

# URAGOLD



## **Uragold Bay Resources Inc.**

### **Financial Statements As at December 31, 2015 and 2014**

**(In Canadian dollars)**

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# Raymond Chabot Grant Thornton

## Independent Auditor's Report

To the Shareholders of  
Uragold Bay Resources Inc.

**Raymond Chabot Grant Thornton LLP**

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We have audited the accompanying financial statements of Uragold Bay Resources Inc., which comprise the statements of financial position as at December 31, 2015 and 2014 and the statements of comprehensive loss, the statements of changes in equity and the 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 financial statements**

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

### **Auditor's responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Uragold Bay Resources Inc. as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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*Raymond Chabot Grant Thornton LLP*

Rouyn-Noranda  
April 28, 2016

# Uragold Bay Resources Inc.

## Statements of Financial Position

December 31, 2015 and 2014  
(in Canadian dollars)

	Notes	December 31, 2015 \$	December 31, 2014 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash	6	177,585	54,335
Goods and services tax receivable		36,534	13,788
Tax credits receivable		33,400	49,750
Advance for exploration expenses		115,281	-
Deposit	7	50,000	-
Prepaid expenses		88,796	2,958
Advances to officers, without interest		-	63,800
Installments on due to a company	8	96,801	75,390
Installments on due to directors, officers and companies owned by a director or an officer	8	277,249	221,458
		<u>875,646</u>	<u>481,479</u>
<b>Non-current</b>			
Exploration and evaluation assets	9	2,264,590	1,270,089
Property and equipment		-	350
		<u>2,264,590</u>	<u>1,270,439</u>
<b>Total assets</b>		<u>3,140,236</u>	<u>1,751,918</u>
<b>LIABILITIES</b>			
Trade and other payables	10	346,494	273,206
Due to directors, officers and a company owned by a director, without interest	8	92,530	-
Liability related to flow-through shares		517	-
		<u>439,541</u>	<u>273,206</u>
<b>Non-current</b>			
Due to directors, officers and a company owned by a director, without interest (effective rate of 1.98 %)	8	700,286	497,818
Notes payable	11	230,000	230,000
		<u>930,286</u>	<u>727,818</u>
<b>Total liabilities</b>		<u>1,369,827</u>	<u>1,001,024</u>
<b>EQUITY</b>			
Share capital	12	20,541,178	18,717,584
Contributed surplus		874,244	308,586
Retained deficit		(19,645,013)	(18,275,276)
<b>Total equity</b>		<u>1,770,409</u>	<u>750,894</u>
<b>Total liabilities and equity</b>		<u>3,140,236</u>	<u>1,751,918</u>

The accompanying notes are an integral part of the financial statements.  
These financial statements were approved and authorized for issue by the Board of Directors on April 28, 2016.

### ON BEHALF OF THE BOARD

(s) Patrick Levasseur \_\_\_\_\_, Director  
(s) Bernard J. Tourillon \_\_\_\_\_, Director

# Uragold Bay Resources Inc.

## Statements of Comprehensive loss

December 31, 2015 and 2014  
(in Canadian dollars)

	Notes	Exercise ended December 31,	
		2015	2014
		\$	\$
<b>Expenses</b>			
Salaries and employee benefits expense	13.1	566,132	419,742
Other operating expenses	15	697,047	421,845
Amortization of property and equipment		350	328
Write-off of exploration and evaluation assets		2,750	786,227
Gain and loss from exchange differences		1,519	-
		<u>1,276,798</u>	<u>1,628,142</u>
<b>Other income and expenses</b>			
Finance income	16	18,956	27
Financial costs	16	(74,153)	(150,591)
Gain on debts settlement		17,741	104,283
Loss on settlement of installments on due to a company		(4,021)	-
Loss on settlement of installments on due to directors, officers and companies owned by a director or an officer		(12,157)	-
		<u>(53,634)</u>	<u>(46,281)</u>
<b>Loss before income tax</b>		<u>(1,321,432)</u>	<u>(1,674,423)</u>
Deferred income taxes		( 18,422)	-
<b>Total comprehensive loss for the period</b>		<u><u>(1,303,010)</u></u>	<u><u>(1,674,423)</u></u>
<b>Loss per share</b>			
Basic and diluted loss per share	17	<u><u>(0.01)</u></u>	<u><u>(0.03)</u></u>

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

**Uragold Bay Resources Inc.**  
**Statements of Changes in Equity (unaudited)**  
December 31, 2015 and 2014  
(in Canadian dollars)

	Notes	Share capital \$	Contributed surplus \$	Retained deficit \$	Total equity \$
<b>Balance at January 1<sup>st</sup>, 2014</b>		18,018,709	358,911	(16,696,264)	1,681,356
Units issued by private placements		200,000	-	-	200,000
Units to be issued by private placements	12.1	487,575	54,175	-	541,750
Issuance for the payment of an account payable	12.1	11,300	-	-	11,300
Expiration of options and warrants		-	(104,500)	104,500	-
Issuance cost of units		-		(9,089)	(9,089)
		<u>18,717,584</u>	<u>308,586</u>	<u>(16,600,853)</u>	<u>2,425,317</u>
Net loss and total comprehensive loss for the year		-	-	(1,674,423)	(1,674,423)
<b>Balance at December 31, 2014</b>		<u>18,717,584</u>	<u>308,586</u>	<u>(18,275,276)</u>	<u>750,894</u>
Units issued by private placements	12.1	979,054	191,984	-	1,171,038
Units issued by flow-through private placements	12.1	329,835	5,822	-	335,657
Units issued for acquisition of mining rights	12.1	426,000	258,766	-	684,766
Issuance for the payment of account payables	12.1	73,350	15,409	-	88,759
Share-based payments		-	119,546		119,546
Expiration of options and warrants		-	(35,450)	35,450	-
Issuance cost of units	12.1	15,355	9,581	(102,177)	(77,241)
		<u>1,823,594</u>	<u>565,658</u>	<u>(66,727)</u>	<u>2,322,525</u>
Net loss and total comprehensive loss for the period		-	-	(1,303,010)	(1,303,010)
<b>Balance at December 31, 2015</b>		<u>20,541,178</u>	<u>874,244</u>	<u>(19,645,013)</u>	<u>1,770,409</u>

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

# Uragold Bay Resources Inc.

## Statements of Cash Flows

December 31, 2015 and 2014

(in Canadian dollars)

