# Midland Exploration Inc.

Financial Statements

For the years ended September 30, 2015 and 2014

December 10, 2015

## Independent Auditor's Report

**To the shareholders of**
**Midland Exploration Inc.**

We have audited the accompanying financial statements of Midland Exploration Inc., which comprise the statements of financial position as at September 30, 2015 and 2014 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Midland Exploration Inc. as at September 30, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A123642

# Midland Exploration Inc.

## Statements of Financial Position

As at September 30, 2015 and 2014

| | As at September 30 | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 5) | 5,862,953 | 1,667,402 |
| Investments (note 6) | 4,535,807 | 2,060,000 |
| Accounts receivable | 99,057 | 62,983 |
| Sales tax receivable | 183,942 | 118,335 |
| Tax credits and mining rights receivable | 73,713 | 66,578 |
| Prepaid expenses | 55,187 | 24,168 |
| | 10,810,659 | 3,999,466 |
| **Non-current assets** | | |
| Investments - non-current portion (note 6) | 6,496,000 | - |
| Exploration and evaluation assets (note 7) | | |
| Exploration properties | 1,200,584 | 1,090,489 |
| Exploration and evaluation expenses | 5,900,412 | 4,802,845 |
| | 7,100,996 | 5,893,334 |
| | 13,596,996 | 5,893,334 |
| **Total assets** | **24,407,655** | **9,892,800** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 670,350 | 464,004 |
| Advance received for exploration work | 141,170 | 370,329 |
| Liability related to the premium on flow-through share | - | 27,460 |
| **Total liabilities** | 811,520 | 861,793 |
| **Equity** | | |
| Capital stock | 31,288,335 | 17,270,485 |
| Warrants (note 8) | 2,113,643 | 30,818 |
| Contributed surplus | 2,088,784 | 1,959,018 |
| Deficit | (11,894,627) | (10,229,314) |
| **Total equity** | 23,596,135 | 9,031,007 |
| **Total liabilities and equity** | **24,407,655** | **9,892,800** |

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

**On behalf of the Board**

(s) Jean-Pierre Janson
Jean-Pierre Janson
Director

(s) Gino Roger
Gino Roger
President, Director

# Midland Exploration Inc.

Statements of Comprehensive Loss

For the years ended September 30, 2015 and 2014

| | Fiscal 15 | Fiscal 14 |
|---|---|---|
| | $ | $ |
| **Revenues** | | |
| Project management fees | 299,418 | 165,435 |
| Residual gain on option payments on mining assets | 2,034 | 7,148 |
| | 301,452 | 172,583 |
| **Operating Expenses** | | |
| Salaries | 348,858 | 328,600 |
| Stock-based compensation | 66,913 | 170,451 |
| Travel | 62,415 | 54,310 |
| Rent and insurance | 50,664 | 48,074 |
| Office expenses | 92,225 | 87,593 |
| Regulatory fees | 44,301 | 31,368 |
| Conferences and mining industry involvement | 99,544 | 77,477 |
| Press releases and investors relations | 60,601 | 63,896 |
| Professional fees | 236,859 | 197,048 |
| General exploration | 2,878 | 12,059 |
| Impairment of exploration and evaluation assets (note 7) | 225,826 | 1,288,721 |
| Operating expenses | 1,291,084 | 2,359,597 |
| **Other gains or losses** | | |
| Interest income | 121,237 | 56,565 |
| **Loss before income taxes** | (868,395) | (2,130,449) |
| Recovery of deferred income taxes (note 11) | 239,297 | 155,863 |
| **Loss and comprehensive loss** | **(629,098)** | **(1,974,586)** |
| Basic and diluted loss per share (note 10) | (0.02) | (0.07) |

The loss and comprehensive loss are solely attributable to Midland Exploration Inc. shareholders.

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

# Midland Exploration Inc.
Statements of Changes in Equity
For the years ended September 30, 2015 and 2014

| | Number of shares outstanding | Capital stock | Warrants | Contributed surplus | Deficit | Total equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at Oct. 1, 2014** | 30,306,512 | 17,270,485 | 30,818 | 1,959,018 | (10,229,314) | 9,031,007 |
| Loss and comprehensive loss | - | - | - | - | (629,098) | (629,098) |
| Private placements | 21,885,857 | 13,323,007 | 1,997,093 | - | - | 15,320,100 |
| Flow-through private placement | 1,066,683 | 906,680 | - | - | - | 906,680 |
| Less: premium | - | (211,837) | - | - | - | (211,837) |
| | 1,066,683 | 694,843 | - | - | - | 694,843 |
| Stock-based compensation | - | - | - | 98,948 | - | 98,948 |
| Warrants expired | - | - | (30,818) | 30,818 | - | - |
| Broker warrants | - | - | 116,550 | - | (116,550) | - |
| Share issue expenses | - | - | - | - | (919,665) | (919,665) |
| **Balance at Sept. 30, 2015** | **53,259,052** | **31,288,335** | **2,113,643** | **2,088,784** | **(11,894,627)** | **23,596,135** |

| | Number of shares outstanding | Capital stock | Warrants | Contributed surplus | Deficit | Total equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at Oct. 1, 2013** | 28,671,225 | 16,133,166 | 52,542 | 1,639,751 | (8,212,542) | 9,612,917 |
| Loss and comprehensive loss | - | - | - | - | (1,974,586) | (1,974,586) |
| Private placement | 802,001 | 570,683 | 30,818 | - | - | 601,501 |
| Flow-through private placement | 833,286 | 749,959 | - | - | - | 749,959 |
| Less: premium | - | (183,323) | - | - | - | (183,323) |
| | 833,286 | 566,636 | - | - | - | 566,636 |
| Stock-based compensation | - | - | - | 266,725 | - | 266,725 |
| Warrants expired | - | - | (52,542) | 52,542 | - | - |
| Share issue expenses | - | - | - | - | (42,186) | (42,186) |
| **Balance at Sept. 30, 2014** | **30,306,512** | **17,270,485** | **30,818** | **1,959,018** | **(10,229,314)** | **9,031,007** |

