



MUSTANG MINERALS CORP.

**INTERIM UN-AUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016**

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Notice of no auditor review of interim financial statements:

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim unaudited condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

MUSTANG MINERALS CORP.**INTERIM UN-AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT**

(In Canadian dollars)

	March 31, 2016	December 31, 2015
ASSETS		
Current		
Cash	\$12,489	\$36,477
Marketable securities, available-for-sale, (Note 5)	31,550	37,569
Amounts receivable	13,944	65,110
Prepays	8,791	8,659
Total current assets	66,774	147,815
MINING INTERESTS, (Note 6)	26,825,090	26,829,083
CAPITAL ASSETS, (Note 7)	878,355	1,050,585
Total assets	\$27,770,219	\$28,027,483
LIABILITIES		
Current		
Accounts payable and accrued liabilities, (Notes 9 and 10)	\$1,298,404	\$1,315,784
Deferred income taxes	620,000	620,000
Total liabilities	1,918,404	1,935,784
SHAREHOLDERS' EQUITY		
Capital stock, (Note 8(a))	46,866,255	46,866,255
Contributed surplus	5,995,645	5,995,645
Accumulated other comprehensive loss	(20,884)	(14,865)
Deficit	(26,989,201)	(26,755,336)
Total shareholders' equity	25,851,815	26,091,699
Total liabilities and shareholders' equity	\$27,770,219	\$28,027,483

Going concern (Note 2)

Commitments and contingencies (Notes 6 and 9)

Subsequent event (Note 13)

Approved on Behalf of the Board

'Thomas W. Meredith' Director'Robin Dunbar' Director

MUSTANG MINERALS CORP.**INTERIM UN-AUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(In Canadian dollars)

	For the three months ended	
	March 31,	
	2016	2015
Expenses		
Office, general and administrative	\$20,722	\$29,953
Management fees and directors fees	30,200	29,500
Professional fees	1,620	109
Amortization, (Note 7)	230	314
Public company costs	9,093	11,836
Loss from operations before the undernoted	(61,865)	(71,712)
Flow-through share premium income	-	65,500
Impairment of capital assets (Notes 7 and 13)	(172,000)	-
Net loss for the period	(233,865)	(6,212)
Other comprehensive income (loss)		
Net increase (decrease) in fair value of marketable securities	(6,019)	57,400
Comprehensive loss for the period	\$ (239,884)	\$ 51,188
Income (loss) per share		
Basic and diluted	\$0.00	\$0.00
Weighted average number of common shares outstanding - basic and diluted	256,475,301	254,586,413

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

MUSTANG MINERALS CORP.**INTERIM UN-AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015**

(In Canadian dollars)

	Capital Stock			Contributed		Accumulated	
	# of shares	Amount	Warrant Reserve	Surplus	Deficit	Other Comprehensive Income	Total
		\$	\$	\$	\$	\$	\$
Balance, January 1, 2015	245,308,637	46,742,220	-	6,151,646	(24,310,086)	(81,319)	28,502,461
Common shares issued for cash (Note 8(a))	11,166,664	128,125	-	-	-	-	128,125
Share issue expenses (Note 8(a))	-	(4,090)	-	-	-	-	(4,090)
Net loss for the period	-	-	-	-	(6,212)	-	(6,212)
Comprehensive income for the period	-	-	-	-	-	57,400	57,400
Balance, March 31, 2015	256,475,301	46,866,255	-	6,151,646	(24,316,297)	(23,918)	28,677,684
Balance, January 1, 2016	256,475,301	46,866,255	-	5,995,645	(26,755,336)	(14,865)	26,091,699
Net loss for the period	-	-	-	-	(233,865)	-	(233,865)
Comprehensive loss for the period	-	-	-	-	-	(6,019)	(6,019)
Balance, March 31, 2016	256,475,301	46,866,255	-	5,995,645	(26,989,201)	(20,884)	25,851,815