	Notes	Exercise ended December 31,	
		2015	2014
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(1,303,010)	(1,674,423)
Adjustments			
Amortization of property and equipment		350	328
Gain on debts settlement		(17,741)	(104,283)
Loss on settlement of installments on due to a company		4,021	-
Loss on settlement of installments on due to directors, officers and companies owned by a director or an officer		12,157	-
Share-based payments		119,546	-
Deferred income taxes		(18,422)	-
Net change in fair value of marketable securities in a quoted mining exploration company		-	79,180
Write-off of exploration and evaluation assets		2,750	786,227
Amortization updating difference - due to directors, officers and a company owned by a director		12,246	-
Amortization updating difference - installments on due to directors, officers and companies owned by a director or an officer		(11,903)	-
Amortization updating difference- installments on due to a company		(3,208)	-
Updating difference - due to directors, officers and a company owned by a director		(11,632)	(30,440)
Updating difference – installments on due to directors, officers and companies owned by a director or an officer		15,144	13,542
Updating difference – installments on due to a company		4,661	4,610
Salaries and employee benefits expense		294,384	242,707
Interest income on installments on due		(3,845)	-
Financial costs		-	71,097
Changes in working capital items	19	(33,740)	(37,428)
Cash flows from operating activities		<u>(938,242)</u>	<u>(648,883)</u>
<b>INVESTING ACTIVITIES</b>			
Addition to exploration and evaluation assets		(322,863)	(251,153)
Disposal of marketable securities in a quoted mining exploration company		-	492,075
Tax credits received		43,191	16,476
Installments on due to a company		(50,000)	(80,000)
Installments on due to directors, officers and companies owned by a director or an officer		(162,500)	(235,000)
Repayment of a installment on due to a company		11,000	-
Repayment of installments on due to directors, officers and companies owned by a director or an officer		94,271	-
Cash flows from investing activities		<u>(386,901)</u>	<u>(57,602)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of units by private placements and flow-through private placements		1,525,634	741,750
Issuance cost of units		(77,241)	(9,089)
Cash flows from financing activities		<u>1,448,393</u>	<u>732,661</u>
<b>Net change in cash</b>		123,250	26,176
Cash beginning of the period		54,335	28,159
Cash end of the period		<u>177,585</u>	<u>54,335</u>

For additional cash flows information refer to Note 19.

### Cash operations

Interests paid from operating activities	61,907	71,097
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The accompanying notes are an integral part of the financial statements.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### 1. NATURE OF OPERATIONS

Uragold Bay Resources Inc. (hereinafter the "Company") specializes in the exploration of gold and quartz in mining sites located in Québec.

### 2. GOING CONCERN AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its properties contain mineral deposits that are economically recoverable, the Company has not yet generated income or cash flows from its operations. As at December 31, 2015, the Company has a negative cumulated retained deficit of \$19,645,013 (\$18,275,276 as at December 31, 2014). The current liquidity of the Company are not sufficient to fund its administrative and exploration and evaluation expenses of the next year. These material uncertainties cast a significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

### 3. GENERAL INFORMATION

The Company is incorporated under the *Canada Business Corporations Act*. The address of the registered office and its principal place of business is 3000 Omer-Lavallee Street, office 306, Montreal, Quebec, Canada. Uragold Bay Resources Inc.' shares are listed on the TSX Venture Exchange.

### 4. SUMMARY OF ACCOUNTING POLICIES

#### 4.1 Overall considerations

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

#### 4.2 Functional and presentation currency

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.



# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### 4.3 Financial instruments

#### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

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

Financial assets and financial liabilities are measured subsequently as described below.

#### Financial assets

For the purpose of subsequent measurement, financial assets are classified into the categories loans and receivables upon initial recognition:

All income and expenses relating to financial assets that are recognized in profit or loss are presented within financial costs or finance income, if applicable.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, deposit, advance for exploration expenses, advances to officers (in 2014), installements on due to a company and installments on due to directors, officers and companies owned by a director or an officer belong to this category of financial instruments.

##### *Impairment of financial assets*

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date, to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

#### Financial liabilities

The Company's financial liabilities include trade and other payables, due to directors, officers and a company owned a director (excluding salaries and employee benefits expense) and notes payable.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within financial costs.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### **4.4 Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include stock options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

### **4.5 Tax credits receivable**

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. The tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

### **4.6 Exploration and evaluation assets and exploration and evaluation expenditures**

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal rights to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights and expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase. Exploration and evaluation assets include a land recorded as non-amortizable fixed asset and carried at cost less any accumulated impairment losses.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.7), the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.7), and any impairment loss is recognized in profit or loss before reclassification.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### **4.6 Exploration and evaluation assets and exploration and evaluation expenditures (continued)**

Presently, neither the technical feasibility nor commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

#### **Disposal of interest in connection with option agreement**

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

### **4.7 Impairment of exploration and evaluation assets and property and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- The right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- No further exploration or evaluation expenditures in the area are planned or budgeted;
- No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### **4.8 Provisions and contingent liabilities**

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision was recognized in the statements of financial position at December 31, 2015 and 2014.

### **4.9 Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Deferred income tax are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 "Income Taxes" specifies limited exemptions. As a result of these exemptions the Company does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

### **Tax related to flow-through placements**

According to the provisions of tax legislation relating to flow-through placements, the Company has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has fulfilled its obligation to transfer its right, which happens when the Company has incurred eligible expenditures and has renounced or has the intention to renounce to its right to tax deductions, a deferred tax liability is recognized for the taxable temporary difference that arises from difference between the carrying amount of eligible expenditures capitalized in the statement of financial position and its tax basis.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### 4.10 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when options, broker's unit options and warrants are exercised, the share capital account also comprises the compensation costs and the value of the stock options, agent's options, warrants and broker's warrants previously recorded as contributed surplus. In addition, if the shares are issued as consideration for the acquisition of a mineral property and other non-monetary assets, the shares were measured at fair value according to the quoted price on the day of the conclusion of the agreement.

#### Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to the shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

#### Flow-through placements

Issuance of flow-through units represents in substance an issue of common shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to the fair value at the date of issuance and the residual proceeds are allocated to the other liabilities. The fair value of the warrants is determined using the Black-Scholes valuation model. The other liabilities recorded initially on the issuance of units is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

#### Other elements of equity

Contributed surplus includes charges related to share options, agent's options, warrants and broker's warrants until such options and warrants are exercised. When they are cancelled or expired, the related compensation cost is transferred in decrease of retained deficit. When options and warrants are exercised, the related compensation cost is transferred to share capital.

Retained deficit includes all current and prior period retained profits or losses, plus issuance costs, net of any underlying income tax benefit from these issuance costs and compensation related to options and warrants cancelled or expired, transferred from Contributed surplus.

### 4.11 Equity-settled share-based payments

The Company operates equity-settled share-based payment plan for its eligible directors, officers, employees and consultants. The Company's plan do not feature any option for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services rendered by reference to the fair value of the equity instruments granted.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### **4.11 Equity-settled share-based payments (continued)**

All equity-settled share-based payments (except broker's warrants and agent's options) are ultimately recognized as an expense in profit or loss or capitalized as exploration and evaluation assets, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment was made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

### **4.12 Segmental reporting**

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

### **4.13 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

#### ***IFRS 9, Financial Instruments***

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. This new standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet assessed the impact of this new standard on its financial statements.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### 5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

#### 5.1 Significant management judgments

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

##### **Recognition of deferred income tax assets and measurement on income tax expense**

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 4.9).

##### **Going concern**

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

#### 5.2 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual results may be substantially different.

##### **Impairment of exploration and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in any cases (see Note 4.7).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recover from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See Note 9 for the exploration and evaluation assets impairment analysis.

During the period, the Company recognized to profit or loss a write-off of exploration and evaluation assets of \$2,750 (\$786,227 for the year ended December 31, 2014). No reversal of impairment losses has been recognized for the reporting periods.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

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### Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Notes 12.2, 12.4 and 13.2).

### Provisions and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability and provisions involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty (see Note 23).

