share versus \$0.055 at September 30, 2015, resulting in a loss of \$1,500. At December 31, 2014 and September 30, 2014, they were trading at \$0.015 per share at September 30, 2014 resulting in no change to the fair value at the comparative period end. Finally, the value of the Commander Resources Ltd shares increased from \$0.015 at September 30, 2015 to \$0.025 at December 31, 2015 resulting in a gain of \$500. During the comparative periods the value of the shares fell from \$0.03 per share at September 30, 2014 to \$0.02 per share at December 31, 2014 resulting in a loss of \$1,000. These market price declines result in significant valuation adjustments from period to period.

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The variances in General and administrative expenses and Professional fees are discussed below.

General and administrative expenses

Three months ended December 31	2015	2014
Administrative consulting fees	\$ 1,925	\$ 5,040
Occupancy costs	1,500	3,390
Office, secretarial and supplies	7,619	7,535
Insurance	2,883	2,853
Director's fees	-	1,000
Computer network and website maintenance	126	646
Total	\$ 14,053	\$ 20,464

- Administrative consulting fees, which consist of fees for the CFO, the controller and geological consulting, are down by approximately \$3,100 in accordance with budgeted expenditures. There were no geological consulting fees incurred, nor fees for the services provided by the CFO in either the current period or comparative period. The variance from the comparative period primarily results from the timing of the audit of the annual financial statements at September 30, 2015 and September 30, 2014.
- Occupancy costs are down approximately \$1,900 in the current quarter from the comparative quarter and result from the new leasing arrangement entered into April 1, 2015. Occupancy costs are expected to be approximately \$500 per month until the lease terminates March 31, 2017.
- There are nominal variances to office, secretarial and supplies expenditures during the current and comparative periods. The majority of the expenditures relate to office salary allocations, and are in accordance with the budget.
- There is no significant variation in insurance premiums between current and comparative quarters.
- As a voluntary cost management measure, directors fees were not paid in Q2 2015 to present.
- Computer network and website maintenance fees are down in the current period by approximately \$500. The decrease is a result of expenditures in Q1 2015 relating to the purchase and installation of a new network system. No similar expenditures were required in Q1 2016.

Professional fees

Three months ended December 31	2015	2014
Audit and accounting	\$ -	\$ (30)
Legal and filing fees	-	1,379
Total	\$ -	\$ 1,349

- Professional fees, which consist of annual auditing fees plus legal and other filing fees. No professional fees were incurred in Q1 2016.

5) Liquidity and Capital Resources

The Company's working capital position at December 31, 2015 was \$206,004 (September 30, 2015 - \$332,887), a net change of \$127,000. Significant changes to working capital include a decline in the fair market value of the short-term investments of \$111,000. The company expended approximately \$17,000 in cash for general operations during the current period. A nominal amount was spent on exploration and evaluation assets relating to the acquisition of the Cariboo property in British Columbia in fiscal 2015.

The Company is continually investigating financing options. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. The Company will be required to raise additional capital to meet its funding requirements for administrative and operating costs and exploration and acquisition costs for fiscal 2016 and beyond. There can be no assurance that the Company will be successful in obtaining financing. As a result, there is

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significant doubt regarding the Company's ability to continue as a going concern. Refer to Note 1 "Nature of operations and going concern".

6) Financing

During the three month period ended December 31, 2015 and the year ended September 30, 2015, there were no financing activities.

7) Contractual Obligations

The Company is party to a lease for office space that terminates March 31, 2017. As at December 31, 2015, the contractual cash obligations for the following five fiscal years are as follows:

Nature of obligation

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Office lease base rent	\$ 1,800	\$ 1,200	\$ -	\$ -	\$ -

Pursuant to the lease, the Company is also required to pay lease operating costs that approximate \$300 per month.

8) Exploration Expenditures

Refer to Note 8 "Exploration and evaluation assets," in the Condensed Interim Consolidated Financial Statements.

9) Off-Balance Sheet Transactions

There are no off-balance sheet transactions to report.

10) Selected Quarterly Financial Information

The following selected financial data has been extracted from the unaudited interim consolidated financial statements for the fiscal periods indicated and should be read in conjunction with those unaudited financial statements.

