NORTHERNSHIELD
RESOURCES INC.

(A Development Stage Company)

Annual Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(All amounts in Canadian Dollars)

Deloitte LLP
1600 - 100 Queen Street
Ottawa ON K1P 5T8
Canada

Tel: (613) 2362442
Fax: (613) 236-2195
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of
Northern Shield Resources Inc.

We have audited the accompanying consolidated financial statements of Northern Shield Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Shield Resources Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates that, as at December 31, 2016, the Company had accumulated losses of $26,591,308 and for the year then ended, had incurred a net loss of $1,629,122, and had negative operating cash flows of $1,739,494. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

May 1, 2017

Audited Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

All amounts in Canadian Dollars

NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
for the years ended December 31, 2016 and 2015
(in Canadian Dollars)

		2016		2015
Expenses				
Expensed exploration (Note 9)	**$**	**30,669**	$	3,060,962
General and administrative (Note 9)		**1,869,683**		771,877
Loss before other income (expenses)		**(1,900,352)**		(3,832,839)
Government assistance (Note 14)		**74,480**		94,796
Impairment of available-for-sale assets		**-**		(7,500)
Other income (Notes 3 and 5)		**36,735**		102,000
Gain on sale of mineral property rights		**160,000**		-
Interest Income		**15**		1
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS		**(1,629,122)**		(3,643,542)
COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS		**(1,629,122)**		(3,643,542)
Weighted average common shares outstanding		**182,426,482**		154,134,422
Basic and diluted loss per share (Note 4)	**$**	**(0.01)**	$	(0.02)

All results are from continuing operations.
The accompanying notes are an integral part of the consolidated financial statements.

APPROVED BY THE BOARD

______________________ Ian C. Bliss, Director

______________________ William J. Kiff, Director

NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Consolidated Statements of Financial Position
as at December 31, 2016 and 2015
(in Canadian Dollars)

		2016		2015
CURRENT ASSETS				
Cash	$	**1,661,766**	$	128,691
Cash reserved for exploration		**749,379**		-
Unbilled receivables		**100,400**		-
Amounts receivable		**133,274**		49,433
Prepaid expenses		**22,436**		21,073
		2,667,255		199,197
NON-CURRENT ASSETS				
INVESTMENT IN SHARES		**833**		833
MINERAL PROPERTIES (Note 6)		**1,100,435**		269,408
PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (Note 7)		**93,795**		116,132
	$	**3,862,318**	$	585,570
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	**231,102**	$	114,937
Deferred exploration funding (Note 8)		**-**		174,131
Deferred flow-through premium liability		**156,903**		-
		388,005		289,068
SHAREHOLDERS' EQUITY				
Share capital (Note 3)		**25,414,813**		22,286,610
Reserves		**4,650,808**		2,972,078
Deficit		**(26,591,308)**		(24,962,186)
		3,474,313		296,502
	$	**3,862,318**	$	585,570

All results are from continuing operations.
The accompanying notes are an integral part of the consolidated financial statements.

NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows
for the years ended December 31, 2016 and 2015
(in Canadian Dollars)

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss attributable to owners	**$ (1,629,122)**	$ (3,643,542)
Items not affecting cash		
Amortization - administrative	**9,420**	12,251
Share-based compensation	**920,080**	-
Impairment in fair value of available-for-sale financial assets	**-**	7,500
Changes in non-cash operating working capital items:		
Cash reserved for exploration	**(749,379)**	-
Unbilled receivables	**(100,400)**	38,179
Amounts receivable	**(83,841)**	(12,743)
Prepaid expenses	**(1,363)**	(677)
Accounts payable and accrued liabilities	**116,165**	(38,239)
Deferred exploration funding	**(174,131)**	-
Deferred flow-through premium liability	**156,903**	-
Interest income	**(15)**	(1)
Expensed exploration	**30,669**	3,060,962
Government assistance	**(74,480)**	(94,796)
Gain on sale of mineral property rights	**(160,000)**	-
	(1,739,494)	(671,106)
INVESTING		
Expenditures on mineral properties (Note 6)	**(2,477,963)**	(249,101)
Mineral property funding (Note 6)	**1,542,538**	25,000
Government assistance	**161,127**	136,322
Proceeds on sale of mineral property rights	**160,000**	-
	(614,298)	(87,779)
FINANCING		
Interest received	**15**	1
Issuance of share capital, net of issuance costs	**3,886,852**	177,750
	3,886,867	177,751
NET CASH INFLOW (OUTFLOW)	**1,533,075**	(581,134)
CASH, BEGINNING OF YEAR	**128,691**	709,825
CASH, END OF YEAR	**$ 1,661,766**	$ 128,691

All results are from continuing operations.

