
**MANITOU GOLD INC.
CONSOLIDATED
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(EXPRESSED IN CANADIAN DOLLARS)**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Manitou Gold Inc.

We have audited the accompanying consolidated financial statements of Manitou Gold Inc. and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows, and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manitou Gold Inc. and its subsidiary as at December 31, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of Manitou Gold Inc. for the year ended December 31, 2014, were audited by other auditors who expressed an unmodified opinion on those statements on April 17, 2015. As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 2 that were applied to amend the 2014 financial statements as a result of a change in accounting policy. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2014 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements taken as a whole.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended December 31, 2015 and a cumulative deficit as at December 31, 2015 and will require further funding. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 4, 2016

Manitou Gold Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2015	As at December 31, 2014
Assets		
Current assets		
Cash and cash equivalents (note 6)	\$ 255,875	\$ 813,985
Amounts receivable and other assets (note 7)	12,922	11,968
Total current assets	268,797	825,953
Non-current assets		
Equipment (note 8)	-	29,428
Total non-current assets	-	29,428
Total assets	\$ 268,797	\$ 855,381
Liabilities and Shareholders' Equity		
Current liabilities		
Amounts payable and other liabilities (notes 9, 15, and 17)	\$ 34,093	\$ 224,195
Total liabilities	34,093	224,195
Shareholders' equity		
Share capital (note 10)	13,787,893	13,787,893
Warrants (note 11)	-	24,500
Contributed surplus	102,000	-
Deficit	(13,655,189)	(13,181,207)
Total shareholders' equity	234,704	631,186
Total shareholders' liabilities and equity	\$ 268,797	\$ 855,381

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

Nature of Operations and Going Concern (note 1)
 Commitments and Contingencies (notes 14 and 18)

Approved on behalf of the Board:

"Ron Arnold" _____ Director (Signed)

"Guy Mahaffy" _____ Director (Signed)

Manitou Gold Inc.**Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)**

	Year Ended December 31, 2015	Year Ended December 31, 2014
General and administrative expense		
Office and general (note 15)	\$ 301,866	\$ 400,195
Professional fees	18,653	35,796
Exploration and evaluation expenditures (note 14)	48,759	441,993
Project generation and evaluation	508	5,438
Amortization (note 8)	6,881	11,222
Share-based payments (note 12(i))	102,000	-
Impairment of equipment (note 8)	22,547	-
	501,214	894,644
Loss before interest income	(501,214)	(894,644)
Interest income	2,732	14,989
Net loss and comprehensive loss for the year	\$ (498,482)	\$ (879,655)
Net loss and comprehensive loss per share - basic and diluted	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted (note 13)	55,022,411	55,009,466

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

Manitou Gold Inc.**Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)**

	Year Ended December 31, 2015	Year Ended December 31, 2014
Operating activities		
Net loss for the year	\$ (498,482)	\$ (879,655)
Adjustments for:		
Amortization (note 8)	6,881	11,222
Share-based payments (note 12(i))	102,000	-
Impairment of equipment (note 8)	22,547	-
Shares issued on acquisition of property rights	-	8,750
Changes in non-cash working capital items:		
Amounts receivable and other assets	(954)	113,665
Amounts payable and other liabilities	(190,102)	192,414
Net cash used in operating activities	(558,110)	(553,604)
Investing activity		
Purchase of equipment	-	(6,232)
Net cash used in investing activity	-	(6,232)
Net change in cash and cash equivalents	(558,110)	(559,836)
Cash and cash equivalents, beginning of year	813,985	1,373,821
Cash and cash equivalents, end of year	\$ 255,875	\$ 813,985

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

Manitou Gold Inc.**Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)**

Equity attributable to shareholders

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2013	\$ 13,779,143	\$ 1,963,679	\$ 743,000	\$(14,983,731)	\$ 1,502,091
Shares issued on acquisition of property rights	8,750	-	-	-	8,750
Expiration of options	-	-	(743,000)	743,000	-
Expiration of warrants	-	(1,939,179)	-	1,939,179	-
Net loss for the year	-	-	-	(879,655)	(879,655)
Balance, December 31, 2014	13,787,893	24,500	-	(13,181,207)	631,186
Expiration of warrants	-	(24,500)	-	24,500	-
Share-based payments (note 12(i))	-	-	102,000	-	102,000
Net loss for the year	-	-	-	(498,482)	(498,482)
Balance, December 31, 2015	\$ 13,787,893	\$ -	\$ 102,000	\$(13,655,189)	\$ 234,704

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

Manitou Gold Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2015 and 2014 (Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Manitou Gold Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) and is engaged in the business of locating and exploring mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's registered office is located at 101-117 Elm Street, Sudbury, Ontario, P3C 1T3.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company is at an exploration stage and as is common with many exploration companies, it raises financing for its exploration and acquisition activities. The Company has incurred losses in previous periods, with a current net loss of \$498,482 for the year ended December 31, 2015 (year ended December 31, 2014 - \$879,655) and has an accumulated deficit of \$13,655,189 as at December 31, 2015 (December 31, 2014 - \$13,181,207). The Company had working capital of \$234,704 at December 31, 2015 (December 31, 2014 - \$601,758).

However, the existing funds may not be sufficient to explore potential exploration project acquisitions and in due course, further funding will be required. In the event that the Company is unable to secure further financing it may not be able to complete the development of its projects.