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

# Midland Exploration Inc.

Statements of Cash Flows

For the years ended September 30, 2015 and 2014

| | Fiscal 15 | Fiscal 14 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Loss | (629,098) | (1,974,586) |
| Adjustment for: | | |
| Residual gain on option payments on mining assets | (2,034) | (7,148) |
| Stock-based compensation | 66,913 | 170,451 |
| Impairment of exploration and evaluation assets | 225,826 | 1,288,721 |
| Recovery of deferred income taxes | (239,297) | (155,863) |
| | (577,690) | (678,425) |
| Changes in non-cash working capital items | | |
| Accounts receivable | (36,074) | 5,972 |
| Sales tax receivable | (65,607) | 2,575 |
| Tax credits and mining rights receivable | (6,650) | (3,534) |
| Prepaid expenses | (31,019) | (1,802) |
| Accounts payable and accrued liabilities | (58,608) | 258,827 |
| Advance received for exploration work | (229,159) | 370,329 |
| | (427,117) | 632,367 |
| | **(1,004,807)** | **(46,058)** |
| **Financing activities** | | |
| Private placements | 15,320,100 | 601,501 |
| Flow-through private placement | 906,680 | 749,959 |
| Share issue expenses | (919,665) | (42,186) |
| | **15,307,115** | **1,309,274** |
| **Investing activities** | | |
| Additions to investments | (11,031,807) | - |
| Disposals of investments | 2,060,000 | - |
| Additions to exploration properties | (300,840) | (178,896) |
| Disposals of exploration properties | 30,000 | 60,000 |
| Additions to exploration and evaluation expenses | (924,615) | (901,795) |
| Tax credits and mining rights received | 60,505 | 162,339 |
| | **(10,106,757)** | **(858,352)** |
| **Net change in cash and cash equivalents** | 4,195,551 | 404,864 |
| Cash and cash equivalents – beginning (note 5) | 1,667,402 | 1,262,538 |
| **Cash and cash equivalents – ending (note 5)** | **5,862,953** | **1,667,402** |

*Additional disclosure (see note 15)*

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

## 1. STATUTE OF INCORPORATION AND NATURE OF ACTIVITIES

Midland Exploration Inc. ("the Corporation"), incorporated in Canada on October 2, 1995 and operating under the Business Corporations Act (Québec), is a company in the mining exploration business. The Corporation's operations include the acquisition and exploration of mining properties. Its head office is located at 1, Place Ville Marie, suite 4000, Montreal, Quebec, H3B 4M4. The Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under the MD ticker.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. The recoverability of exploration and evaluation assets is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration and the profitable sale of the assets. The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although the Corporation has taken steps to verify title to mineral properties 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 Corporation's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

The accompanying financial statements have been prepared in accordance with the *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB"). The accounting policies, method of computation and presentation applied to these financial statements are consistent with those of the previous financial year. These financial statements were approved and authorized for issue by the Board of Directors on December 10, 2015.

### 2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain assets at fair value.

### 2.3 Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

### 2.4 Jointly controlled assets and exploration activities

A jointly controlled asset involves joint control and offers joint ownership by the Corporation and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

Where the Corporation's activities are conducted through jointly controlled assets and exploration activities, the financial statements include the Corporation's share in the assets and the liabilities as well as in the income and the expenses from the joint operations.

### 2.5 Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

The category of financial instruments determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income relating to financial instruments that are recognized in profit or loss are presented within other gains or losses.

### a) Financial assets

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment.

*Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

As of September 30, 2015, the Corporation had no investments classified as held-to-maturity.

*Impairment of financial assets*
All financial assets are subject to review for impairment periodically. Financial assets are impaired only if there is objective evidence that a financial asset or a group of financial assets is impaired.

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

Individually significant accounts receivable are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

### b) Financial liabilities

*Financial liabilities measured at amortized cost*
Accounts payable and accrued liabilities and advance received for exploration work are initially measured at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### c) Classification

The Corporation has classified its financial instruments as follows:

| Category | Financial instruments |
|---|---|
| Loans and receivables | Bank balance and cash on hand<br>Guaranteed investment certificates<br>In trust deposits<br>High interest savings account<br>Accounts receivable<br>Accrued interest receivable |
| Financial liabilities measured at amortized cost | Accounts payable and accrued liabilities<br>Advance received for exploration work |

### 2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less or cashable at any time without penalties.

### 2.7 Taxes credits and mining rights receivable

The Corporation is entitled to a refundable tax credit on qualified exploration expenditures incurred and a refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration and evaluation expenses incurred. As management intends to realize the carrying value of its assets and settle the carrying value of its liabilities through the sale of its exploration and evaluation assets, the related deferred tax has been calculated accordingly.

### 2.8 Exploration and evaluation assets

Exploration and evaluation ("E&E") assets are comprised of exploration properties and E&E expenses. All costs incurred prior to obtaining the legal rights to undertake E&E activities on an area of interest are expensed as incurred.

E&E assets include rights in exploration properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost less accumulated impairment losses. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

E&E expenses for each separate area of interest are capitalized (net from E&E expenses recharged to partners) and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenses include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E&E expenses include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statement of cash flows.

From time to time, the Corporation may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded.

Option payments are recorded when they are made or received. Proceeds on the sale of exploration properties are applied by property in reduction of the exploration properties, then in reduction of the E&E expenses and any residual is recorded in the statement of comprehensive loss unless there is contractual work required in which case the residual gain is deferred and will reduce the contractual disbursements when done.

Funds received from partners on certain properties where the Corporation is the operator in order to perform exploration work as per agreements, are accounted for in the statement of financial position as advances received for upcoming exploration work. These advances are reduced gradually when the exploration work is performed. The project management fees received when the Corporation is the operator are recorded in the statement of comprehensive loss when the E&E expenses are charged back to the partner. When the partner is the operator, the management fees are recorded in the statement of financial position as E&E expenses.

### 2.9 Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive loss or capitalized in the E&E expenses on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged as incurred.

### 2.10 Impairment of non-financial assets

E&E assets are reviewed for impairment, by area of interest, if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not provided for if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

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

Deferred income tax assets and liabilities are presented as noncurrent and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.12 Equity

Capital stock represents the amount received on the issue of shares. Warrants represent the allocation of the amount received for units issued as well as the charge recorded for the broker warrants relating to financing. Contributed surplus includes charges related to stock options until they are exercised and the warrants that are expired and not exercised. Deficit includes all current and prior period retained profits or losses and share issue expenses.

Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model.

### 2.13 Flow-through shares

The Corporation finances some E&E expenses through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference between the amount recorded as common share and the amount paid by the investors for the shares (the "premium"), measured with the residual value method, is accounted for as flow-through share premium, which is reversed to income as recovery of deferred income taxes when the eligible expenses are incurred. The Corporation recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred.