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

MUSTANG MINERALS CORP.**INTERIM UN-AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31,**

(In Canadian dollars)

	2016	2015
Cash flows used in operating activities		
Net loss for the period	\$ (233,865)	\$ (6,212)
Adjustments not affecting cash		
Amortization	230	314
Flow through share premium	-	(65,500)
Impairment charge on capital assets	172,000	-
Changes in non-cash working capital		
Amounts receivable	51,165	(2,538)
Prepays	(131)	-
Accounts payable and accrued liabilities	(17,380)	(9,215)
Cash flows used in operating activities	(27,981)	(83,151)
Cash flows used in investing activities		
Increase in mining interests	3,993	(28,298)
Cash flows used in investing activities	3,993	(28,298)
Cash flows from financing activities		
Issuance of common shares	-	124,035
Cash flows provided by financing activities	-	124,035
Change in cash for the period	(23,988)	12,586
Cash, beginning of period	36,477	320,354
Cash, end of period	\$ 12,489	\$ 332,940

1. GENERAL INFORMATION

Mustang Minerals Corp. (the "Company") is incorporated under the laws of Ontario on July 15, 1997 and is engaged in the business of exploring and developing base and precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities and to date the Company has not earned significant revenues. The principal business address of the Company is 3335 Yonge Street, Suite 305 Toronto, Ontario, M4N 2M1.

The interim un-audited condensed consolidated financial statements of the Company for the three months ended March 31, 2016 and 2015 were authorized for issue in accordance with a resolution of the board of directors on May 30, 2016.

2. GOING CONCERN

The Company's ability to realize the costs it has incurred to date on its properties is dependent upon it being able to identify economically recoverable reserves; to finance their exploration and evaluation costs; to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the reserves; and to attain profitable operations.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. These conditions indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiating contracts and political uncertainty.

The Company has cumulative operating losses and a significant working capital deficiency at March 31, 2016. The Company expects to incur further losses in the exploration and development of its properties. The Company has a need for equity financing for working capital and exploration and development of its properties.

The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and make arrangements to repay or renegotiate past due accounts payable and accrued liabilities. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These matters represent material uncertainties which cast significant doubt upon the Company's ability to continue as a going concern.

These interim un-audited condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying interim un-audited condensed consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations.

MUSTANG MINERALS CORP.**NOTES TO THE INTERIM UN-AUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2016**

(In Canadian dollars)

Details of deficit and working capital deficiency of the Company are as follows:

	March 31, 2016 \$	December 31, 2015 \$
Deficit	26,989,201	26,755,336
Working capital deficiency	1,231,630	1,167,969

3. BASIS OF PREPARATION

These interim unaudited condensed consolidated financial statements are presented in accordance with IFRS and in particular in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards (“IASs”), and interpretations issued by the IFRS Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”).

4. SIGNIFICANT ACCOUNTING POLICIES**Basis of consolidation**

These interim un-audited condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

These interim un-audited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Global Nickel Inc., a Canadian federally incorporated company, and Maskwa Nickel Chrome Mines Limited which is a Manitoba corporation and is owned 72.56%. The financial statements of the subsidiaries are consolidated from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

Basis of measurement

These interim un-audited condensed consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, and have been prepared using the accrual basis of accounting except for cash flow information.

Mining interests – acquisition costs and exploration expenses

Acquisition costs and exploration expenses relating to properties that are incurred after the legal right to explore has been obtained are capitalized until the properties are brought into production, at which time they are amortized on a unit-of-production basis. Other general exploration expenses are charged to operations as incurred. The cost of exploration properties abandoned, impaired or sold and their related capitalized exploration costs are expensed to operations in the year of abandonment or sale. The amounts shown as mining interests represent unamortized costs to date and do not necessarily reflect present or future values.

Costs include the cash consideration and the fair market value of shares issued for the acquisition and exploration of properties. The carrying value is reduced by option proceeds received until such time as the exploration property acquisition assets and exploration and evaluation assets are reduced to nominal amounts. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment.