The accompanying notes are an integral part of the consolidated financial statements.

NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Consolidated Statements of Changes in Equity
for the years ended December 31, 2016 and 2015
(in Canadian Dollars)

	Share Capital (Note 3)		Reserves			
	Number of Shares	Amount	Share-based Payments	Warrants	Deficit	**Total**
		$	$	$	$	**$**
Balance at January 1, 2015	**152,622,093**	**22,129,020**	**2,782,193**	**169,725**	**(21,318,644)**	**3,762,294**
Shares issued for cash	6,000,000	300,000	-	-	-	**300,000**
Allocation of value of warrants	-	(18,000)	-	18,000	-	**-**
Flow-through premium	-	(102,000)	-	-	-	**(102,000)**
Amount reclassified upon expiry of warrants	-	-	169,725	(169,725)	-	**-**
Share issue costs	-	(22,410)	-	2,160	-	**(20,250)**
Loss for the year	-	-	-	-	(3,643,542)	**(3,643,542)**
Balance at December 31, 2015	**158,622,093**	**22,286,610**	**2,951,918**	**20,160**	**(24,962,186)**	**296,502**
Shares issued for cash	39,655,728	3,102,116	-	-	-	**3,102,116**
Allocation of value of warrants	-	(833,362)	-	833,362	-	**-**
Flow-through shares issued for cash	6,454,600	1,097,282	-	-	-	**1,097,282**
Flow-through premium	-	(193,638)	-	-	-	**(193,638)**
Amount reclassified upon exercise of warrant:	-	123,804	-	(123,804)	-	**-**
Shares issued as commission	312,500	56,250	-	-	-	**56,250**
Share issue costs	-	(224,249)	-	49,092	-	**(175,157)**
Share-based compensation	-	-	920,080	-	-	**920,080**
Loss for the year	-	-	-	-	(1,629,122)	**(1,629,122)**
Balance at December 31, 2016	**205,044,921**	**25,414,813**	**3,871,998**	**778,810**	**(26,591,308)**	**3,474,313**

All results are from continuing operations.
The accompanying notes are an integral part of the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Northern Shield Resources Inc. (the “Company" or "Northern Shield"), an exploration and evaluation stage company, incorporated under the *Canada Business Corporations Act*, is a natural resource company engaged in the business of identifying, acquiring and exploring mineral properties located primarily in Ontario and Quebec.

The Company’s head office is situated at Suite 440, 55 Metcalfe Street, Ottawa, Ontario. The Company’s shares trade on the TSX Venture Exchange under the symbol NRN.

The Company has not yet determined whether any of their properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development of the properties, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

As Northern Shield does not have an interest in revenue-producing properties, the Company has no operating income or earnings and, as such, its net loss may not be a meaningful indicator of its performance or potential. Exploration activities and the Company's expenses are financed by the periodic issuance of common shares and other equity securities.

Going concern

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2016, the Company had accumulated losses of $26,591,308 and for the year then ended had incurred a net loss of $1,629,122 and had negative operating cash flows of $1,739,494.

These factors raise doubt about the Company’s ability to continue as a going concern. The Company is currently looking to raise additional financing. Should this financing not materialize and profitable operations ultimately not be attained, this may cast doubt as to the Company’s ability to continue as a going concern. Actual realization values may be substantially different from carrying values as shown in the financial statements and the Company’s ability to discharge its liabilities in the normal course of business may be in doubt should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Board of Directors authorized these Financial Statements for issue on May 1, 2017.