### 5.2 Estimation uncertainty

#### Tax credits receivable

The calculation of the Company's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods. See Note 4.5 for more information.

### 6. CASH

The balance on flow-through financing not spent according to the restriction imposed by these financing arrangements represents \$135,060 (\$nil at December 31, 2014). According to tax law, the Company has the obligation to dedicate these funds to Canadian mining properties exploration.

### 7. DEPOSIT

On September 28, 2015, the Company finalized its development and of exclusive rights agreement with PyroGenesis. In payment of the minimum royalties planned for the year 2016 of \$50,000, the Company issued 1,000,000 units for a total value of \$50,409. An amount of \$409 was recorded as loss on debts settlement. (See Note 23 for more information)

### 8. INSTALLMENTS ON DUE TO A COMPANY, TO DIRECTORS, OFFICERS AND COMPANIES OWNED BY A DIRECTOR OR AN OFFICER AND DUE TO DIRECTORS, OFFICERS AND A COMPANY OWNED BY A DIRECTOR

Installments on due are the amounts paid by the Company on the payments due to a company, to directors, officers and companies owned by a director or an officer. These installments have a total nominal value of \$409,231 (\$106,000 to a company and \$303,231 to directors, officers and companies owned by a director or an officer; \$315,000 at December 31, 2014 of which \$80,000 to a company and \$235,000 to directors, officers and companies owned by a director or an officer) and for tax purpose, a 1% interest have been raised to these amounts (effective rate of 3%). On December 23, 2015, the parties have agreed that installments on due are without interest (effective rate of 3%) and a total amount of \$16,178 (including \$3,845 related to real interest) was recorded as loss on settlement of installments on due. Creditors have until December 23, 2018 to determine how they wish that the installments on due had to be compensated otherwise compensation must



# **Uragold Bay Resources Inc.**

## **Notes to Financial Statements**

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### **8. INSTALLMENTS ON DUE TO A COMPANY, TO DIRECTORS, OFFICERS AND COMPANIES OWNED BY A DIRECTOR OR AN OFFICER AND DUE TO DIRECTORS, OFFICERS AND A COMPANY OWNED BY A DIRECTOR (continued)**

inevitably be made at that time.

The Company due to directors, officers and a company owned by a director salaries and remuneration for a nominal value of \$822,460 (\$528,258 at December 31, 2104). An amount of \$92,530 is classified as current liabilities and presented as due to directors, officers and a company owned by a director. The Company has obtained confirmation for said nominal value of \$730,110 debts, that they will not request payment thereof prior to 12 months plus one day following December 31, 2015. These amounts are classified as non-current liabilities and presented as due to directors, officers and a company owned by a director.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

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### 9. EXPLORATION AND EVALUATION ASSETS

	Balance at January 1st, 2015	Additions	Tax credits	Write-off	Balance at December 31, 2015
	\$	\$	\$	\$	\$
<b>Québec</b>					
<i>Property Bellechasse-Timmis Gold</i>					
Mining rights	67,000	34,112	-	-	101,112
Exploration and evaluation expenses	16,120	24,551	(5,410)	-	35,261
	<u>83,120</u>	<u>58,663</u>	<u>(5,410)</u>	<u>-</u>	<u>136,373</u>
<i>Property Beauce Placer</i>					
Mining rights	207,246	643,193	-	-	850,439
Exploration and evaluation expenses	790,203	52,360	(9,926)	-	832,637
Land	153,750	-	-	-	153,750
	<u>1,151,199</u>	<u>695,553</u>	<u>(9,926)</u>	<u>-</u>	<u>1,836,826</u>
<i>Property Other- Beauce</i>					
Mining rights	705	58,067	-	-	58,772
<i>Property Drucourt</i>					
Mining rights	548	110	-	-	658
Exploration and evaluation expenses	6,354	46,029	(3,215)	-	49,168
	<u>6,902</u>	<u>46,139</u>	<u>(3,215)</u>	<u>-</u>	<u>49,826</u>
<i>Property Roncevaux</i>					
Mining rights	492	7,722	-	-	8,214
Exploration and evaluation expenses	6,580	56,655	(3,980)	-	59,255
	<u>7,072</u>	<u>64,377</u>	<u>(3,980)</u>	<u>-</u>	<u>67,469</u>
<i>Property Malvina</i>					
Mining rights	110	110	-	-	220
Exploration and evaluation expenses	5,486	-	(695)	-	4,791
	<u>5,596</u>	<u>110</u>	<u>(695)</u>	<u>-</u>	<u>5,011</u>
<i>Property Martinville</i>					
Mining rights	219	221	-	-	440
Exploration and evaluation expenses	5,486	46,030	(2,570)	-	48,946
	<u>5,705</u>	<u>46,251</u>	<u>(2,570)</u>	<u>-</u>	<u>49,386</u>

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
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### 9. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1st, 2015	Additions	Tax credits	Write-off	Balance at December 31, 2015
	\$	\$	\$	\$	\$
<i>Property Carriere Montpetit</i>					
Mining rights	219	221	-	-	440
Exploration and evaluation expenses	5,486	-	(695)	-	4,791
	<u>5,705</u>	<u>221</u>	<u>(695)</u>	<u>-</u>	<u>5,231</u>
<i>Property Silica-other</i>					
Mining rights	2,135	39,486	-	(1,150)	40,471
Exploration and evaluation expenses	1,950	-	(350)	(1,600)	-
	<u>4,085</u>	<u>39,486</u>	<u>(350)</u>	<u>(2,750)</u>	<u>40,471</u>
<i>Property other</i>					
Mining rights	-	15,225	-	-	15,225
<i>Summary</i>					
Mining rights	278,674	798,467	-	(1,150)	1,075,991
Exploration and evaluation expenses	837,665	225,625	(26,841)	(1,600)	1,034,849
Land	153,750	-	-	-	153,750
	<u>1,270,089</u>	<u>1,024,092</u>	<u>(26,841)</u>	<u>(2,750)</u>	<u>2,264,590</u>

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
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### 9. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1st, 2014	Additions	Tax credits	Write-off	Balance at December 31, 2014
	\$	\$	\$	\$	\$
<b>Québec</b>					
<i>Property Moe-River Macdonald Till</i>					
Mining rights	321,198	-	-	(321,198)	-
Exploration and evaluation expenses	460,658	-	-	(460,658)	-
	<u>781,856</u>	<u>-</u>	<u>-</u>	<u>(781,856)</u>	<u>-</u>
<i>Property Bellechasse-Timmis Gold</i>					
Mining rights	-	67,000	-	-	67,000
Exploration and evaluation expenses	-	24,800	(8,680)	-	16,120
	<u>-</u>	<u>91,800</u>	<u>(8,680)</u>	<u>-</u>	<u>83,120</u>
<i>Property Beauce Placer</i>					
Mining rights	184,452	22,794	-	-	207,246
Exploration and evaluation expenses	733,727	81,715	(25,239)	-	790,203
Land	153,750	-	-	-	153,750
	<u>1,071,929</u>	<u>104,509</u>	<u>(25,239)</u>	<u>-</u>	<u>1,151,199</u>
<i>Property Other- Beauce</i>					
Mining rights	5,076	-	-	(4 371)	705
<i>Property Drucourt</i>					
Mining rights	-	548	-	-	548
Exploration and evaluation expenses	-	8,754	(2,400)	-	6,354
	<u>-</u>	<u>9,302</u>	<u>(2,400)</u>	<u>-</u>	<u>6,902</u>
<i>Property Roncevaux</i>					
Mining rights	-	492	-	-	492
Exploration and evaluation expenses	-	9,080	(2,500)	-	6,580
	<u>-</u>	<u>9,572</u>	<u>(2,500)</u>	<u>-</u>	<u>7,072</u>
<i>Property Malvina</i>					
Mining rights	-	110	-	-	110
Exploration and evaluation expenses	-	8,086	(2,600)	-	5,486
	<u>-</u>	<u>8,196</u>	<u>(2,600)</u>	<u>-</u>	<u>5,596</u>