Three months ended	Dec 31 2015 (Q1 2016)	Sep 30 2015 (Q4 2015)	Jun 30 2015 (Q3 2015)	Mar 31 2015 (Q2 2015)	Dec 31 2014 (Q1 2015)	Sept 30 2014 (Q4 2014)	Jun 30 2014 (Q3 2014)	Mar 31 2014 (Q2 2014)
	\$	\$	\$	\$	\$	\$	\$	\$
Loss before recovery (impairment) of exploration and evaluation assets	(15,919)	(29,974)	(17,065)	(20,414)	(27,643)	(42,717)	(48,468)	(17,516)
Recovery (impairment) of exploration and evaluation assets	-	14,295	1,083	(65,007)	-	-	-	-
Loss before other items	(15,919)	(15,679)	(15,982)	(85,421)	(27,643)	(42,717)	(48,468)	(17,516)
Interest and other income	-	-	99	40	-	126	1	655
Gain (loss) on short-term investments	(111,000)	47,249	(50,499)	164,250	(56,000)	(5,750)	(55,000)	59,650
Comprehensive profit (loss)	(126,919)	31,570	(66,382)	78,869	(83,643)	(48,341)	(103,467)	42,789
Basic and diluted earnings (loss) per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The most significant influences on the variability of profit or loss are the amount of exploration and evaluation asset impairments, gains on sale of exploration and evaluation assets, income from flow-through

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shares, and gains or losses on short-term investments. The timing of the impairments and gains on sale of the Company's Exploration and evaluation assets cannot be predicted in advance and will vary from one reporting period to the next. As a result, there may be dramatic changes in the financial results and balance sheet position reported by the Company on a period by period basis.

The Company has received common shares and warrants in three separate publicly traded Companies as partial consideration for the sale of mineral property interests in past years. Comprehensive Profit or Loss will fluctuate as the carrying value of these investments is adjusted to fair value at the respective period ends.

11) Directors and Officers

Shane Ebert	<i>Director and President</i>	Douglas Cageorge	<i>Director</i>
Jean Pierre Jutras	<i>Director and Vice-President</i>	Douglas Porter	<i>Chief Financial Officer</i>
Barbara O'Neill	<i>Corporate Secretary</i>	Lesley Hayes	<i>Director</i>

12) Related Party balances and transactions and key management remuneration

Related party transactions for Q1 2016 are disclosed and explained in Note 17 to the Condensed Interim Consolidated Financial Statements for the three month period ended December 31, 2015 which accompany this MD&A.

13) Share capital and equity reserves

Refer to Note 12 to the financial statements and the Condensed Interim Statement of Changes in Equity for common share capital, stock option and warrant transactions during the three months ended December 31, 2015 and balances as at that date. There were no changes to Share capital, Warrants or Options during the period from January 1, 2016 to February 2, 2016, the date of this report.

14) Financial instruments

The carrying value of the Company's financial instruments, consisting of cash and cash equivalents, accounts receivable (net of sales tax) and accounts payable and accrued liabilities, approximate their fair value due to the short-term nature of the instruments.

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company had no foreign currency denominated fund balances. Consequently, variations in foreign exchange rates will not result in foreign exchange gains or losses at this point in time.

15) Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of receivables, government grant receivables and cash held in Bankers' Acceptances and Term Deposits. The Company has had a history of prompt receipt of their receivables and considers credit risk to be low on these instruments as at December 31, 2015 and September 30, 2015.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity risk is the utilization of budgets, to attempt to maintain sufficient liquidity in order to meet operational and exploration requirements as well as property acquisition commitments. The Company raises capital through equity issues and its ability to do so is dependent on a

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number of factors including market acceptance, stock price and exploration results. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. The Company will be required to raise additional capital to meet its funding requirements for administrative and operating costs and exploration and acquisition costs beyond the for fiscal 2016 and beyond. There can be no assurance that the Company will be successful in obtaining financing. As a result, there is significant doubt regarding the Company's ability to continue as a going concern. Refer to Note 1 "Nature of operations and going concern".

c) Market risk

Market risk consists of currency risk, price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There were no foreign currency denominated transactions during the periods disclosed and the Company did not hold cash balances in foreign currencies. As a result the Company is not exposed to foreign currency exchange risks at this time. As the Company has not yet developed producing mineral interests, it is not exposed to commodity price risk at this time. As the Company has no debt facilities and has minimal amounts of interest income, it is not exposed to significant interest rate risk at this time. The Company's equity investments are subject to market price risk. These investments were received as proceeds for the sale of mineral property interests. The Company does not invest excess cash in equity investments as a general rule. The investments in common shares and warrants are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings. The price or value of these investments can vary from period to period. During the period ended December 31, 2015, the market price fluctuation on investments held resulted in a net loss of \$111,000 (39%) (year ended September 30, 2015 - \$105,000 (58%)) on short-term investments. In 2016, a 10% change in fair value of the Company's marketable investments would result in a charge to income of \$17,375, (2015 - \$28,475).

15) Outlook

The Company's primary objective is to discover mineral resources in economic quantities capable of supporting an operating mine. Should the Company discover such a promising property, it would likely attempt to ally with a more senior mining company that might option-in on the property or purchase the property outright, as the Company does not have expertise in operating a mine.