Basis of Preparation

These Financial Statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale or fair value through profit or loss and share-based payments that have been measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

The policies applied in these Financial Statements are based on IFRS issued and effective as at May 1, 2017 for periods ending on or before December 31, 2016.

Basis of Consolidation

The Financial Statements incorporate the financial statements of the Company and its share of joint ventures.

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics: the parties are bound by a contractual arrangement, and the contractual arrangement gives two or more of those parties joint control of the arrangement. (i.e., when decisions about the relevant activities require the unanimous consent of the parties sharing control.)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

When a Company entity undertakes its activities under joint venture arrangements directly, the Company's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Company's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Company and their amount can be measured reliably.

A joint arrangement that is not structured through a separate vehicle is a joint operation. Since none of the Company’s joint arrangements are structured through a separate vehicle, all the arrangements are considered joint operations.

The Company recognizes in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. When the investment or asset is classified as held for sale, it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.* The Company's share of the jointly controlled assets is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Functional Currency and Foreign Currency Translation

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is also the Canadian dollar. The functional currency was determined through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of the transactions. At each financial position reporting date, any material monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Any material non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. All gains and losses on transaction of these foreign currency transactions are included in foreign exchange loss (gain) in the Consolidated Statement of Loss and Comprehensive Loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

A. Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in net loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, 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 recognized in net loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with change in fair value recognized through other comprehensive income/loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is recognized in net loss.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in net loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities, which are recognized at amortized cost.

The Company’s financial instruments consist of cash, unbilled receivables, amounts receivable, investment in shares and accounts payable and accrued liabilities. The Company has designated its cash, unbilled receivables and amounts receivable as loans and receivables, which are measured at amortized cost. Investments are classified as available-for-sale, measured at fair value.

Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Property, Equipment and Intangible Assets

Property, equipment (“property and equipment”) and intangible assets are stated at cost and are amortised on a declining-balance basis using the following rates and term:

Property and Equipment	
Furniture, fixtures & office equipment	20% declining balance
Field equipment	20% declining balance
Intangible Assets	
Computer software	50% declining balance

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets under IAS 36

Non-financial assets, including property, equipment and intangible assets are reviewed for impairment 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in net 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 net loss for the period.

There was no identification of impairment of non-financial assets during the period apart from those specifically addressed in Note 9 below.

Exploration and Evaluation

The Company is in the exploration stage with respect to its investment in mineral properties and has chosen to follow the cost model, capitalizing all costs relating to the acquisition of and exploration for mineral claims and crediting all sale proceeds received against the cost of the related claims. If proceeds exceed capitalized costs, any excess is recorded as deferred exploration funding. Such costs include, but not are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and Evaluation (continued)

Exploration and evaluation ("E&E") assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and when the Group has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Consistent with IFRS 6, industry-specific indicators for an impairment review arise typically when any of the following circumstances applies:

- 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 exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the 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 exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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

During the year ended December 31, 2016, no impairment indicators were identified for any of the properties.

Income Taxes

Current income taxes are based on taxable profit (loss) for the year. Taxable profit (loss) differs from profit (loss) as reported in the consolidated statement of comprehensive income/loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current income taxes are calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit (loss). Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-Based Compensation Transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Restoration, Rehabilitation and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Any material costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, will be provided for and capitalized to the carrying amount of the asset, along with a corresponding liability when any obligation to incur such costs arises. The unwinding of any value of discount will be recognized as a borrowing cost.

The Company has no material restoration, rehabilitation and environmental obligations, as the disturbance to date is immaterial.

Flow-Through Shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the market price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in other income. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss Per Share

The Company presents the basic loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Significant Accounting Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (see paragraph immediately below), that have the most significant effect on the amounts recognized in the Company's Financial Statements, are related to the economic recoverability of the mineral properties and the going concern assumption.