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
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### 9. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1st, 2014	Additions	Tax credits	Write-off	Balance at December 31, 2014
	\$	\$	\$	\$	\$
<i>Property Martinville</i>					
Mining rights	-	219	-	-	219
Exploration and evaluation expenses	-	8,086	(2,600)	-	5,486
	<u>-</u>	<u>8,305</u>	<u>(2,600)</u>	<u>-</u>	<u>5,705</u>
<i>Property Carriere Montpetit</i>					
Mining rights	-	219	-	-	219
Exploration and evaluation expenses	-	8,086	(2,600)	-	5,486
	<u>-</u>	<u>8,305</u>	<u>(2,600)</u>	<u>-</u>	<u>5,705</u>
<i>Property Silica-other</i>					
Mining rights	-	2,135	-	-	2,135
Exploration and evaluation expenses	-	3,000	(1,050)	-	1,950
	<u>-</u>	<u>5,135</u>	<u>(1,050)</u>	<u>-</u>	<u>4,085</u>
<i>Summary</i>					
Mining rights	510,726	93,517	-	(325,569)	278,674
Exploration and evaluation expenses	1,194,385	151,607	(47,669)	(460,658)	837,665
Land	153,750	-	-	-	153,750
	<u>1,858,861</u>	<u>245,124</u>	<u>(47,669)</u>	<u>(786,227)</u>	<u>1,270,089</u>

All write-offs are included within Write-off of exploration and evaluation assets in profit or loss.

During the period, management written-off mining rights and exploration and evaluation expenses for the property silica-other for following reason: abandon of mining claims.

During the period 2014, management written-off mining rights and exploration and evaluation expenses for the properties Moe-River Macdonald Till and other-Beauce for the following reasons: Abandon of mining claims, negative results obtained after exploration work and/or no expenditure during the last three years.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
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### 9. EXPLORATION AND EVALUATION ASSETS (continued)

#### Quebec

##### *Property Moe-River Macdonald Till*

The Company does not hold any interest (100 % in 8 claims at December 31, 2014) in the property Moe-River Macdonald Till.

As at December 31, 2014, the Company written-off the exploration and evaluation assets, for a total amount of \$781,856.

##### *Property Bellechasse-Timmins Gold*

On April 9, 2014, the Company signed an option and joint venture agreement with Golden Hope Mines Limited (“GNH”) concerning the acquisition of a 50 % interest in the Bellechasse-Timmins Gold Deposit, located in the Beauce region. In order to acquire the first 30 % interest, the Company will incur costs estimated at \$400,000 relating to various works, reports and obtaining certain ministerial authorization.

- 1) NI 43-101 Resources estimate Revision
- 2) An economic assessment
- 3) An environmental audit
- 4) Obtaining required authorisations
- 5) Obtaining a certificate of authorisation (C.A.)
- 6) A land survey
- 7) A reclamation and restoration plan
- 8) A mining lease for the operation of a small mine of up to 600 metric tons of mineral per day

The Company may acquire an additional interest of 20 %, for a total of 50 %, by obtaining, within 120 days of the end of the first option, the necessary funding at the beginning of commercial production of the property.

During the last quarter of the year, a dispute occurred between the Company and GNH on the question of an extension of time for which the Company believes to be entitled under the agreement between the parties. To safeguard and protect its rights, the Company submitted to the Court a request for injunction against GNH with the conclusions as an extension of a period of 18 months to carry out the planned work, decision by GNH adequate measures to preserve existing technical and geological information on the gold deposit, the prohibition for GNH an agreement with anyone, except for the Company for the operation of the deposit that has the effect, directly or indirectly, affect the rights of the Company and the prohibition to alienate or GNH directly or indirectly diminish the rights that the Company has on the deposit.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
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### 9. EXPLORATION AND EVALUATION ASSETS (continued)

#### *Property Beauce Placer*

The Company holds a 100 % interest in 6 claims. During the year, the Company purchased the royalty of 3.5% NSR on 5 claims for the amount of \$50,000 in cash.

On October 8, 2014, the Company signed a definitive agreement transaction with Fancamp Exploration Ltd. for the purchase of 32 claims located in the municipality of Saint-Simon-les-Mines in the region of Beauce in Quebec. Following the approval of regulatory authorities on January 22, 2015, the Company issued 8 M units (for a total value of \$591,762), each unit consisting of one common share and one warrant. For more details, refer to Note 12 (d).

Under this agreement, the Company shall perform exploration work over a period of 4 years for an amount of \$400,000 allocated as follows: \$50,000 for the 15 months, \$75,000 for the second year, \$100,000 for the third year and \$175,000 for the fourth year. Also the Company has committed to pay Fancamp Exploration Ltd a royalty of 3.5 % for the duration of the production of gold, as well as, an amount of \$500,000 at the beginning of the production. In addition, the Company has paid an amount of \$25,000 to Fancamp in March 2016 according to the agreement.

Moreover, the Company must assume the payment to a third party of a royalty of 1.5 % of which, at the option of the Company, 1 % will be redeemable for an amount of \$1,000,000.

#### *Property Other-Beauce*

On February 24, 2015, the Company acquired 5 claims, (the Morin property located in the city of Saint-Augustin-de Woburn) by the issuance of 1,100,000 units (for a total amount of \$56,951). Each unit is consisting of one common share and one half warrant. For more details, refer to Note 12 (g).

#### *Property Drucourt*

The Company holds a 100 % interest acquired by staking 10 claims in 2014.

#### *Property Roncevaux*

The Company holds a 100 % interest acquired by staking 9 claims in 2014.

#### *Property Malvina*

The Company holds a 100 % interest acquired by staking 2 claims in 2014.

#### *Property Martinville*

The Company holds a 100 % interest acquired by staking 4 claims in 2014.

#### *Property Carriere Montpetit*

The Company holds a 100 % interest acquired by staking 4 claims in 2014.

#### *Property Silica-other*

On March 5, 2015 the Company acquired a 8 claims of quartz by the issuance of 400,000 units (for a total amount of \$36,053). Each unit is consisting of one common share and one warrant. For more details, refer to Note 12 (h). Also, the Company holds a 100 % interest acquired by staking 39 claims.

#### *Property Other*

On December 31, 2015, the Company acquired a 100 % interest in 4 claims (Châteaux Richer property, located in the township of Côte de Beaupré).