When a project is considered to no longer have commercially viable prospects for the Company, mining interest assets in respect of that property are assessed as impaired and written off to the consolidated statement of operations. The Company also assesses mining interest assets for impairment when other facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Impairment

Financial assets

At the end of each reporting year, the Company assesses its financial assets to determine whether there is any objective evidence that they are impaired. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of operations.

Non-financial assets

At the end of each reporting year, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in the consolidated statement of operations.

Provisions and decommissioning liabilities

Provisions, which include decommissioning liabilities, are liabilities that are uncertain in timing or amount. The Company records a provision when:

- (i) the Company has a present obligation, legal or constructive, as a result of a past event;
- (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (iii) a reliable estimate can be made of the amount of the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

- (i) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and
- (ii) as a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting year and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting year. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. Where discounting has been used, the carrying amount of a provision increases in each year to reflect the passage of time. This increase (accretion expense) is included in finance costs in the consolidated statement of operations.

The Company did not have any material reclamation provisions or decommissioning liabilities as at March 31, 2016 and December 31, 2015.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the year, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. During the years ended March 31, 2016 and 2014, all outstanding options and warrants were considered anti-dilutive and were therefore excluded from the diluted loss per share calculation.

Income taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the consolidated statement of operations except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

MUSTANG MINERALS CORP.

NOTES TO THE INTERIM UN-AUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

(In Canadian dollars)

Current income tax

Current income tax expense is based on the results for the year as adjusted for items that are not taxable and not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting year. Management at the end of each reporting year evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the financial statements and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the asset and liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Flow-through share financings

The Company periodically finances a portion of its exploration activities through the issue of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investor (referred to as renunciation). Proceeds received on the issuance of such shares up to the value of similar non-flow through shares are credited to capital stock and any difference between that amount and the issue price is recognized as a flow-through share premium and recognized as a liability in the consolidated statement of financial position. Upon renunciation to the investor of the tax benefits associated with the related expenditures, a deferred income tax liability and corresponding deferred income tax expense is recognized and the liability previously recorded as a flow through share premium is recorded to flow-through share premium income. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred income tax liability and record a recovery on the consolidated statement of operations. The related exploration costs are charged to mining interest assets.

Foreign currency translation

The Canadian dollar is the functional and reporting currency of the Company's operations. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at the rate at the time of the transaction. Any resulting gain or loss is recorded in the consolidated statement of operations.

Financial instruments

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "fair value through profit or loss ("FVTPL")", "available for sale" financial assets, "held to maturity", "loans and receivables", or "other" financial liabilities. FVTPL financial instruments are measured at their fair value with changes in fair value recognized in net loss for the year. Available for sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income (loss) until the asset is removed from the consolidated statement of financial position or until impairment is assessed as other than temporary. Held to maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments recorded at fair value by valuation technique:

Level 1: The fair value measurements are classified as level 1 if the fair value is determined using quoted, unadjusted market prices for identical assets or liabilities.

Level 2: The fair value measurements are classified as level 2 when inputs other than quoted prices in level 1 which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: The fair value measurements are classified as level 3 when inputs require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs.

Share-based payments

The Company applies the fair value method of accounting for share-based payments granted to employees and other individuals providing similar services. The fair value of options is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. Each tranche of an option that vests over time is considered a separate award and the fair value of each tranche is expensed over its vesting period with the corresponding credit to contributed surplus. The fair value of options granted is recorded in contributed surplus. Cash consideration received from employees on exercise of options is credited to share capital along with the original grant date fair value of the options exercised. The value of options forfeited before vesting is removed from the option reserve and credited to operations, while the value of options that expire after vesting is credited directly to deficit.

Share-based payments granted to non-employees are measured at the fair value of goods received unless that cannot be reasonably estimated in which case the estimated fair value of the share-based payments are used. The measurement date is generally the date the goods or services are received.