Significant Accounting Estimates

The preparation of these annual Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The Financial Statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable and prepayments which are included in the Consolidated Statement of Financial Position;
- impairment of non-financial assets;
- the estimated useful lives of property, plant and equipment which are included in the Consolidated Statement of Financial Position and the related depreciation included in the Consolidated Statement of Loss and Comprehensive Loss;
- the inputs used in accounting for share-based compensation expense in the Consolidated Statement of Loss and Comprehensive Loss;
- the inputs used in determining the various commitments and contingencies accrued in the Consolidated Statement of Financial Position; and
- the inputs used in accounting for warrant value associated to reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government assistance

Government assistance, consisting of investment tax credits and grants is recorded as a reduction of the related expense over the period in which the related expense occurs, or is recorded as a reduction of the cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program. Investment tax credits are recorded when there is reasonable assurance that they will be realized.

New and revised IFRS in issue but not yet effective:

IFRS 9 Financial Instruments ("IFRS 9")

The IASB issued the final version of IFRS 9 on July 24, 2014, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. This final version of IFRS 9 represents the completion of this project and it includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 does not address the specific accounting for open portfolios or macro hedging as these items are part of a separate IASB project that is currently ongoing. This final Standard introduces a single, principles-based approach that amends both the categories and associated criteria for the classification and measurement of financial assets, which is driven by the entity's business model for the portfolio in which the assets are held and the contractual cash flows of these financial assets. Certain amendments have been made to the financial asset classification and measurement principles in prior versions of IFRS 9. This Standard introduces an amended hedging model which aligns hedge accounting more closely with an entity's risk management activities and also includes a new financial asset impairment model which is based on expected losses rather than incurred losses. This new Standard supersedes all prior versions of IFRS 9. The new Standard will come into effect on January 1, 2018 with early application permitted. The Company is currently evaluating the impact of IFRS 9 on its Consolidated Financial Statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by the IASB on May 28, 2014, and will replace IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual period beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its Consolidated Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases ("IFRS 16")

The IASB issued a new standard, IFRS 16 on January 13, 2016, which supersedes IAS 17 *Leases*. The new standard brings most leases on the balance sheet for lessees under a single model and eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged. The new standard will come into effect for periods beginning on or after January 1, 2019. The Company is currently evaluation the impact of IFRS 16 on its Consolidated Financial Statements.

3. SHARE CAPITAL

Authorized and Issued

An unlimited number of voting common shares are authorized for issue and, subject to priority rights of other share classes, are entitled to receive dividends when and if declared by the Board of Directors. There were 205,044,921 voting common shares issued and outstanding at December 31, 2016 (2015 – 158,622,093)

An unlimited number of preferred shares are authorized for issue in series. There were no preferred shares issued at December 31, 2016 (2015 - nil).

During the year ended December 31, 2016, 16,666,666 units were issued, each unit consisting of one common share and one half of one warrant for $0.03/unit for gross proceeds of $500,000. A market value of $103,720 was ascribed to the warrants. A further 8,930,000 units were issued, each unit consisting of one common share and one half of one warrant for $0.16/unit for gross proceeds of $1,428,800. A market value of $569,447 was ascribed to the warrants. A further 2,272,727 units were issued, each unit consisting of one common share and one half of one warrant for $0.22/unit for gross proceeds of $500,000. A market value of $166,932 was ascribed to the warrants.

During the year ended December 31, 2016, 8,426,335 warrants were exercised at a price of $0.05 each for gross proceeds of $421,317. A further 3,360,000 warrants were exercised at a price of $0.075 each for gross proceeds of $252,000.

During the year ended December 31, 2016, 6,454,600 flow-through shares were issued for gross proceeds of $1,097,282. The difference between the issue price of the units and the market values of the shares on the dates of issuance, $193,638, was recorded as deferred flow-through premium liability, $62,638 of which was reversed to other income when the renouncement of exploration expenditures made with the funds generated from the share issue was completed.

All amounts in Canadian Dollars

3. SHARE CAPITAL (continued)

Authorized and Issued (continued)

In 2015, a total of 6,000,000 flow-through units were issued, each unit consisting of one common share and one half of one non-flow-through warrant for $0.05/unit for gross proceeds of $300,000. A market value of $18,000 was ascribed to the warrants. The difference between the issue price of the units and the market values of the shares and warrants on the dates of issuance, $102,000, was recorded as deferred flow-through premium liability, and reversed to other income when the renouncement of exploration expenditures made with the funds generated from the share issue was completed.