### 2.14 Share and warrant issue expenses

Share and warrant issue expenses are accounted for in the year in which they are incurred and are recorded as a deduction to equity in the deficit in the year in which the shares are issued.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Stock-based compensation

The Corporation operates an equity-settled share-based remuneration plan (share options plan) for its eligible directors, officers, employees and consultants. The Corporation's plan does not feature any options for a cash settlement.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Corporation. The expense is recorded over the vesting period for employees and over the period covered by the contract for non-employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values, unless that fair value cannot be estimated reliably. If the Corporation cannot estimate reliably the fair value of the goods or service received, the Corporation shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date using the Black Scholes option pricing model and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the statement of comprehensive loss or capitalized as an E&E expenses on the statement of financial position, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Warrants to brokers, in respect of an equity financing are recognized as share issue expense reducing the equity in the deficit with a corresponding credit to warrants.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as capital stock. The accumulated charges related to the share options recorded in contributed surplus are then also transferred to capital stock.

### 2.16 Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the weighted average number of shares outstanding during the year for the calculation of the dilutive effect of warrants and stock options unless they have an anti-dilutive effect.

### 2.17 Revenue recognition

The project management fees received when the Corporation is the operator are recorded in the statement of comprehensive loss when the exploration work recharged to the partners are incurred.

### 2.18 Segment disclosures

The Corporation currently operates in a single segment – the acquisition, exploration and evaluation of exploration properties. All of the Corporation's activities are conducted in Canada.

## 3. ACCOUNTING STANDARDS ISSUED RECENTLY

The most relevant standards, amendments and interpretations issued up to the date of the issuance of these financial statements are listed below.

### 3.1 New accounting standards issued and in effect

**a) IFRIC 21, Levies ("IFRIC 21")**
In May 2013, the IASB issued IFRIC 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. IFRIC 21 provides guidance for levies in accordance with IAS 37, Provision, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Corporation adopted IFRIC 21 in its financial statements for the fiscal year beginning October 1, 2014 and the adoption did not have any impact.

### 3.2 Accounting standards issued but not yet effective

**a) IFRS 9, Financial Instruments, ("IFRS 9")**
In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, Financial Instruments. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model.

This standard is part of a wider project to replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is currently reviewing the impact that this standard will have on its financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results could differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

## 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONT'D)

### JUDGEMENTS

### 4.1 Impairment of E&E assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of E&E assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further E&E of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and earnings may occur during the next period.

The total impairment loss of the E&E assets recognized is $225,826 for the year ended September 30, 2015 ("Fiscal 15") ($1,288,721 for the year ended September 30, 2014 ("Fiscal 14")). No reversal of impairment losses has been recognized for the reporting periods.

### 4.2 Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Judgment is also involved in the determination of the expected manner of realisation or settlement of the carrying amount of the Corporation's assets and liabilities which is expected to be through the sale of the Corporation's assets.

*Valuation of credit on duties refundable for loss and the refundable tax credit for resources.*

Refundable credit on mining duties and refundable tax credit related to resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including credit on mining duties and tax credit related to resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Corporation's credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority.

## 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONT'D)

Differences arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, exploration and evaluation assets and expenses, and income tax expense in future periods. The amounts recognized in the financial statements are derived from the Corporation's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position and its financial performance and cash flows.

## 5. CASH AND CASH EQUIVALENTS

| | As at September 30 | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Cash | 794,026 | 664,362 |
| Guaranteed investment certificate bearing interest between 1.05% and 1.25%, maturing between December 4, 2015 and June 8, 2016 | 5,068,927 | - |
| Guaranteed investment certificate bearing interest between 1.15% and 1.25%, maturing between December 22, 2014 and February 23, 2015 | - | 1,003,040 |
| | **5,862,953** | **1,667,402** |

As of September 30, 2014, the balance on flow-through financing not spent according to the restrictions imposed by the December 2013 financing represents $111,510 and is included in the investments. The Corporation has to dedicate these funds to Canadian mining properties exploration and that work was completed by December 31, 2014. On the other hand, all the exploration work imposed by the December 2014 financing was completed before September 30, 2015.

## 6. INVESTMENTS

| | As at September 30 | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| *Current* | | |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.40% and 1.60% interest payable annually, maturing between November 27, 2015 and July 15, 2016, with a maturity value of $4,602,894 | 4,535,807 | - |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.90% and 2.05% interest, maturing between November 26, 2014 and December 18, 2014, with a maturity value of $2,142,129 | - | 2,060,000 |
| *Non-current* | | |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.60% and 1.95% interest payable annually, maturing between June 5, 2017 and July 16, 2018, with a maturity value of $6,608,312 | 6,496,000 | - |
| | **11,031,807** | **2,060,000** |

## 7. EXPLORATION AND EVALUATION ASSETS

The following tables disclose the acquisition costs of exploration properties:

| Acquisition costs | Undivided interest | As at Sept. 30, 2014 | Additions | Option payments | Impairment | As at Sept. 30, 2015 |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **Abitibi** | | | | | | |
| Maritime-Cadillac | 49 | 290,437 | 3 | - | - | 290,440 |
| Laflamme | 64.9 | 69,093 | 27,792 | - | (14,690)[1)] | 82,195 |
| Patris | 100 | 87,072 | - | - | - | 87,072 |
| Casault | 100 | 16,717 | 932 | - | - | 17,649 |
| Jouvex | 100 | 44,244 | - | - | - | 44,244 |
| Heva | 100 | 95,203 | 5,299 | - | - | 100,502 |
| Valmond | 100 | - | 3,666 | - | - | 3,666 |
| La Peltrie | 100 | 9,362 | 60,637 | - | - | 69,999 |
| Adam | 100 | - | 17,966 | (17,966) | - | - |
| Abitibi Or | 100 | 77,521 | (8,291) | - | - | 69,230 |
| **Grenville-Appalaches** | | | | | | |
| Weedon | 100 | 37,438 | 7,655 | - | (13,100)[1)] | 31,993 |
| Gatineau | 100 | 18,688 | 3,811 | - | (9,344)[1)] | 13,155 |
| **James Bay** | | | | | | |
| James Bay Au | 100 | 180,191 | 50,923 | - | (66,293)[1)] | 164,821 |
| Eleonore | 100 | 77,730 | 24,782 | - | - | 102,512 |
| James Bay U | 100 | 9,828 | 63 | - | (9,891)[2)] | - |
| James Bay Fe | 100 | 47,808 | 7,856 | - | (55,664)[2)] | - |
| **Northern Quebec** | | | | | | |
| Pallas PGE | 50 | 11,301 | 50,000 | - | - | 61,301 |
| Willbob | 100 | 1,130 | 33,422 | - | - | 34,552 |
| **Quebec Labrador** | | | | | | |
| Ytterby | 50.5 | 1,512 | 6,279 | - | - | 7,791 |
| **Project Generation** | 100 | 15,214 | 4,248 | - | - | 19,462 |
| | | **1,090,489** | **297,043** | **(17,966)** | **(168,982)** | **1,200,584** |