During the year ended September 30, 2015, the Company acquired the Cariboo Gold property, located in central British Columbia, through staking. The Company will continue to evaluate and interpret all available historic exploration data from the Cariboo Gold Property and design an appropriate exploration program for 2016. Refer to section 2) Highlights and 3) Mineral properties of this document for more information relating to the acquisition of this property.

The Company continues to actively search for new early stage exploration opportunities and avenues for growth in stable jurisdictions within North America. The Company has not entered into any business combination, acquisition or similar agreements except as noted above.

16) Risks

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operation (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

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The Company is a natural resource company engaged in the acquisition, exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of exploration, the following risk factors, among others, should be considered:

- **Exploration, development and operating risks**
The Company is in the process of exploring its properties and has not yet determined whether its properties contain economically recoverable reserves and, therefore, does not generate any revenues from production. The recovery of expenditures on mineral properties and the related deferred exploration expenditures are dependent on the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and development of its properties, and upon future profitable production, or alternatively, on the sufficiency of proceeds from disposition. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful.
- **Substantial capital requirements and liquidity**
Substantial additional funds for the establishment of the Company's current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operation and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.
- **Fluctuating mineral prices**
The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, the Company may determine that it is impractical to continue a mineral exploration operation. Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the Company's properties.
- **Regulatory, permit and license requirements**
The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations concerning exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on the Properties will be obtainable on a reasonable terms, or that such laws and regulation will not have an adverse effect on any exploration or development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation

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of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs, or require abandonment or delays in the development of new or existing properties.

- **Financing risks and dilution to shareholders**

The Company has limited financial resources, no operations and no revenues. If the Company's exploration program on its properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders.

- **Title to properties**

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to its properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Optionors or the Company, as the case may be does not have title to its properties could cause the Company to lose any rights to explore, develop and mine any minerals on its properties without compensation for its prior expenditures relating to its properties.

- **Competition**

The mineral exploration and development industry is highly competitive. The Company will have to compete with other mining companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of mineral claims, leases and other mineral interest as well as for the recruitment and retention of qualified employees and other personnel. Failure to compete successfully against other mining companies could have a material adverse effect on the Company and its prospects.

- **Reliance on management and dependence on key personnel**

The success of the Company will be largely dependent upon the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

- **Environmental risks**

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental

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legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increase capital expenditures and operating costs.

- **Conflicts of interest**

Certain of the Directors and Officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such Directors and Officers of the Company may become subject to conflicts of interest. Canadian corporate laws provide that in the event that a Director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under those laws. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable Canadian corporate laws.

- **Uninsurable risks**

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company's shares.

- **Litigation**

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

17) Critical Accounting Estimates

The most significant accounting estimate for the Company relates to the carrying value of its exploration and evaluation assets. Exploration and evaluation assets consist of the capitalized costs of exploration and mining concessions. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonments. The estimated values of exploration and evaluation assets are evaluated by management on a regular basis to determine whether facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Reference is made to project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others, financing, the extent to which optionees have committed, or are expected to commit to, exploration on the property and the imminent expiry of the right to explore, among other factors. When it becomes apparent that the carrying value of a specific property will not be realized, an impairment provision is made for the estimated decline in value.

The Company's estimate for decommissioning obligations is based on existing laws, contracts and other policies. The value of the obligation is based on estimated future costs for abandonments and reclamations which require that certain assumptions be made. By their nature, these estimates are subject to measurement uncertainty.

Another significant accounting estimate relates to valuing stock-based compensation and warrants. The Company uses the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions

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can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and vested, or warrants issued, during the year.

The Company estimates the fair value of its short-term equity investments at each period end as they are carried at fair value in the Balance Sheet. The Company uses the closing price of the common shares on the period-end date and uses the Black-Scholes Option Pricing Model discussed above to estimate the value of its investment in warrants. The price at which these instruments can ultimately be sold will vary from these estimates due to the timing of their sale, the volume of trading in the securities at any given time and changes in the market over time, among other factors.

18) New Accounting Policies

The Company did not adopt any new accounting policies during the three months ended December 31, 2015.

IFRS accounting standards, interpretations and amendments subsequent to period-end

Certain new accounting standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for periods subsequent to those disclosed in the financial statements. They include the following, but do not include updates that are not applicable or are not consequential to the Company's operations:

i) IFRS 9 - Financial Instruments

IFRS 9 - Financial instruments, and consequential amendments to other related standards, is effective for accounting periods commencing on or after January 1, 2015. There have been new amendments related to IFRS 9 issued in November 2013. Although the transition date has been deferred, these amendments would be required to be prospectively applied in the financial statements for the 2014 year and beyond, as the Company has early adopted this section. However, these amendments relate to hedging and own credit risk, to which the Company is not exposed, therefore these amendments do not have a significant impact on its financial reporting.

19) Other

Additional information relating to the Company may be found on SEDAR at www.sedar.com.