# Uragold Bay Resources Inc.

## Notes to Financial Statements

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### 10. TRADE AND OTHER PAYABLES

	December 31, 2015	December 31, 2014
	\$	\$
Accrued interests on notes payable	-	29,412
Trade accounts	269,713	227,013
Other	76,781	16,781
	<u>346,494</u>	<u>273,206</u>

### 11. NOTES PAYABLE

On February 6, 2012, the Company signed an estate mortgage to secure a loan for a sum of \$180,000 bearing interest at compound rate of 25 % annually and secured by the land on Beauce Placer's property. On June 30, 2014, the Company has signed a new note payable for an amount of \$50,000 on unpaid interests on capital. On January 6, 2015, the Company deferred the term of the notes payable of \$230,000 until February 6, 2017.

### 12. EQUITY

#### 12.1 Share capital

The share capital of the Company consists only of common shares and an unlimited number of shares without par value. All shares are participating and are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholder's meeting of Uragold Bay Resources Inc.

	December 31, 2015	December 31, 2014
	Number of shares	Number of shares
Shares issued at the beginning	68,790,576	54,339,743
Private placements (a) (e) (j) (m) (p)	23,420,750	3,333,333
Flow-through private financings (i) (k)	6,447,196	-
Acquisition of mining rights (d) (g) (h)	9,500,000	-
Issuances for the payment for private financing (i)	255,909	-
Issuances for the payment of an account payable (b) (f) (l) (n)	1,847,500	282,500
Total shares issued and fully paid	<u>110,262,931</u>	<u>57,955,576</u>
Shares to be issued (c)(o)	282,500	10,835,000
Total shares at the end	<u>110,544,431</u>	<u>68,790,576</u>

- (a) On July 30, 2014, the Company completed a private placement for a total amount of \$200,000. The Company issued 3,333,333 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.10 per share, during a period of 24 months following the closing of the financing. No amount related to warrants was recorded in Contributed surplus.
- (b) On November 5, 2014, the Company carried out a debt settlement of \$14,125 by the issuance of 282,500 common shares.



# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### 12.1 Share capital (continued)

- (c) On December 29, 2014, the Company completed a private placement for a total amount of \$541,750. The Company issued 10,835,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. The amount of \$54,175 related to warrants was recorded in Contributed surplus.
- (d) On January 22, 2015, the Company issued 8 M units (for a total value of \$591,762), each unit consisting of one common share and one warrant. Each warrant shall entitle the seller to purchase one additional common share of the Company at a price \$0.20 per share during the first 24 months from the date of issuance of units, at the price of \$0.30 from the start of the 25th month until the end of the 48th month, and at a price of \$0.40 per share at the start of the 49th month until the end of the 60th month. An amount of \$231,762 related to the warrants was recorded in contributed surplus.
- (e) On February 13, 2015, the Company completed a private placement for a total amount of \$164,500. The Company issued 3,290,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$49,350 related to warrants was recorded in contributed surplus.
- (f) On February 24, 2015, the Company carried out a debt settlement of \$14,125 by the issuance of 282,500 common shares. An amount of \$4,025 was recorded in profit or loss as gain on debt settlement.
- (g) On February 24, 2015 the Company acquired 5 claims, (the Morin property located in the city of Saint-Augustin-de Woburn) by the issuance of 1,100,000 units (for a total amount of \$56,951). Each unit is consisting of one common share and one half warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$12,951 related to warrants was recorded as an increase of contributed surplus.
- (h) On March 5, 2015 the Company acquired a 8 claims of quartz by the issuance of 400,000 units (for a total amount of \$36,053). Each unit is consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$14,053 related to warrants was recorded as an increase of contributed surplus.
- (i) On May 25, 2015, the Company completed a private financing for a total amount of \$286,505. The Company issued 5,209,184 units and each unit consists of 1 flow-through share and one half warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of ordinary shares of the Company at a price of \$0.10 per share, during a period of 24 months following the closing of the financing. No amount related to liability component was recorded.

In addition, as commission costs, the Company issued to the agent 255,909 common shares (for an amount of \$8,216) and 255,909 warrant options. Each warrant entitles the holder to subscribe to one ordinary share of the Company at a price of \$0.055 per share for a period of 24 months from the date of closing of the financing.

- (j) On June 16, 2015, the Company completed a private placement for a total amount of \$255,788. The Company issued 5,115,750 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$25,579 related to warrants was recorded as an increase of contributed surplus.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### 12.1 Share capital (continued)

(k) On July 21, 2015, the Company completed a private financing for a total amount of \$68,091. The Company issued 1,238,012 units and each unit consists of one flow-through share and one half warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of ordinary shares of the Company at a price of \$0.10 per share, during a period of 24 months following the closing of the financing. An amount of \$18,422 related to liability component was recorded.

In addition, as commission costs, the Company issued to the agent 61,900 broker's warrant (for an amount of \$880). Each warrant entitles the holder to subscribe to one ordinary share of the Company at a price of \$0.055 per share for a period of 24 months from the date of closing of the financing.

(l) On August 24, 2015, the Company carried out a debt settlement of \$28,250 by the issuance of 565,000 common shares. An amount of \$8,475 was recorded in profit or loss as gain on debt settlement.

(m) On August 31, 2015, the Company completed a private placement for a total amount of \$330,950. The Company issued 6,619,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. The amount of \$33,095 related to warrants was recorded as an increase in Contributed surplus.

(n) On October 21, 2015, the Company issued 1,000,000 units composed of one common share and one warrant for a net value of \$50,409 related to a debt settlement with PyroGenesis (See Note 23 for more information). Each warrant allows the holder thereof to acquire one common share of the Company at a price \$0.07 per share during 36 months. The amount of \$15,409 related to warrants was recorded as an increase in Contributed surplus, \$50,000 as deposit in the statement of financial position and an amount of \$409 was recorded in profit or loss as gain on debt settlement.

(o) On December 17, 2015, the Company carried out a debt settlement of \$14,125 by the issuance of 282,500 common shares. An amount of \$5,650 was recorded in profit or loss as gain on debt settlement. Shares are to be issued as at December 31, 2015.

(p) On December 24, 2015, the Company completed a private placement for a total amount of \$419,800. The Company issued 8,396,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. The amount of \$83,960 related to warrants was recorded as an increase in Contributed surplus.

In addition, as commission costs, the Company issued to the agent 25,560 common shares (for an amount of \$485). Each warrant entitles the holder to subscribe to one ordinary share of the Company at a price of \$0.07 per share for a period of 36 months from the date of closing of the financing.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

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(in Canadian dollars)

### 12.2 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	December 31, 2015		December 31, 2014	
	Number of warrants \$	Weighted average exercise price \$	Number of warrants \$	Weighted average exercise price \$
Balance, beginning of reporting year	23,173,749	0.11	12,047,083	0.11
Granted	8,000,000	0.20 to 0.40 <sup>(1)</sup>		
	25,594,348	0.07	3,333,333	0.10
Expired	(8,905,416)	0.10	(3,041,667)	0.15
	<u>50,862,681</u>		<u>12,338,749</u>	<u>0.10</u>
To be issued	-	-	10,835,000	0.07
Balance, end of reporting year	<u>50,862,681</u>	<u>-</u>	<u>23,173,749</u>	<u>0.09</u>

(1) See Note 12.1 (d)