Warrants

All warrants issued are valued on the date of grant using the Black-Scholes option pricing model, net of related issue costs and are recorded in the warrants reserve. Expired warrants are removed from the warrants reserve and credited to contributed surplus.

Capital assets

Recognition and Measurement

Capital assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Amortization

Equipment and automobile are depreciated annually on a straight-line basis using rates of 20% and 30% respectively. Mill equipment, once ready for its intended use, is expected to be amortized annually on a straight-line basis at a rate of 20%.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality considerations apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

Segmented information

The Company conducts all of its operations in Canada in one business segment.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of these interim un-audited condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Capitalization of mining interest costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

Impairment of mining interests and capital assets

While assessing whether any indications of impairment exist for mining interest assets and capital assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, and economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mining interest assets. Internal sources of information include the manner in which mining interest assets and capital assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining interests, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests and capital assets.

Income taxes and recoverability of potential deferred tax assets

The Company is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that

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(In Canadian dollars)

materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting year.

Share-based payments

Management determines the valuation of share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards and warrants are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments may include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Commitments and contingencies

Refer to Notes 6 and 9.

5. MARKETABLE SECURITIES

The Company's marketable securities have been designated as available-for-sale and are reported at fair value based on quoted market prices as follows:

	March 31, 2016	December 31, 2015
	\$	\$
Aquila Resources Inc.	29,982	36,942
Other	1,568	627
	31,550	37,569

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(In Canadian dollars)

6. MINING INTERESTS AND COMMITMENTS

For the three months ended March 31, 2016

MANITOBA	Jan 1, 2016	Exploration	Recoveries	Mar 31, 2016
Makwa	\$ 16,122,219	\$ 4,844	\$ -	16,127,063
Mayville	10,374,581	-	(8,837)	10,365,744
Tanco	332,283	-	-	332,283
	\$ 26,829,083	\$ 4,844	\$ (8,837)	\$ 26,825,090

For the year ended December 31, 2015

MANITOBA	Jan 1, 2015	Exploration	Recoveries	Dec 31, 2015
Makwa	\$ 16,093,689	\$ 28,529	\$ -	16,122,219
Mayville	10,207,211	167,370	-	10,374,581
Tanco	332,283	-	-	332,283
	\$ 26,633,183	\$ 195,899	\$ -	\$ 26,829,083

It is in the normal course of business for the Company to acquire and divest mining claims based on the results of exploration. Certain of the properties are subject to a Net Smelter Return royalty ("NSR") payable on future mineral production.

MANITOBA**MAKWA**

The Makwa property is a nickel copper platinum group metal exploration project located near Lac du Bonnet, in south east Manitoba. During 2004, the Company acquired the mining interest by acquiring 100% of the shares of Global Nickel Inc., a federally incorporated company that owns the mineral rights to the Makwa Property. To acquire the shares the Company paid \$500,000 cash and issued 6,679,000 common shares valued at \$0.43 per share, representing the quoted share price of the Company at the time of the transaction.

The mineral rights of the Makwa Property consist of a Mineral Lease, a Surface Lease, and mining claims held by the Company. An annual payment of approximately \$10,000 must be made to the province of Manitoba to keep the Mineral Lease and Surface Lease in good standing.

MAYVILLE

The Mayville property is a copper nickel platinum group metal exploration project located near Lac du Bonnet, in south east Manitoba. The Company acquired a cumulative 89% interest in the property (consisting of mining claims) in 2005. A direct 60% interest was acquired from the vendor for consideration of \$90,000 in cash, a note for \$165,000 due 18 months from closing (which was paid during 2006), and 700,000 common shares of the Company (issued in 2005). This 60% interest is subject to a 2% royalty interest.