During the year ended December 31, 2016, a total of $224,249 of share issue expenses were incurred, including 312,500 shares valued at $56,250 and 562,122 broker warrants valued at $49,092 (2015 – $22,410, including 360,000 broker warrants valued at $2,160).

Warrants

The Black-Scholes option pricing model, used by the Company to calculate warrant values, was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's warrant issuances. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values, the averages summarized in the table below.

Assumptions	**2016**	2015
Lifetime	1.8 years	2 years
Interest Rate	0.55%	0.51%
Annual Volatility	138%	82%
Dividends	none	none

During the year ended December 31, 2016, 14,496,821 warrants were issued (2015 – 3,360,000) as part of the above-mentioned unit offerings – including 562,122 broker warrants (2015 – 360,000). These warrants were valued at $882,454 (2015 - $20,160).

All amounts in Canadian Dollars

3. SHARE CAPITAL (continued)

Warrants (continued)

The following continuity summarizes the Company's outstanding warrant obligations over the period covered by these Financial Statements:

	Quantity	Weighted Average Exercise Price	Weighted Average Expiry Date
Balance, January 1, 2015	**1,181,182**	**$ 0.11**	**May 9, 2015**
Expired during the year	(1,181,182)	0.11	May 9, 2015
Issued during the year	3,360,000	0.075	September 23, 2017
Balance, December 31, 2015	**3,360,000**	**$ 0.075**	**September 23, 2017**
Issued during the year	14,496,821	0.13	March 16, 2018
Exercised during the year	(11,786,335)	0.06	May 26, 2017
Balance, December 31, 2016	**6,070,486**	**$ 0.23**	**July 3, 2019**

Stock options

The Company has established a Stock Option Plan (the "Plan") to develop the interest and incentive of eligible employees, directors and consultants in the Company's growth and development. The aggregate number of share options which may be issued and outstanding at any time under this plan shall not exceed 10% of the total number of issued and outstanding shares of the Company unless the Company receives the permission of the TSX Venture Exchange and its shareholders. As at December 31, 2016, 20,504,492 common share options were authorized to be issued and outstanding under the Plan (2015 – 15,262,209). Stock options are granted with an exercise price equal to the underlying common stock's fair value at the time of grant. Once vested, options may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination if the option holder ceases to be a director, officer, employee or consultant of the Company.

All amounts in Canadian Dollars

3. SHARE CAPITAL (continued)

Stock options (continued)

The following summarizes the Company's outstanding option obligations over the period covered by these Financial Statements:

	Quantity	Weighted Average Exercise Price
Balance, January 1, 2015	**6,730,000**	**$0.22**
Options expired during the period	(2,580,000)	$0.19
Balance, December 31, 2015	**4,150,000**	**$0.22**
Options issued during the period	7,200,000	$0.16
Options expired during the period	(2,150,000)	$0.25
Balance, December 31, 2016	**9,200,000**	**$0.18**

At December 31, 2016, the remaining pool of options available for grant was 11,304,492 (2015 – 11,112,209).

Additional information regarding options outstanding at year-ends:

Issue Date	Exercise Price	Quantity	Expiry Date	Exercisable
As at December 31, 2016:				
March 26, 2012	$ 0.25	1,750,000	March 26, 2017	1,750,000
July 3, 2012	$ 0.20	250,000	July 3, 2017	250,000
June 10, 2016	$ 0.16	6,850,000	June 10, 2021	6,850,000
July 15, 2016	$ 0.17	350,000	July 15, 2021	350,000
		9,200,000		**9,200,000**
As at December 31, 2015:				
October 5, 2011	$ 0.25	2,150,000	October 5, 2016	2,150,000
March 26, 2012	$ 0.25	1,750,000	March 26, 2017	1,750,000
July 3, 2012	$ 0.20	250,000	July 3, 2017	250,000
		4,150,000		**4,150,000**

All amounts in Canadian Dollars

3. SHARE CAPITAL (continued)

Share-based compensation

The Black-Scholes option pricing model, used by the Company to calculate option values, was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's option awards. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values, summarized in the table below.