1) Some claims were dropped and the Corporation impaired partially the property.
2) The Company wrote off the property since no exploration program are planned for the near future.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

| **Acquisition costs** | **Undivided interest** | **As at Sept. 30, 2013** | **Additions** | **Option payments** | **Impairment** | **As at Sept. 30, 2014** |
|---|---|---|---|---|---|---|
| | **%** | **$** | **$** | **$** | **$** | **$** |
| **Abitibi** | 49 | 290,437 | - | - | - | 290,437 |
| Maritime-Cadillac | 61.6 | 61,867 | 10,010 | - | (2,784)[1] | 69,093 |
| Laflamme | 100 | 88,996 | (1,924) | - | - | 87,072 |
| Patris | 100 | 3,628 | 13,089 | - | - | 16,717 |
| Casault | 100 | 8,346 | 1,464 | (9,810) | - | - |
| Jouvex | 100 | 89,591 | 5,612 | - | - | 95,203 |
| Heva | 100 | - | 32,852 | (32,852) | - | - |
| Valmond | 100 | 29,978 | 17,416 | - | (3,150)[1] | 44,244 |
| Samson | 100 | - | 9,362 | - | - | 9,362 |
| La Peltrie | | | | | | |
| Abitibi Or | 100 | - | 77,521 | - | - | 77,521 |
| **Grenville-Appalaches** | | | | | | |
| Weedon | 100 | 43,810 | 2,828 | - | (9,200)[1] | 37,438 |
| Gatineau | 100 | 19,209 | 2,172 | - | (2,693)[1] | 18,688 |
| **James Bay** | | | | | | |
| James Bay Au | 100 | 160,854 | 28,023 | | (8,686)[1] | 180,191 |
| Eleonore | 100 | 88,372 | 18,520 | - | (29,162)[1] | 77,730 |
| James Bay U | 100 | 9,828 | - | - | - | 9,828 |
| James Bay Fe | 100 | 44,917 | 2,891 | - | - | 47,808 |
| **Northern Quebec** | | | | | | |
| Pallas PGE | 100 | 59,540 | (48,239) | - | - | 11,301 |
| Willbob | 100 | - | 1,130 | - | - | 1,130 |
| **Quebec Labrador** | | | | | | |
| Ytterby | 50 | 25,307 | 1,916 | - | (25,711)[1] | 1,512 |
| **Project Generation** | 100 | 6,292 | 11,695 | - | (2,773)[1] | 15,214 |
| | | **1,030,972** | **186,338** | **(42,662)** | **(84,159)** | **1,090,489** |

1) Some claims were dropped and the Corporation impaired partially the property.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

The following two tables disclose details of exploration and evaluation expenses:

| E&E expenses | Undivided interest | As at Sept. 30, 2014 | Additions | Option payments | Tax credits | Impairment | As at Sept. 30, 2015 |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| **Abitibi** | | | | | | | |
| Maritime-Cadillac | 49 | 232,965 | - | - | - | - | 232,965 |
| Laflamme | 64.9 | 1,310,514 | 199,977 | - | (3,262) | - | 1,507,229 |
| Patris | 100 | 208,755 | 10,388 | - | - | - | 219,143 |
| Casault | 100 | 290,082 | 8,806 | - | - | - | 298,888 |
| Jouvex | 100 | 346,090 | 2,367 | - | - | - | 348,457 |
| Heva | 100 | 18,563 | 16,570 | - | - | - | 35,133 |
| Valmond | 100 | 123,955 | 6,787 | (10,000) | - | - | 120,742 |
| Samson | 100 | - | 439 | - | - | - | 439 |
| La Peltrie | 100 | - | 118,209 | - | - | - | 118,209 |
| Adam | 100 | - | - | - | - | - | - |
| Abitibi Au | 100 | 36,641 | 83,556 | - | (2,356) | - | 117,841 |
| **Grenville-Appalaches** | | | | | | | |
| Weedon | 100 | 388,013 | 108,768 | - | (12,502) | - | 484,279 |
| Gatineau | 100 | 28,766 | 126 | - | - | - | 28,892 |
| **James Bay** | | | | | | | |
| James Bay Au | 100 | 216,677 | 37,758 | - | (6,378) | - | 248,057 |
| Eleonore | 100 | 1,175,139 | 377,436 | - | (25,223) | - | 1,527,352 |
| James Bay U | 100 | 14,686 | - | - | - | (14,686)[1)] | - |
| James Bay Fe | 100 | 42,158 | - | - | - | (42,158)[1)] | - |
| **Northern Quebec** | | | | | | | |
| Pallas PGE | 50 | 216,088 | 53,459 | - | (156) | - | 269,391 |
| Willbob | 100 | 5,116 | 117,948 | - | (11,113) | - | 111,951 |
| **Quebec Labrador** | | | | | | | |
| Ytterby | 50.5 | 109,090 | 62,964 | - | - | - | 172,054 |
| **Project Generation** | 100 | 39,547 | 19,843 | - | - | - | 59,390 |
| | | **4,802,845** | **1,225,401** | **(10,000)** | **(60,990)** | **(56,844)** | **5,900,412** |

1) The Company wrote off the property since no exploration program are planned for the near future.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