The weighted average fair value (\$0.184) of the warrants granted with flow-through private financings, property acquisitions and debt settlement was estimated on the grant date using the Black-Scholes option pricing model, depending on the weight average assumptions:

	2015
Average share price at date of grant	\$0.071
Expected Dividends yield	0 %
Expected weighted volatility	109 %
Risk-free interest average rate	0.52 %
Expected average life	3.97 years
Average exercise price at date of grant	\$0.16

The underlying expected volatility was determined by reference to historical data the Company shares over the expected average life of the warrants.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014

(in Canadian dollars)

### 12.2 Warrants (continued)

Outlined below are the outstanding warrants which could be exercised for an equivalent number of common shares:

Expiration date	September 30, 2015		December 31, 2014	
	Number	Exercise price	Number	Exercise price
		\$		\$
March 2015	-	-	1,970,000	0.10
April 2015	-	-	1,085,416	0.10
July 2015	-	-	5,850,000	0.10
May 2016	100,000	0.10	100,000	0.10
July 2016	3,333,333	0.10	3,333,333	0.10
May 2017	2,604,592	0.10	-	-
July 2017	619,006	0.10	-	-
December 2017	10,835,000	0.07	10,835,000	0.07
February 2018	3,840,000	0.07	-	-
March 2018	400,000	0.07	-	-
June 2018	5,115,750	0.07	-	-
August 2018	6,619,000	0.07	-	-
October 2018	1,000,000	0.07	-	-
December 2018	8,396,000	0.07	-	-
January 2020	8,000,000	0.20 to 0.40	-	-
	<u>50,862,681</u>		<u>23,173,749</u>	<u>0.09</u>

### 12.3 Agent's options

Outstanding agent's options entitle their holder to subscribe to an equivalent number of common shares, as follows:

	December 31, 2015	
	Options number	Weighted average exercise prices
		\$
Balance, beginning of reporting year	-	-
Granted	255,909	0.055
Balance, end of reporting year	<u>255,909</u>	<u>0.055</u>

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 12.3 Agent's options (continued)

For the reporting period ended December 31, 2015, the Company recorded an amount of \$8,216 shareholders' equity instruments when the agent's options were issued to the brokers, based on the fair value of the services rendered, was recorded as an increase to contributed surplus increase and a decrease to retained deficit decrease.

The weighted average fair value (\$0.032) of the agent's options granted was estimated on the grant date using the Black-Scholes option pricing model, depending on the weight average assumptions:

	<u>2015</u>
Average share price at date of grant	\$0.06
Expected Dividends yield	0 %
Expected weighted volatility	98 %
Risk-free interest average rate	0.46 %
Expected average life	2 years
Average exercise price at date of grant	\$0.055

The underlying expected volatility was determined by reference to historical data the Company shares over the expected average life of the agent's options.

Outlined below are the outstanding broker's units option which could be exercised for an equivalent number of ordinary shares:

Expiration date	<u>December 31, 2015</u>	
	<u>Number</u>	<u>Exercise price</u>
		\$
May, 2017	255,909	0.055
	<u>255,909</u>	<u>0.055</u>

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 12.4 Broker's warrants

Outstanding the broker's warrants entitle their holder to subscribe to an equivalent number of common shares, as follows:

	December 31, 2015	
	Options number	Weighted average exercise prices
		\$
Balance, beginning of reporting year	-	-
Granted	87,460	0.055
Balance, end of reporting year	<u>87,460</u>	<u>0.055</u>

For the reporting period ended December 31, 2015, the Company recorded an amount of \$1,365 shareholders' equity instruments when the broker's warrants were issued to the brokers, based on the fair value of the services rendered, was recorded as an increase to contributed surplus increase and a decrease to retained deficit decrease.

The weighted average fair value (\$0.015) of the broker's warrants granted was estimated on the grant date using the Black-Scholes option pricing model, depending on the weight average assumptions:

	2015
Average share price at date of grant	\$0.036
Expected Dividends yield	0 %
Expected weighted volatility	97 %
Risk-free interest average rate	0.87 %
Expected average life	2.29 years
Average exercise price at date of grant	\$0.06

The underlying expected volatility was determined by reference to historical data the Company shares over the expected average life of the broker's warrants.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 12.4 Broker's warrants (continued)

Outlined below are the outstanding broker's warrants which could be exercised for an equivalent number of ordinary shares:

Expiration date	December 31, 2015	
	Number	Exercise price
		\$
July, 2017	61,900	0.055
December, 2018	25,560	0.07
	87,460	0.059

### 13. EMPLOYEE REMUNERATION

#### 13.1 Salaries and employee benefits expense

Salaries and employee benefits expense recognized are analysed below:

	December 31,	
	2015	2014
	\$	\$
Salaries and benefits	241,074	236,730
Management fees	150,000	150,000
Remuneration of director	52,000	50,000
Share-based payments	119,546	-
Change of the present value of the due and installments on due to directors, officers and companies owned by a director or an officer, at effective rate	15,144	13,452
Change of the present value of installments, effective rate	(11,632)	(30,440)
	566,132	419,742

#### 13.2 Share-based payments

On August 26, 2015, the Company adopted a new share-based payment plan under which the Board of Directors may award to directors, officers, employees and consultants, options entitling its holder to purchase common shares of the Company. The maximum number of shares issuable under the plan is 10,080,000 common shares (4,400,000 at December 31, 2014).

The exercise price of each option is determined by the Board of Directors and cannot be less than the market price of common shares as defined by TSX Venture Exchange policies on the day prior the award, and the term of the options cannot exceed ten years.

The maximum number of common shares that can be issued to a beneficiary, during any 12-month period is limited to 5 % of issued and outstanding shares.

The maximum numbers of shares that can be issued to consultant during any 12 month period is limited to 2 % of issued and outstanding shares; moreover, the options granted to consultants performing investor relations activities may be exercised by stages over a period of 12 months after the grant, at a rate of 25 % per quarter.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 13.2 Share-based payments (continued)

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's share options are as follows for the reporting periods presented:

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at beginning of reporting year	3,912,500	0.19	4,337,500	0.19
Granted	4,050,000	0.07	-	-
Expired	(200,000)	0.10	-	-
Cancelled	(200,000)	0.12	(425,000)	0.20
Outstanding and exercisable at end of reporting year	<u>7,562,500</u>	<u>0.13</u>	<u>3,912,500</u>	<u>0.19</u>

The table below summarizes the information related to outstanding share options as at December 31, 2015:

Outstanding options		
Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)
4,050,000	0.07	4.70
2,550,000	0.12	2.01
962,500	0.40	0.93
<u>7,562,500</u>	<u>0.13</u>	<u>3.28</u>



# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 13.2 Share-based payments (continued)

The table below summarizes the information related to outstanding share options as at December 31, 2014:

Number of options	Outstanding options	
	Weighted average exercise price \$	Weighted average remaining contractual life (years)
200,000	0.10	0.57
2,750,000	0.12	3.01
962,500	0.40	1.93
<u>3,912,500</u>	<u>0.19</u>	<u>2.62</u>

The weighted fair value of the granted options of \$0.029 (\$nil as at December 31, 2014) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2015
Average share price at date of grant	\$0.045
Expected dividend yield	0 %
Expected weighted volatility	96 %
Average risk-free interest rate	0.65 %
Expected average life	5 years
Average exercise price at date of grant	\$0.07