Assumptions	**2016**	2015
Lifetime	5 years	n/a
Interest Rate	0.57%	n/a
Annual Volatility	113%	n/a
Dividends	none	n/a

During the year ended December 31, 2016, the Company incurred an expense of $920,080 relating to options granted and vested during the current period (2015 - $nil). The entire amount was attributable to the General and Administration function.

4. LOSS PER SHARE

The treasury stock method is used for the calculation of diluted loss per share. Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year. As the Company has recorded a loss in each of the years presented, the following table presents the securities excluded from the loss per share computation for the years ended December 31, 2016 and 2015:

	2016	2015
Stock options	**7,619,536**	6,059,118
Stock purchase warrants	**6,300,700**	2,077,602
	13,920,236	8,136,720

All amounts in Canadian Dollars

5. DEFERRED TAXES

During the year, the Company renounced $1,097,282 of flow-through expenditures (2015 - $300,000) on eligible Canadian Exploration Expenditures ("CEE").

Tax reconciliation

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings from continuing operations before taxes. These differences result from the following items:

	2016	2015
Loss before income taxes	**(1,629,122)**	**(3,102,016)**
Expected recovery of tax	**(431,717)**	**(822,034)**
Increase resulting from:		
Renounced expenditures	**290,705**	**79,500**
Permanent differences - share-based compensation	**243,821**	
Permanent differences - meals and donations	**909**	**321**
	535,435	**79,821**
Unrecorded benefit of loss carryforward and timing differences	**155,589**	**671,744**
Provision true-up	**(333,659)**	**86,400**
Other	**74,352**	**(15,930)**
Tax recovery recorded	**-**	**-**

The overall Canadian income tax rate has remained consistent in fiscal 2015 and 2016 at 26.5%.

The following deferred tax assets have not been recognized at the reporting date:

Tax losses	2,422,029
Resource assets and property and equipment	1,702,022
Undeducted share issuance costs	48,554
Unused tax credits	844,435

The unrecognized tax losses will expire between 2026 and 2036. The unused tax credits will expire between 2023 and 2034.

Deferred income tax liabilities

In accordance with IFRS, the Company has not recognized a future tax asset or liability on initial recognition of the asset or liability that affects neither accounting nor taxable profit and loss. The Company is in a deferred income tax asset position as at December 31, 2016. Deferred tax assets and liabilities have been offset where they relate to the same taxation authority and the Company has the legal right to offset. The remaining deferred tax assets have not been recognized, as the Company does not have a history of taxable earnings.

All amounts in Canadian Dollars

6. MINERAL PROPERTIES

The following table summarizes the exploration expenditures incurred on each of the Company's mineral properties:

	Storm	Idefix	Ikertoq	Huckleberry	Séquoi	Sé2	Other Properties	Total
Percent Ownership	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	
At January 1, 2015	**$2,617,203**	**$ 13,565**	**$ 250,000**	**$ 78,826**	**$ -**	**$ -**	**$ 121,143**	**$ 3,080,737**
Expenditures								
Acquisition	-	15,672	-	2,280	-	-	(12,708)	**5,244**
Exploration	32,408	12,289	2,128	173,949	-	-	38,941	**259,715**
Total Expenditures	32,408	27,961	2,128	176,229	-	-	26,233	**264,959**
External Funding	51,200	-	(25,000)	-	-	-	-	**26,200**
Government assistance	-	(41,526)	-	-	-	-	-	**(41,526)**
Expensed current exploration	-	-	-	-	-	-	(38,941)	**(38,941)**
Property write-down	(2,700,811)	-	(227,128)	-	-	-	(94,082)	**(3,022,021)**
At December 31, 2015	**$ -**	**$ -**	**$ -**	**$ 255,055**	**$ -**	**$ -**	**$ 14,353**	**$ 269,408**
Expenditures								
Acquisition	-	9,726	-	23,763	22,777	19,822	22,090	**98,178**
Exploration	-	81,690	-	1,405,448	808,974	65,921	30,669	**2,392,702**
Total Expenditures	-	91,416	-	1,429,211	831,751	85,743	52,759	**2,490,880**
External Funding	-	-	-	(1,542,538)	-	-	-	**(1,542,538)**
Government assistance	-	(5,085)	-	(71,977)	-	-	(9,584)	**(86,646)**
Expensed current exploration	-	-	-	-	-	-	(30,669)	**(30,669)**
At December 31, 2016	**$ -**	**$ 86,331**	**$ -**	**$ 69,751**	**$831,751**	**$ 85,743**	**$ 26,859**	**$ 1,100,435**