| E&E expenses | Undivided interest | As at Sept. 30, 2013 | Additions | Option payments | Tax credits | Impairment | As at Sept. 30, 2014 |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| **Abitibi** | | | | | | | |
| Maritime-Cadillac | 49 | 228,787 | 4,178 | - | - | - | 232,965 |
| Laflamme | 61.6 | 1,167,804 | 143,709 | - | (999) | - | 1,310,514 |
| Patris | 100 | 179,176 | 31,913 | - | (2,334) | - | 208,755 |
| Casault | 100 | 214,479 | 78,480 | - | (2,877) | - | 290,082 |
| Jouvex | 100 | 237,576 | 111,080 | - | (2,566) | - | 346,090 |
| Heva | 100 | 16,149 | 2,720 | - | (306) | - | 18,563 |
| Valmond | 100 | 113,507 | 22,166 | (10,190) | (1,528) | - | 123,955 |
| Abitibi Au | 100 | - | 36,859 | - | (218) | - | 36,641 |
| **Grenville-Appalaches** | | | | | | | |
| Weedon | 100 | 359,196 | 33,991 | - | (5,174) | - | 388,013 |
| Gatineau | 100 | 28,648 | 132 | - | (14) | - | 28,766 |
| **James Bay** | | | | | | | |
| James Bay Au | 100 | 162,521 | 57,004 | - | (2,848) | - | 216,677 |
| Eleonore | 100 | 949,831 | 241,004 | - | (15,696) | - | 1,175,139 |
| James Bay U | 100 | 14,686 | - | - | - | - | 14,686 |
| James Bay Fe | 100 | 42,158 | - | - | - | - | 42,158 |
| **Northern Quebec** | | | | | | | |
| Pallas PGE | 100 | 210,168 | 41,654 | - | (35,734) | | 216,088 |
| Willbob | 100 | - | 5,116 | - | - | - | 5,116 |
| **Quebec Labrador** | | | | | | | |
| Ytterby | 50 | 1,277,720 | 39,144 | - | (3,212) | (1,204,562) 1) | 109,090 |
| **Project Generation** | 100 | 36,125 | 5,600 | - | (2,178) | - | 39,547 |
| | | **5,238,531** | **854,750** | **(10,190)** | **(75,684)** | **(1,204,562)** | **4,802,845** |

1) Some claims were dropped and the Corporation impaired partially the property.

### ABITIBI

### 7.1 Maritime-Cadillac

The Corporation holds 49% of the Maritime-Cadillac property. The property is subject to a 2% net smelter return ("NSR") royalty; half of the royalty can be bought back for a payment of $1,000,000.

As per the agreement signed in June 2009 and amended in November 2012 and May 2013, Agnico Eagle Mines Limited ("Agnico Eagle") and the Corporation are in a joint venture and future work are shared 51% Agnico Eagle - 49% the Corporation.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

### 7.2 Laflamme Au-Cu

On August 17, 2009, the Corporation signed an agreement with Aurbec Mines Inc., (previously a subsidiary of North American Palladium Ltd.) that was sold to Maudore Minerals Ltd in March 2013. As of July 31, 2011, Aurbec earned its 50% interest in the Laflamme property but no longer contributes in the exploration programs and is therefore being diluted. The Corporation holds 64.9% of the Laflamme property. In January, 2015, Aurbec was declared bankrupt and the liquidation process is proceeding.

### 7.3 Patris

The Corporation holds the Patris property and some claims are subject to the following NSR royalties:

- 1%, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,000,000;
- 1.5%, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,500,000.
- 2%, the Corporation can buy it back for $1,000,000 per 1% tranche for a total of $2,000,000;
- 2%, the Corporation can buy it back for $1,000,000 per 1% tranche for a total of $2,000,000;
- 2%, the Corporation can buy it back for $500,000 the first 1% tranche and for $1,000,000 for the second 1% tranche, for a total of $1,500,000.

The Corporation signed an option agreement with Teck Resources Ltd ("Teck") on September 6, 2013 and amended it on May 20, 2014 to accommodate the delays in permitting. Under the agreement, Teck may earn, in three options, a maximum interest of 65%, by fulfilling the following conditions:

| | Payments in cash | Work |
|---|---|---|
| | $ | $ |
| **First Option for a 50% initial interest** | | |
| On or before August 31, 2015 (firm commitment)(completed) | - | 500,000 |
| On or before August 31, 2016 | - | 800,000 |
| On or before August 31, 2017 | - | 1,700,000 |
| | - | 3,000,000 |
| **Second Option for a 10% additional interest** | | |
| On or before August 31, 2019, $500,000 of exploration work and $60,000 cash payment for each additional 2% interest | 300,000 | 2,500,000 |
| **Third Option for a 5% additional interest** | | |
| On or before August 31, 2021, $1,000,000 of exploration work for each additional 1% interest | - | 5,000,000 |
| **Total, for a 65% maximum interest** | **300,000** | **10,500,000** |

Teck will be project operator during the First Option.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

### 7.4 Casault

The Corporation holds claims north of the city of LaSarre.

On October 10, 2014, the Corporation signed a letter of intent with SOQUEM INC. ("SOQUEM") to grant SOQUEM the option to acquire a 50% undivided interest in its Casault and Jouvex properties, and to create a joint venture once the option has been exercised, under the following conditions:

| | Work Commitment |
|---|---|
| | $ |
| On or before October 10, 2015 (firm commitment) (completed) | 1,000,000 |
| On or before October 10, 2016 (completed) | 1,000,000 |
| On or before October 10, 2017 | 1,000,000 |
| On or before October 10, 2018 | 1,500,000 |
| | **4,500,000** |

The Corporation is the operator during the option period.

### 7.5 Heva

The Corporation owns the Heva property and some claims are subject to a 2% NSR royalty to the original holders, half of the royalty can be bought back for a payment of $1,000,000.

### 7.6 Valmond

On November 19, 2013, the Corporation signed an agreement with Sphinx Resources Ltd. ("Sphinx") whereby Sphinx could have acquired 50% of the Valmond property subject to $250,000 payments in cash ($30,000 completed) and $2,500,000 exploration work ($670,350 completed). In August 2015, Sphinx terminated the agreement on the Valmont property.

### 7.7 Samson

On September 3, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx can acquire 50% of the Samson property subject to the following conditions:

| | Payments in cash Commitment | Work Commitment |
|---|---|---|
| | $ | $ |
| Upon signing (completed) | 40,000 | - |
| On or before September 3, 2015 ($350,000 firm commitment) 1) | 40,000 | 500,000 |
| On or before September 3, 2016 | 50,000 | 700,000 |
| On or before September 3, 2017 | 70,000 | 900,000 |
| On or before September 3, 2018 | 75,000 | 1,400,000 |
| **Total** | **275,000** | **3,500,000** |

1) Terms of the September 3, 2015 cash payment are under discussion. The work commitment is completed.

- The Corporation will be the operator during the option;
- Upon acquiring a 50% interest, a joint venture will be formed;
- If a party's interest dilutes to 10% or less, its interest will be converted to a 2% NSR royalty, 1% of which can be purchased back for $1,500,000.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

### 7.8 Adam

On December 12, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx can acquire 50% of the Adam property subject to the following conditions:

| | Payments in cash | Work |
|---|---|---|
| | $ | $ |
| Upon signing (completed) | 20,000 | - |
| On or before December 12, 2015 | 40,000 | 400,000 |
| On or before December 12, 2016 | 50,000 | 400,000 |
| On or before December 12, 2017 | 70,000 | 1,000,000 |
| On or before December 12, 2018 | 70,000 | 1,200,000 |
| **Total** | **250,000** | **3,000,000** |

The Corporation is the operator during the option.