The additional 29% interest was acquired through the acquisition of a 72.56% interest in Maskwa Nickel Chrome Mines Limited ("MNCM"), a Company which holds the remaining 40% interest in the Mayville property. The shares in MNCM were acquired through the issuance of 400,000 common shares of the Company and a cash payment of \$120,000. A royalty payment in the amount of \$210,000 will be due in 5 equal annual payments upon the commencement of commercial production on any portion of the MNCM property.

TANCO

The Tanco property is an exploration project located near Lac du Bonnet, in south east Manitoba. On June 30, 2010, the Company entered into an option agreement with Tantalum Mining Corporation of Canada and has now acquired a 100% interest in the base and precious metal rights of a property located in southeast Manitoba. Pursuant to the terms of the option agreement, the Company made cash option payments totaling \$45,000, and incurred expenditures of \$312,600. The property is subject to a 2% NSR.

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(In Canadian dollars)

7. CAPITAL ASSETS

	Equipment	Automobile	Asset held for sale Mill equipment	Total
	\$	\$	\$	\$
<u>Cost</u>				
Balance at December 31, 2014, 2015 and March 31, 2016	96,956	32,687	2,864,410	2,994,053
<u>Amortization</u>				
Balance December 31, 2014	94,994	29,810	-	124,804
Amortization for the year	392	862	-	1,254
Impairment charge	-	-	1,817,410	1,817,410
Balance December 31, 2015	95,386	30,672	1,817,410	1,943,468
Amortization for the period	79	151	-	230
Impairment charge	-	-	172,000	172,000
Balance March 31, 2016	95,465	30,823	1,989,410	2,115,698
<u>Net book value</u>				
As at December 31, 2015	1,570	2,015	1,047,000	1,050,585
As at March 31, 2016	1,491	1,864	875,000	878,355

During 2015, the Company determined that an impairment was required on the mill equipment. The Company estimated the impairment based on the estimated realizable value of comparable used mill equipment. An impairment allowance of \$1,817,410 was recorded at December 31, 2015.

During the three months ended March 31, 2016 the Company determined that a further impairment was required on the mill equipment (see note 13). An impairment allowance of \$172,000 was recorded at March 31, 2016.

The determination of the estimated fair value of the mill equipment and the value of the required impairment is highly subjective and required management judgment to be exercised in determining the appropriate estimates.

8. CAPITAL STOCK**(a) Common shares****Authorized**

The authorized capital stock of the Company consists of an unlimited number of common shares.

There was no common share activity during the period ended March 31, 2016.

2015 Activity

During January 2015 the Company completed the third tranche of the non-brokered private placement commenced in December 2014, with the issuance of 11,166,664 common shares for gross proceeds of \$128,125 and recorded \$4,090 in share issue expenses that were incurred in connection with all three tranches. Under the third tranche Western Areas Ltd. ("Western Areas"), a related party that owns approximately 19% of the Company, subscribed for 3,291,664 shares for gross proceeds of \$49,375.

(b) Stock option plan and stock-based compensation

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of

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shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares.

The following summarizes the employees, directors, officers and consultants' stock options that have been granted, exercised, expired, vested or cancelled during the year ended December 31, 2015 and the period ended March 31, 2016:

	Number of Options	Weighted Average Exercise Price \$
Balance, December 31, 2014	6,135,000	0.23
Expired during 2015	(1,550,000)	
Balance, December 31, 2015 and March 31, 2016	4,585,000	0.23

The following table summarizes information about stock options outstanding and exercisable at March 31, 2016:

Option Price	Number of options outstanding and exercisable	Remaining life (months)
\$0.30	360,000	3.0
\$0.30	1,300,000	6.0
\$0.40	800,000	6.0
\$0.12	2,125,000	23.0
\$0.23 weighted average	4,585,000	

9. COMMITMENTS AND CONTINGENCIES

At March 31, 2016 the Company has an office lease commitment amounting to \$16,800 per annum through February 28, 2017.