The Company considered the impairment indicators under IFRS 6 for each property and deemed there to be no justification to adjust their capitalized values.

During the year ended December 31, 2016 the Company entered into a property exploration option agreement with South 32 Limited ("South 32") regarding its Huckleberry property. Under the terms of the agreement South 32 can earn a 50% interest in the Huckleberry property by incurring $2,500,000 in exploration expenditures within the first two years of the agreement and by making an upfront cash payment to Northern Shield of $200,000. On successfully earning a 50% interest, South 32 can elect to increase its interest to 70% by incurring a further $2,500,000 of exploration expenditures by the end of the third year. The Company will be operator during the earn-in and be paid a management fee of 10% of the cost of Huckleberry exploration.

During the year ended December 31, 2016, the $200,000 up-front payment was recorded as a charge against the capitalized value of Huckleberry, $1,342,537 worth of exploration expenditures incurred by the Company were funded by South 32, and an administrative recovery of $134,254 was generated.

All amounts in Canadian Dollars

7. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Field Equipment	Furniture and Fixtures	Office Equipment	Software	Total
Cost					
December 31, 2014	$ 201,182	$ 29,980	$ 113,070	$ 33,207	**$ 377,439**
No additions or disposals	-	-	-	-	**-**
December 31, 2015	201,182	29,980	113,070	33,207	**377,439**
No additions or disposals	-	-	-	-	**-**
December 31, 2016	$ 201,182	$ 29,980	$ 113,070	$ 33,207	**$ 377,439**
Accumulated Amortization					
December 31, 2014	$ (115,694)	$ (20,953)	$ (69,270)	$ (27,281)	**$ (233,198)**
Amortization	(15,858)	(1,674)	(8,125)	(2,452)	**(28,109)**
December 31, 2015	(131,552)	(22,627)	(77,395)	(29,733)	**(261,307)**
Amortization	(12,917)	(1,365)	(6,617)	(1,438)	**(22,337)**
December 31, 2016	$ (144,469)	$ (23,992)	$ (84,012)	$ (31,171)	**$ (283,644)**
Carrying Values					
December 31, 2015	$ 69,630	$ 7,353	$ 35,675	$ 3,474	**$ 116,132**
December 31, 2016	$ 56,713	$ 5,988	$ 29,058	$ 2,036	**$ 93,795**

Amortization of exploration-related assets in the amount of $12,917 was allocated to mineral properties during the year ended December 31, 2016 (2015 - $15,858).

8. DEFERRED EXPLORATION FUNDING

At the end of Fiscal 2015 the Company owed $174,131 of Quebec government tax refunds received to an external party relating to exploration funded by the party. The amount was repaid in 2016.

All amounts in Canadian Dollars

9. NATURE OF EXPENSES

General and administrative expenses comprised the following during the years ended December 31:

	2016	2015
Remuneration and consulting fees	**$345,511**	$361,216
Office expenses	**253,007**	248,488
Travel expenses	**113,083**	50,877
Marketing expenses	**122,655**	56,866
Professional fees	**203,313**	31,390
Public company expenses	**28,837**	27,914
Insurance expenses	**17,451**	19,126
	$1,083,857	$795,877
Share-based compensation	**920,080**	-
General and administrative recovery	**(134,254)**	(24,000)
	$1,869,683	$771,877

Included in the 2016 general and administrative recovery is $134,254 of external funding amounts received related to general and administrative expenses 2015 – $24,000).