**GRENVILLVE-APPALACHES**

### 7.9 Weedon

The Corporation holds the Weedon property and some claims are subject to NSR royalties of:

- 1%, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,000,000;
- 0.5%, the Corporation can buy it back for $500,000;
- 1.5%, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,500,000.

**NORTHERN QUEBEC**

### 7.10 Pallas PGE

On January 21, 2014, the Corporation signed an option agreement with Japan Oil, Gas and Metals National Corporation (« JOGMEC ») whereby JOGMEC has the option to acquire 50% interest in the Pallas PGE project prior to March 31, 2016 by funding $2,000,000 in expenditures spread as following:

| | Works |
|---|---|
| | $ |
| On or before March 31, 2014 (completed) | 250,000 |
| On or before March 31, 2015 (completed) | 700,000 |
| On or before March 31, 2016 (completed) | 1,050,000 |
| **Total** | **2,000,000** |

The Corporation will be operator as long as it will hold an interest equal to or higher than 50% in the project.

In September 2015, JOGMEC has funded $2,000,000 of exploration work and now has the right to exercise its option to acquire a 50% interest in the Pallas PGE property.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

### QUEBEC / LABRADOR

### 7.11 Ytterby

On February 23, 2010, the Corporation signed a memorandum of agreement (and on July 29, 2011 a definitive agreement) with JOGMEC whereby JOGMEC acquired a right in a 50% interest in the Ytterby property by funding $2,700,000 exploration work. As of September 30, 2015, JOGMEC has not yet given its notice to exercise its right. In spring 2015, JOGMEC indicated that it would not participate in the summer 2015 exploration program and its interest has now been diluted to 49.5%.

## 8. EQUITY

*Authorized*
Unlimited number of common shares without par value, voting and participating.

### 8.1 Private placements

#### a) December 2013

On December 19, 2013, the Corporation completed a private placement by issuing 802,001 units at $0.75 per unit and 833,286 flow-through shares at $0.90 per share, for total gross proceeds of $1,351,460. Each unit is comprised of one common share and one-half of a warrant. Each whole warrant will entitle the holder to purchase one additional common share at $1.00 until June 19, 2015.

From the total compensation received from the units, $30,818 has been allocated to warrants and $570,683 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 44.8%, a risk free interest rate of 1.02% and an expected life of the warrants of 18 months.

On December 19, 2013, the Corporation's share closed at $0.68 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is $0.22 for a total value of $183,323 credited to the liability related to the premium on flow-through shares. As of September 30, 2014, the Corporation completed $638,449 of exploration work relating to this flow-through private placement and therefore the liability related to the premium on flow-through shares was reduced to $27,460. As of December 31, 2014, the Corporation had completed all the exploration work relating to this flow-through placement.

#### b) December 2014

*Units*

On December 3 and 17, 2014, the Corporation completed private placements by issuing 1,100,430 and 162,858 units respectively at $0.70 per unit for total gross proceeds of $884,302. Each unit is comprised of one common share and one-half of a warrant. Each whole warrant will entitle the holder to purchase one additional common share at $0.95 until December 2 and 16, 2016 respectively.

From the total compensation received from the units, $75,062 has been allocated to warrants and $809,240 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 55.1% for the units issued December 3, 2014 and 56.2% for the units issued December 17, 2014, a risk free interest rate of 1.04% and an expected life of the warrants of 24 months.

**8. EQUITY** (CONT'D)

*Flow-through*

On December 3 and 17, 2014, the Corporation completed private placements by issuing 1,036,683 and 30,000 flow-through shares respectively at $0.85 per share, for total gross proceeds of $906,680. On December 3 and 17, 2014, the Corporation's share closed at $0.65 and $0.70 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is $0.20 and $0.15 respectively for a total value of $211,837 credited to the liability related to the premium on flow-through shares. As of September 30, 2015, the Corporation had completed all the exploration work relating to these flow-through placements.

In connection with the December 2014 private placements, the Corporation paid finder's fees of $29,274.

**c) May 2015**

*Units*

On May 4 and 12, 2015, the Corporation completed a private placement of 20,622,569 units at a price of $0.70 per unit for total gross proceeds of $14,435,798. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of $1.15 until May 3, 2018.

From the total compensation received from the units, $1,922,031 has been allocated to warrants and $12,513,767 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 49.8%, a risk free interest rate of 0.51% and an expected life of the warrants of 3 years.

In connection with the private placement, the Corporation paid finder's fees of $457,980 and issued compensation warrants entitling the finders to acquire 555,000 common shares of the Corporation at a price of $0.70 per share until May 3, 2017. The total compensation warrants cost amounted to $116,550 and this fair value was estimated using the Black-Scholes model with the same assumptions as the warrants except for an expected life of 2 years.

Share issue expenses, including the finder's fees and compensation warrants, totalled $952,790 of which $825,883 was allocated to capital stock and $126,907 to warrants.

**8.2 Warrants**

Changes in the Corporation's number of outstanding warrants were as follow:

| | **Fiscal 15** | | **Fiscal 14** | |
|---|---|---|---|---|
| | **Number** | **Amount** | **Number** | **Amount** |
| | | $ | | $ |
| **Balance – Beginning of year** | 401,001 | 30,818 | 469,975 | 52,542 |
| Issued following private placements (note 8.1) | 21,254,213 | 2,027,093 | 401,001 | 30,818 |
| Expired | (401,001) | (30,818) | (469,975) | (52,542) |
| **Balance – End of year** | **21,254,213** | **2,027,093** | **401,001** | **30,818** |

## 8. EQUITY (CONT'D)

Warrants outstanding as at September 30, 2015 are as follows:

| Number of warrants | Exercise price | Expiry date |
|---|---|---|
| | $ | |
| 550,215 | 0.95 | December 2, 2016 |
| 81,429 | 0.95 | December 16, 2016 |
| 20,622,569 | 1.15 | May 3, 2018 |
| **21,254,213** | | |

### 8.3 Broker warrants

Changes in the Corporation's number of outstanding broker warrants were as follow:

| | Fiscal 15 | | Fiscal 14 | |
|---|---|---|---|---|
| | **Number** | **Amount** | **Number** | **Amount** |
| | | $ | | $ |
| **Balance – Beginning of year** | - | - | - | - |
| Issued following a private placement (note 8.1) | 555,000 | 116,550 | - | - |
| **Balance – End of year** | **555,000** | **116,550** | **-** | **-** |

Broker warrants outstanding as at September 30, 2015 are as follows:

| Number of warrants | Exercise price | Expiry date |
|---|---|---|
| | $ | |
| 555,000 | 0.70 | May 3, 2017 |
| **555,000** | | |

### 8.4 Policies and processes for managing capital

The capital of the Corporation consists of the items included in equity of $23,596,135 as of September 30, 2015 ($9,031,007 as of September 30, 2014). The Corporation's objectives when managing capital are to safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Corporation raises funds in the capital markets. The Corporation does not use long term debts since it does not generate operating revenues. There is no dividend policy. The Corporation does not have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Corporation closes a flow-through private placement in which case the funds are reserved in use for exploration expenses (and the Corporation was in compliance during the year).