See Note 6 for details of other commitments and contingencies.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

During 2015, the Company's flow-through renunciation and related expenditures from 2010 to 2013 were audited by the Canadian Revenue Agency ("CRA"). CRA determined that certain amounts previously judged by management to be eligible expenditures did not qualify as such. As a result of the indemnification provided to flow-through subscribers, the Company has included in accounts payable and accrued liabilities an estimated provision of \$1,055,000 for the expected amounts that will become payable to the subscribers of its flow-through shares. The Company will also have additional liability for Part XII.6 tax as a result of the audit estimated to be \$186,000 which has also been included in accounts payable. The total provided for amounts to \$1,241,000.

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10. RELATED PARTY TRANSACTIONS

Director's fees, professional fees and other compensation of directors and key management personnel were as follows for the three months ended March 31:

	2016	2015
	\$	\$
Short-term compensation and benefits	28,500	45,699
Share-based payments	-	-

As at March 31, 2016, accounts payable and accrued liabilities includes \$23,365 (2015 - \$72,034) owing to key management personnel.

During the three months ended March 31, 2015, the Company received \$49,375 for a share subscription (2016 - \$Nil) from Western Areas. Western Areas is a company that owns approximately 19% of the Company.

Legal fees were charged by a legal firm during the year ended March 31, 2016, of which an officer of the Company is an employee, for legal and corporate secretarial services in the amount of \$1,620 (2015 - \$4,199) of which \$1,620 (2015 - Nil) was included in accounts payable and accrued liabilities as at March 31, 2016.

Amounts due to related parties and included in accounts payable, are unsecured, non-interest bearing, and have no fixed terms of re-payment.

11. FINANCIAL INSTRUMENTS

The carrying amounts for cash, amounts receivable, marketable securities and accounts payable and accrued liabilities approximate their estimated fair value due to the short term nature of these financial instruments.

Cash and accounts receivable are classified as loans and receivables and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Marketable securities are classified as available for sale financial assets and are measured at their fair value. Changes in fair value are included in other comprehensive income (loss) until the asset is removed from the consolidated statement of financial position or until impairment is assessed as other than temporary.

Accounts payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The Company's risk exposures and the impact on its financial investments, as summarized below, have not changed significantly for the year ended March 31, 2016.

Credit Risk

The Company's credit risk is primarily attributable to amounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to the financial instruments included in accounts receivable is remote.

Liquidity Risk

The Company's main source of liquidity is derived from its common stock issuances. As at March 31, 2016, the Company had current assets of \$66,774 (December 31, 2015 - \$147,815) to settle current liabilities of \$1,298,404 (December 31, 2014 - \$1,315,784). All of the Company's financial liabilities have contractual maturities that are subject to normal trade terms.

Interest Rate Risk

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 Company has cash balances and no interest-bearing debt. The Company's current policy is

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to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company monitors its cash balances and is satisfied with the creditworthiness of its banks. As a result, the Company's exposure to interest rate risk is minimal.

Market Risk

Foreign Currency Risk

The Company's functional and reporting currency is the Canadian dollar and all expenditures are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. As the Company's properties are in the exploration and evaluation stage and to date do not contain any identified mineral resources or reserves, the Company does not hedge against commodity price risk.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

- (i) The Company receives low interest rates on its cash and cash equivalent balances and, as such, the Company does not have significant interest rate risk.
- (ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

12. CAPITAL MANAGEMENT

Capital management is reflected by the manner in which the Company manages its capital stock. The Company's objectives when managing capital are:

- a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;
- b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

There were no significant changes in the Company's approach to capital management during the years ended March 31, 2016 and 2015 and the Company is not subject to any externally imposed capital requirements.

As at March 31, 2016 the Company's capital stock was \$46,866,255 (December 31, 2015 - \$46,866,255). The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of March 31, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

13. SUBSEQUENT EVENT

Subsequent to March 31, 2016 the Company sold most of its used mill equipment for net proceeds of \$675,000. The transaction confirmed the realizable value of that equipment and as a result an impairment charge of \$172,000 was recorded at March 31, 2016.