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

An amount of \$119,546 of employee remuneration expenses (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the reporting period that ended on December 31, 2015 (\$nil for the year ended December 31, 2014) and credited to contributed surplus.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### 14. FAIR VALUE MEASUREMENT

#### 14.1 Financial instruments measured at fair value

Financial assets and liabilities measured at fair value in the statement of financial position are presented in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

### 15. OTHER OPERATING EXPENSES

Other operating expenses are detailed as follows:

	December 31,	
	2015	2014
	\$	\$
Professional and consultation fees	514,411	288,630
Traveling expenses	40,490	35,158
Office expenses	84,128	51,961
Information to shareholders and registration fees	50,408	39,172
Bank charges	2,949	2,314
Change in the present value of the installments on due to a company, at the effective rate (1)	4,661	4,610
	<u>697,047</u>	<u>421,845</u>

(1) Relating to professional and consultation fees

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 16. FINANCE INCOME AND FINANCIAL COSTS

Finance income may be analyzed as follows for the reporting periods presented:

	December 31,	
	2015	2014
	\$	\$
Interest income from cash	-	27
Interest income from installments on due	3,845	-
Amortization change in the present value of the installments on due to directors, officers and companies owned by a director or an officer for the effective rate	11,903	
Amortization change in the present value of the installments on due to a company, effective rate	3,208	-
Finance income	<u>18,956</u>	<u>27</u>

Financial costs may be analyzed as follows for the reporting periods presented:

	December 31,	
	2015	2014
	\$	\$
Interest charge on notes payable	(61,907)	(71,097)
Net change in fair value of marketable securities in a quoted mining exploration company	-	(79,180)
Amortization change of the present value of the due to directors, officers and companies owned by a director or an officer for the effective rate	(12,246)	-
Other interest charges	-	(314)
	<u>(74,153)</u>	<u>(150,591)</u>

### 17. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential common shares such as warrants, agent's options, broker's warrants and share options have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 12.2 to 12.4 and 13.2.

Both the basic and diluted loss per share have been calculated using the loss as the numerator, i.e. no adjustment to the loss were necessary in 2015 and 2014.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 17. LOSS PER SHARE (continued)

	December 31,	
	2015	2014
Net loss	\$(1,303,010)	\$(1,674,423)
Weighted average number of outstanding shares	89,857,959	55,774,928
Basic and diluted loss per share	\$(0.01)	\$(0.03)

See Note 24 for transactions involving shares completed after December 31, 2015.

### 18. INCOME TAXES

#### Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2015	2014
	\$	\$
Origination and reversal of temporary differences	(321,864)	(428,051)
Non-capital losses expired during the year	41,580	-
Tax effect of flow-through shares	57,321	-
Reversal of liabilities related to flow-through shares	(18,422)	-
Difference of previous year deferred tax	5,829	-
Temporary difference not recorded	217,134	428,051
	<u>(18,422)</u>	<u>-</u>

#### Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive income can be reconciled as follows:

	2015	2014
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9 %	(355,465)	(450,420)
Adjustments for the following items :		
Share-based payments	32,158	-
Non-capital losses expired during the year	41,580	-
Difference of previous year deferred tax	5,829	-
Fiscal impact of temporary difference not recorded	217,134	428,051
Tax effect of flow-through shares	57,321	-
Reversal of liabilities related to flow-through shares	(18,422)	-
Non-taxable portion of the variation of fair value	-	10,650
Reversal of exemption from the initial recognition of deferred tax	-	10,020
Other non-deductible expenses	1,443	1,699
Deferred income tax income	<u>(18,422)</u>	<u>-</u>

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 18. INCOME TAXES (continued)

#### Deferred tax assets and liabilities and variation of recognized amounts during the period

The following differences between the carrying amounts and tax bases from temporary differences, unused tax losses and unused tax credits give rise to the following recognized deferred income tax assets and liabilities, and the following unrecognized temporary differences, unused tax losses and unused tax:

	Balance January 1, 2015	Recognized in profit or loss	Balance December 31, 2015
	\$	\$	\$
Recognized			
Tax credits	(3,760)	(3,445)	(315)
Deductible capital losses	(8,188)	(9,150)	(17,338)
Non-capital losses	11,948	(5,705)	17,653
Recognized deferred tax assets and liabilities	-	-	-
Reversal of liabilities related to flow-through shares		18,422	
		18,422	

	Balance January 1, 2014	Recognized in profit or loss	Balance December 31, 2014
	\$	\$	\$
Recognized			
Marketable securities	(53,605)	53,605	-
Tax credits	(1,206)	(2,554)	(3,760)
Deductible capital losses	-	(8,188)	(8,188)
Non-capital losses	54,811	(42,863)	11,948
Recognized deferred tax assets and liabilities	-	-	-

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 18. INCOME TAXES (continued)

	December 31, 2015	
	Federal	Provincial
	\$	\$
Deductible temporary differences and tax losses not recognized		
Property and equipment	265,001	252,008
Intangible assets	29,571	23,787
Issuance costs of equity instruments	77,683	77,683
Exploration and evaluation assets	4,395,495	6,973,660
Provisions and reserves	436,641	436,641
Installments to officers	25,982	25,982
Installments to a company	9,199	9,199
Unused loss carry-forwards	6,409,023	6,274,092
	<u>11,648,595</u>	<u>14,073,052</u>

	December 31, 2014	
	Federal	Provincial
	\$	\$
Deductible temporary differences and tax losses not recognized		
Property and equipment	264,651	251,658
Intangible assets	29,571	23,787
Issuance costs of equity instruments	32,102	32,102
Exploration and evaluation assets	4,552,844	7,212,948
Provisions and reserves	294,258	294,258
Installments to officers	13,542	13,542
Installments to a company	4,610	4,610
Unused loss carry-forwards	5,548,002	5,386,671
	<u>10,739,580</u>	<u>13,219,576</u>

The ability to realize the tax benefits depends on many factors, including the probability to generate future taxable incomes. The deferred tax assets are recognized only if it is probable that sufficient taxable profits will be available to allow the recovery of these assets. Therefore, some deferred tax assets have not been recognized, these unrecognized assets totaling an amount of \$3,421,980 (\$3,184,068 in 2014).

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 18. INCOME TAXES (continued)

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the statement of financial position that can be carried over the following years:

	Federal	Provincial
	\$	\$
2026	132,817	129,914
2027	160,236	90,537
2028	870,544	835,380
2029	614,130	610,009
2030	627,620	624,214
2031	759,417	755,536
2032	649,448	647,675
2033	803,620	798,209
2034	723,985	720,353
2035	1,067,206	1,062,265
	<u>6,409,023</u>	<u>6,274,092</u>

The Company has tax credits for investment which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the statement of financial position that can be carried over the following years:

	Federal	Provincial
	\$	\$
2017	-	204,976
2027	3,363	-
2028	70,404	-
2029	8,810	-
2030	6,540	-
2031	310	-
2032	4,501	-
2033	1,200	-
	<u>95,128</u>	<u>204,976</u>

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

### 19. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	December 31,	
	2015	2014
	\$	\$
Goods and services tax receivable	(22,746)	17,990
Prepaid expenses	(85,838)	(2,743)
Deposit	(50,000)	-
Advances to officers	63,800	(63,800)
Advance for exploration expenses	(115,281)	-
Trade and other payables	176,325	11,125
	<u>(33,740)</u>	<u>(37,428)</u>

Non-cash balance sheet transactions are detailed as follows :

	2015	2014
	\$	\$
Issuance of units for acquisition for exploration and evaluation assets	684,766	-
Issuance of shares for payment of account payable	88,759	11,300
Issuance of equity instruments for issuance cost of units	24,936	-
Payment of a debt provider by offsetting the installment on due to a company	13,000	-
Trade and other payables included in exploration and evaluation assets	100,332	83,869
Tax credits receivable included in exploration and evaluation assets	26,841	45,750

### 20. RELATED PARTY TRANSACTIONS

The Company's related parties include joint key management and a company held by a director, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.



# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
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### 20.1 Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors and officers. Key management personnel remuneration includes the following expenses:

	December 31,	
	2015	2014
	\$	\$
Short-term employee benefits		
Salaries and benefits	241,074	236,730
Management fees <sup>(1)</sup>	150,000	150,000
Directors remuneration	52,000	50,000
Change in present value of installments and installments on due to directors, officers and companies owned by a director or an officer, at the effective rate	3,512	(16,988)
Total short-term employee benefits	<u>446,586</u>	<u>419,742</u>
Share-based payments	119,546	-
Total remuneration	<u>566,132</u>	<u>419,742</u>

(1) Paid to a company owned by a director.

On December 31, 2015, advances to officers, advances to directors, officers and companies owned by a director or an officer totaling \$277,249 ( \$285,258 as at December 31, 2014).

Trade and other payables are including \$11,109 due to directors and to a company owned by a director (\$5,546 as at December 31, 2014).

On December 31, 2015, due to directors, officers and a company owned by a director totaling \$792,816 (\$497,818 as at December 31, 2014).

### 21. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, to increase of the assets of the business, and to provide an adequate return to owners of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flows, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues a flow-through placement for which an amount should be used for exploration work. See all the details in Note 23.

The Company finances its exploration and evaluation activities mainly by seeking additional capital either through private placements or public placements. When funding conditions are not optimal, the Company can sign option agreements or other agreements to be able to continue its exploration and evaluation activities or can slow down its activities until conditions funding improves.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### 22. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The main types of risks are price risk sensibility, credit risk and liquidity risk.

The Company risk management is coordinated in close cooperation with the Board of Directors. The Company's risk management focuses on actively securing the Company short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes.

The most significant financial risks to which the Company is exposed are described below.

#### 22.1 Credit risk

Credit risk is the risk than another party to a financial instrument fails to its obligations and, therefore, leads the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of cash, advances to officers (as at December 31, 2014), deposit, advance for exploration expenses, installment on due to a company and installments on due to directors, officers and companies owned by a director or an officer for an amount of \$716,916 as at December 31, 2015 (\$414,983 as at December 31, 2014).

The credit risk for advances to officers, installments on due to a company and installments on due to directors, officers and companies owned by a director or an officer is considered limited. The Company continuously monitors default of counterparties. No impairment loss has been recognized in the periods presented.

The Company's management considers that all the above financial assets, for each of the reporting dates under review are of good credit quality.

The credit risk for cash is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

#### 22.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations with financial liabilities that are settled by cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the period, the Company has financed its exploration programs, its working capital requirements and acquisitions of mining properties through private placements.

The Company expects to respect its obligations with its cash flows related to placements.

Trade and other payables for an amount of \$346,494 (\$273,206 as at December 31, 2014) and the due to directors, officers and a company owned by a director of \$92,530 (\$nil as at December 31, 2014) have contractual maturities of less than twelve months. The due to directors, officers and a company owned by a director of \$700,286 (\$497,818 as at December 31, 2014) and the notes payable for an amount of \$230,000 (\$230,000 as at December 31, 2014 plus interest of \$29,412) have maturities up to June 30, 2018.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash and tax credits receivable.

# Uragold Bay Resources Inc.

## Notes to Financial Statements

December 31, 2015 and 2014  
(in Canadian dollars)

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### 23. CONTINGENCIES AND COMMITMENTS

The Company is partially financed through the issuance of flow-through units and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the first of the following dates:

- Two years following the flow-through financings;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

The Company entered into agreements with subscribers whereby the Company had to incur \$245,000 of Canadian Exploration Expenses ("CEE") before December 31, 2012. The Company had incurred \$163,875 in CEE before December 31, 2012 and an approximate balance of \$77,000 of CEE renounced to the investors was not been incurred as at December 31, 2012 and was used for other purposes than exploration expenses. The maximal contingency for the Company, in relation to non-compliance with its obligations with subscribers, is approximately \$55,000. As at February 28, 2014, the Company had produced the reductions forms related to the amount of \$77,000 in CEE renounced to the investors and that have not been incurred as at December 31, 2012. As at December 31, 2015, an amount of \$8,131 pertaining to part XII.6 taxes is included in trade accounts.

During the period, the Company received \$354,596 following flow-through financings for which the Company renounced tax deductions after December 31, 2015.

The Company agreed to continue the contract for another year under the same terms and conditions as stipulated in the Agreement signed on July 15, 2014, the Company will issue shares for services rendered by AGORACOM in exchange for the online advertising, marketing and branding services. The number of shares to be issued at the end of each period will be determined by using the closing price of the shares of the Company on the TSX Venture Exchange at the date of issue of the press release announcing the payment. The term of the Agreement is 12 months starting on July 15, 2015 and the services totalizing \$50,000 must be paid by the Company at the end of each quarter for the amount of \$12 500 plus TVH.

Furthermore, relating to the transaction with Fancamp, for the next 4 year the Company will incur costs estimated at \$400,000 relating to various work.

On September 28, 2015, the Company finalized its development and of exclusive rights agreement with PyroGenesis. Under the terms of the agreement, the Company needs to make the following minimal royalty payments:

- For 2016, the greater of 10 % of sales of Si or \$50,000 (paid on October 21, 2015 by the issuance of 1,000,000 units)
- For 2017, the greater of 10 % of sales Si or \$100,000
- For 2018, the greater of 10 % of sales Si or \$150,000
- For 2019, the greater of 10 % of sales of Si or \$200,000
- For 2020 and beyond, the greater of 10 % of sales of Si or \$250,000 per annum

# **Uragold Bay Resources Inc.**

## **Notes to Financial Statements**

December 31, 2015 and 2014  
(in Canadian dollars)

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### **24. POST-REPORTING DATE EVENTS**

On February 26, 2016, the Company completed a private placement for a total amount of \$350,000. The Company issued 4,375,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.12 per share, during a period of 36 months following the closing of the financing. No amount related to warrants will be recorded.

On April 12, 2016, the Company entered into a service relationship agreement with investors with the company Paradox Public Relations Inc. Under the agreement, the Company will pay fees \$6,500 monthly for a period of 24 months and issue 500,000 options to purchase shares at a price of up to \$0.15 per share over a period of 12 months following the grant at a rate of 25% per quarter.

After the end of the year, 100,000 options, 6,227,768 warrants, 255,909 agent's options and 35,000 broker's warrants has been raised for a total amount of \$519,756 in cash.