## 9. EMPLOYEE REMUNERATION

### 9.1 Salaries

| | Fiscal 15 | Fiscal 14 |
|---|---|---|
| | $ | $ |
| Salaries | 755,900 | 663,032 |
| Benefits | 68,111 | 79,403 |
| | 824,011 | 742,435 |
| Less : salaries and benefits capitalized in E&E assets | (475,153) | (413,835) |
| **Salaries disclosed on the statement of comprehensive loss** | **348,858** | **328,600** |

### 9.2 Stock-based compensation

| | Fiscal 15 | Fiscal 14 |
|---|---|---|
| | $ | $ |
| Stock-based compensation | 98,948 | 266,725 |
| Less : stock-based compensation capitalized in the E&E assets | (32,035) | (96,274) |
| **Stock-based compensation disclosed on the statement of comprehensive loss** | **66,913** | **170,451** |

The Corporation has a stock option plan (the “Plan”). The number of common shares granted is determined by the Board of Directors. The number of common shares reserved for issuance under the Corporation's fixed number stock option is 4,000,000. The exercise price of any option granted under the plan shall be fixed by the Board of Directors at the time of grant and shall not be lower than the closing price on the day preceding the grant. The term of the option will not exceed ten years from the date of grant. The options normally vest 1/6 per 3 months from the grant date, or otherwise as determined by the Board of Directors.

On February 20, 2014, the Corporation granted to its directors, officers, employees and consultants 605,000 options exercisable at $0.85, valid for 10 years. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $272,250 for an estimated fair value of $0.45 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 55% expected volatility, 1.81% risk-free interest rate and 6 years options expected life. This expected life was estimated by benchmarking comparable situations for companies that are similar to the Corporation. The expected volatility was determined by calculating the historical volatility of the Corporation’s share price back from the date of grant and for a period corresponding to the expected life of the options.

On August 13, 2015, the Corporation granted to its directors, officers, employees and consultants 475,000 options exercisable at $0.60, valid for 10 years. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $123,500 for an estimated fair value of $0.26 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 45% expected volatility, 1.12% risk-free interest rate and 6 years options expected life. This expected life was estimated by benchmarking comparable situations for companies that are similar to the Corporation. The expected volatility was determined by calculating the historical volatility of the Corporation’s share price back from the date of grant and for a period corresponding to the expected life of the options.

## 9. EMPLOYEE REMUNERATION (CONT'D)

A summary of changes in the Corporation's common share purchase options is presented below:

| | Fiscal 15 | | Fiscal 14 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | **Number of options** | **Weighted average exercise price** |
| | | $ | | $ |
| **Balance – Beginning of year** | 1,780,000 | 1.27 | 1,520,000 | 1.31 |
| Granted | 475,000 | 0.60 | 605,000 | 0.85 |
| Expired | (235,000) | 1.48 | (345,000) | 0.70 |
| **Balance – End of year** | **2,020,000** | **1.18** | **1,780,000** | **1.27** |
| Balance – End of year exercisable | 1,545,000 | 1.24 | 1,376,668 | 1.40 |

The following table summarizes information about common share purchase options outstanding and exercisable as at September 30, 2015:

| **Number of options outstanding** | **Number of options exercisable** | **Exercise price** | **Expiry date** |
|---|---|---|---|
| | | $ | |
| 260,000 | 260,000 | 1.76 | February 17, 2021 |
| 315,000 | 315,000 | 1.54 | February 16, 2022 |
| 20,000 | 20,000 | 1.61 | February 27, 2022 |
| 345,000 | 345,000 | 1.25 | February 19, 2023 |
| 605,000 | 605,000 | 0.85 | February 20, 2024 |
| 475 000 | - | 0.60 | August 13, 2025 |
| **2,020,000** | **1,545,000** | | |

## 10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year divided by the weighted average number of shares in circulation during the year. In calculating the diluted loss per share, potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 8 and 9.

| | **Fiscal 15** | **Fiscal 14** |
|---|---|---|
| Loss | $(629,098) | $(1,974,586) |
| Weighted average number of basic and diluted outstanding shares | 40,639,071 | 29,948,093 |
| Basic and diluted net loss per share | $(0.02) | $(0.07) |

## 11. INCOME TAXES

The income tax expense is made up of the following component:

| | Fiscal 15 | Fiscal 14 |
|---|---|---|
| | $ | $ |
| Recovery of deferred income taxes | | |
| Premium on flow-through share issuance | 239,297 | 155,863 |
| **Total recovery of deferred income taxes** | **239,297** | **155,863** |

The provision for income taxes presented in the financial statements is different from what would have resulted from applying the combined Canadian Statutory tax rate as a result of the following:

| | Fiscal 15 | Fiscal 14 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | (868,395) | (2,130,449) |
| Combined federal and provincial income tax at 26.90% | (233,598) | (573,091) |
| Non-deductible expenses | 22,917 | 85,412 |
| Tax effect of renounced flow-through share expenditures | 266,610 | 171,743 |
| Amortization of flow-through share premiums | (239,297) | (155,863) |
| Unrecognized temporary differences | (76,376) | 315,525 |
| Other elements | (6,195) | 411 |
| Expired tax attributes | 26,642 | - |
| **Recovery of deferred income taxes** | **(239,297)** | **(155,863)** |

The ability to realize the tax benefits is dependent upon a number of factors, including the sale of properties. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recognized. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to $1,143,000.