Expensed exploration comprised the following during the years ended December 31:

	2016	2015
Expensed prospecting activities	**$30,669**	$38,941
Write-down of mineral properties	**-**	3,022,021
	$30,669	$3,060,962

10. RELATED PARTY TRANSACTIONS

The following table presents the legal fees that the Company incurred with a law firm at which one of the Company's directors is a partner and the Company's corporate secretary is an associate. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

	2016	2015
Fees incurred during the year	**$ 146,486**	$ 5,306
Amounts payable as at year-end	**$ 14,757**	$ -

All amounts in Canadian Dollars

11. KEY MANAGEMENT COMPENSATION

The following table presents the compensation earned by key members of management during the years ended December 31, noted below:

	2016	2015
Salaries	**$ 280,169**	$ 245,750
Benefits	**7,411**	8,654
Share-based payments	**286,650**	-
	$ 574,230	$ 254,404

12. COMMITMENTS

The Company is committed to operating leases as follows:

	2017	2018	Total
Premises lease	$ 182,160	$ 136,620	**$ 318,780**

13. EMPLOYEE COMPENSATION

The following table presents the compensation earned by the employees (including key management during the years ended December 31, noted below:

	2016	2015
Salaries	**$ 482,552**	$ 410,751
Benefits	**28,783**	34,289
Share-based payments	**414,050**	-
	$ 925,385	$ 445,040

The expenses in the above table were recorded as General and Administration expenses and then a portion charged to Expensed Exploration and capitalized to Mineral Properties.

14. GOVERNMENT ASSISTANCE

An amount of $161,127 in government resource tax credits was received in the current year (2015 – $136,322) of which 86,647 was applied against current year's exploration expenditures (2015 - $27,961 applied against 2015 exploration expenditures and $13,565 applied against previously-capitalized expenditures).

15. SEGMENT INFORMATION

The Company has one operating segment involved in the exploration of resource properties. All the Company's exploration activities were in Canada.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the Company's income (loss) or the value of its financial instruments.

The Company is not exposed to significant currency or interest rate risks arising from its financial instruments.

Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Foreign exchange risk

The Company is not exposed to significant foreign exchange risk due to the low volume of foreign currency transactions.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's unbilled receivables.

a) Concentration of credit risk

Counterparties expose the Company to credit-related losses in the event of non-performance. By dealing with only creditworthy counterparties, the Company's credit exposure is minimized. There were $100,400 of unbilled receivable amounts, due from a single exploration partner, at December 31, 2016 (2015 – nil).

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

b) Credit risk exposure

The carrying amounts of the cash, unbilled receivables and amounts receivable represent the maximum exposure to credit risk. The maximum exposure to credit risk at December 31, 2016 was $2,644,819 (2015 - $178,124). The cash is held by the Company's banks, two of the large Canadian chartered banks. Since the inception of the Company, no losses have been suffered in relation to cash held in the bank.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a cash balance of $2,411,145 (2015 - $128,691). To date, the Company has incurred significant operating losses. The Company's ability to continue as a going concern is dependent on its ability to generate sufficient capital through either revenues or through further financings.

The Company accrues expenses when incurred. Accounts are deemed payable once an event occurs that requires payment by a specific date. As at December 31, 2016, 100% (2015 – 100%) of accounts payable were current.

Fair values

a) The fair value of cash, unbilled receivables, amounts receivable, long-term deposit, accounts payable and accrued liabilities is approximately equal to their carrying value due to their short-terms to maturity.

b) Fair value hierarchy

Financial instruments recorded at fair value on the Consolidated Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values (continued)

b) Fair value hierarchy (continued)

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The fair value of the investment in private company is determined based on recent market transactions for similar instruments issued by that company. The investment in shares is a level 1 instrument. All other financial instruments are classified as level 2 instruments.

17. CAPITAL MANAGEMENT

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to fund future exploration and maintain the ability to continue as a going concern. Capital is defined as the Company's shareholders' equity. The Company does not have any long-term debt and the Company does not intend to assume any until any given development project warrants it. The Board of Directors does not establish quantitative capital criteria for management; but rather promotes the use of periodic equity financing events as the primary method of funding administrative operations and exploration and development. Other methods open to management to fund exploration include extending joint venture or earn-in opportunities to other parties relating to specific properties.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.