As at September 30, 2015, significant components of the Corporation's deferred income tax assets and liabilities are as follows:

| | Fiscal 15 | Fiscal 14 |
|---|---|---|
| | $ | $ |
| Deferred income tax assets | | |
| Non-capital losses | 1,648,000 | 1,458,000 |
| Donations | 18,000 | 14,000 |
| Share and warrant issue expenses | 259,000 | 50,000 |
| Total deferred income tax assets | 1 925 000 | 1,522,000 |
| Deferred income tax liabilities | | |
| E&E assets | 782,000 | 582,000 |
| Total deferred income tax liabilities | 782,000 | 582,000 |
| **Deferred income tax assets not recognized** | 1,143,000 | 940,000 |

## 11. INCOME TAXES (CONT'D)

As of September 30, 2015, expiration dates of losses available to reduce future years' income tax are:

| | Federal | Provincial |
|---|---|---|
| | $ | $ |
| 2026 | 84,000 | 69,000 |
| 2027 | 126,000 | 112,000 |
| 2027 | 177,000 | 183,000 |
| 2028 | 540,000 | 514,000 |
| 2029 | 645,000 | 631,000 |
| 2030 | 726,000 | 713,000 |
| 2031 | 677,000 | 663,000 |
| 2032 | 748,000 | 736,000 |
| 2033 | 906,000 | 891,000 |
| 2034 | 760,000 | 749,000 |
| 2035 | 820,000 | 812,000 |

## 12. COMPENSATION TO KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS

### 12.1 Compensation to key management

The Corporation's key management personnel are members of the Board of Directors, as well as the president, the vice-president exploration and the chief financial officer. Key management remuneration is as follows:

| | Fiscal 15 | Fiscal 14 |
|---|---|---|
| | $ | $ |
| Short-term benefits | | |
| Salaries including bonuses and benefits | 288,781 | 281,875 |
| Professional fees | 67,534 | 50,206 |
| Professional fees recorded in share issue expenses | 12,724 | 7,651 |
| Salaries including bonuses and benefits capitalized in E&E expenses | 132,260 | 125,400 |
| Long-term benefits | | |
| Stock-based compensation | 65,050 | 170,451 |
| Stock-based compensation capitalized in E&E expenses | 10,842 | 28,248 |
| **Total compensation** | **577,191** | **663,831** |

On January 1st, 2015, the Corporation entered into an amended employment agreements with members of the senior management which, among other things, provides that in the event of a termination without cause or of a change of control, a compensation equivalent to between 12 to 18 months of salary will be paid. Also, on January 1st, 2015, the Corporation entered into a consulting agreement with another senior management, which provides that in the event of a termination without cause or of a change of control, a compensation equivalent to 18 months of remuneration will be paid.

### 12.2 Related party transactions

In addition to the amounts listed above in the compensation to key management (note 12a), following are the related party transactions:

## 12. COMPENSATION TO KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS (CONT'D)

*In the normal course of operations:*

- A firm in which an officer is a partner charged professional fees amounting to $125,932 ($49,624 in Fiscal 14) of which $55,001 ($34,819 in Fiscal 14) was expensed and $70,931 ($14,805 in Fiscal 14) was recorded as share issue expenses;
- A company controlled by an officer charged professional fees of $57,660 ($48,368 in Fiscal 14) for her staff;
- As at September 30, 2015, the balance due to the related parties amounted to $21,563 ($7,394 in September 30, 2014).

*Out of the normal course of operations:*

- Directors and officers of the Corporation participated in the flow-through private placement of December 2014 (note 8.1 b)) for $79,050 and in the units private placement of May 2015 (note 8.1 c)) for $15,400 ($103,600 in the flow-through private placements of December 2013 (note 8.1 a))). The directors and officers subscribed to the units private placement and the flow-through private placement under the same terms and conditions set forth all subscribers.

## 13. OPERATING LEASE

The Corporation's future minimum operating lease payments are as follows (assuming that the consumer price index will be the same as the one published October 2015 by Statistic Canada for a 12-month period which was 1.0%):

| | **As of September 30, 2015** |
|---|---|
| | $ |
| Within 1 year | 23,316 |
| 1 to 5 years | 33,959 |
| After 5 years | - |
| Total | **57,275** |

In September 2012, the Corporation extended the lease for five years, from March 2013 to February 2018. The rent is $21,875 for the first year and thereafter will be indexed annually at the highest of the increase of the consumer price index or 2.5%. The Corporation was also responsible for its proportionate share of the non-residential surtax and the water surtax.

Lease payments recognized as an expense during the reporting period amounted to $24,871 ($24,256 in Fiscal 14). This amount consists of minimum lease payments.

## 14. FINANCIAL INSTRUMENTS AND RISKS

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Corporation's main financial risk exposure and its financial risk management policies are as follows:

## 14. FINANCIAL INSTRUMENTS (CONT'D)

### 14.1 Market Risk

*Interest rate fair value risk*

The Corporation's interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The investments included in cash and cash equivalents and also investments bear interest at a fixed rate and the Corporation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. Interest rates 1% higher (lower) would have decreased (increased) the fair value of these by $161,007 as of September 30, 2015 ($7,048 as of September 30, 2014). The Corporation's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

### 14.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash and cash equivalents, investments and accounts receivable. The Corporation reduces its credit risk by maintaining part of its cash and cash equivalents and its investments in financial instruments held with a Canadian chartered bank, with a broker which is a subsidiary of a Canadian chartered bank or with an independent investment dealer member of the Canadian Investor Protection Fund. In Fiscal 15, the investments are composed of guaranteed investment certificates issued by Canadian banks or guaranteed by the Canadian Investor Protection Fund. The Corporation aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable. The carrying amount of cash and cash equivalents and investments represents the Corporation maximum credit exposure.

### 14.3 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. As of September 30, 2015, the Corporation had enough funds available to meet its financial liabilities and future financial liabilities from its existing commitments. All accounts payable and accrued liabilities terms are less than 31 days.

### 14.4 Fair value

The carrying value of cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities and advance received for upcoming exploration work are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments.

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments.

## 15. ADDITIONAL INFORMATION ON CASH FLOWS

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Stock-based compensation included in E&E expenses | 32,035 | 96,274 |
| Additions of exploration properties and E&E expenses included in accounts payable and accrued liabilities | 339,513 | 74,559 |
| Tax credits receivable applied against E&E expenses | 60,990 | 47,469 |
| Interest received | 73,945 | 55,245 |

## 16. SUBSEQUENT EVENT

On November 20, 2015, the Corporation completed a private placement by issuing 835,365 flow-through shares at $0.85 per share, for total gross proceeds of $710,060. On that date, the Corporation's share closed at $0.62 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is $0.23 for a total value of $192,134 credited to the liability related to the premium on flow-through shares. In connection with the private placement, the Corporation paid finder's fees of $26,208. Directors and officers of the Corporation participated in these placements for a total consideration of $96,050.