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

Due to continuing operating losses and limited working capital, the Company's ability to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore, evaluate and develop mineral projects and ultimately, to achieve profitable operations. The success of these endeavours cannot be predicted at this time. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

2. Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements for the year ended December 31, 2015 were approved and authorized for issue by the Board of Directors on April 4, 2016.

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

Manitou Gold Inc.

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Basis of Consolidation

These financial statements include the accounts of the Company and of its subsidiary Kenwest Mines Limited. Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Change in Accounting Policy

During the year ended December 31, 2015, the Company elected to change its accounting policy for the treatment of share options and warrants whereby amounts recorded for expired unexercised share options and warrants are transferred to deficit. Previously, the Company's policy was to leave such amounts in contributed surplus. This policy has been applied retrospectively. The impact of the change was a decrease to deficit and a decrease to contributed surplus of \$4,541,512 at December 31, 2014 and \$1,859,333 at December 31, 2013.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid money market investments such as bankers acceptance notes, treasury bills and guaranteed investment certificates, with a maturity of three months or less, or are cashable at any time.

Financial Instruments

The Company classifies all financial instruments as either held-to-maturity, fair value through profit or loss ("FVTPL"), loans and receivables, available-for-sale or other financial liabilities.

Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net loss in the period in which they arise.

FVTPL financial instruments are carried at fair value with changes in fair value charged or credited to net loss in the period in which they arise.

Loans and receivables are initially recognized at their fair values, with any resulting premium or discount from the face value being amortized to loss using the effective interest method. Impairment losses are charged to net loss in the period in which they arise.

Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses are charged to net loss in the period in which they arise.

Other financial liabilities are initially measured at cost or amortized cost, net of transaction costs and any embedded derivatives that are not closely related to the financial liability, depending upon the nature of the instrument with any resulting premium or discount from the face value being amortized to net loss using the effective interest method.

Manitou Gold Inc.

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>	<u>Fair Value Hierarchy</u>
Cash	Loans and receivables	
Cash equivalents	FVTPL	Level 1
Amounts payable and other liabilities	Other liabilities	

Equipment

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Amortization is provided at rates calculated to write off the cost, less their estimated residual value, using the declining balance method at the following various rates:

Equipment	- 20%, declining balance basis
Office furniture	- 20%, declining balance basis
Computer hardware	- 30%, declining balance basis
Vehicles	- 30%, declining balance basis

Computer software is amortized on a straight line basis at a rate of 100% per annum.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item consists of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Residual values, estimated useful lives and amortization methods are reviewed at least annually.

Exploration and Evaluation Expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Manitou Gold Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Impairment

The carrying value of all categories of equipment is reviewed at each reporting date for impairment whenever events or circumstances indicate the recoverable amount may be less than the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less costs of disposal. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

An impairment loss is recognized when the carrying value of an asset held for use exceeds its estimated recoverable amount. Impairment losses are recognized as an expense in the consolidated statements of loss and comprehensive loss. Assumptions, such as gold price, discount rate, and expenditures, underlying the fair value estimates are subject to risks and uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

Stock-Based Compensation

The Company accounts for all equity-settled stock-based payments using a fair value based method incorporating the Black-Scholes option pricing model.

Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and is either recorded at the date of grant, in the case of options that vest immediately, or over the vesting period in the case of options that vest over a period of time. In the latter case, the Company estimates forfeitures at the time of grant and the amount recognized as an expense from time to time is adjusted to reflect any changes in the Company's estimate of the shares that will eventually vest and the effect of any non-market vesting conditions.

Share-based payment arrangements with non-employees in which the Company receives goods or services as consideration are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of equity instruments granted.

Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. Fully diluted weighted-average common shares outstanding for the years ended December 31, 2015 and 2014 do not include the outstanding stock options and warrants as their exercise would be anti-dilutive in the loss per share calculation.

Manitou Gold Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2015 and 2014 (Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Income Taxes

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

Current income taxes

Current taxes are the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred income taxes

The Company accounts for income taxes under the asset and liability method. Under this method of tax allocation, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences).

Deferred income taxes are measured using the tax rates that are expected to be in effect when the temporary differences are likely to reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect on deferred income tax assets and liabilities of a change in tax rates is included in loss in the period in which the change is substantively enacted. The amount of deferred income tax assets recognized is limited to the amount that is probable to be realized.

Flow through shares

To the extent that the Company issues common shares to subscribers on a flow through basis at a premium to the market value of non-flow through common shares, any such premium is recorded as a liability on the Company's consolidated statements of financial position at the time of subscription. This liability is reduced, on a pro-rata basis, as the Company fulfills its expenditure renunciation obligation associated with such flow through share issuances, with an offsetting amount recognized as income.

A deferred income tax liability equal to the tax value of flow through expenditures renounced is recognized only once the Company has fulfilled its obligations associated with the renunciation of related flow through expenditures, with an offsetting debit to deferred tax expense. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled once related renunciation filings have been made with the appropriate taxation authorities. In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow through expenditures have been incurred.

Comprehensive Loss

Comprehensive loss measures net loss for the period plus other comprehensive loss. Other comprehensive loss consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Amounts reported as other comprehensive loss are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Loss. To date there has not been any other comprehensive loss and accordingly, net loss equals comprehensive loss.

Manitou Gold Inc.

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements

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

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released in July 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

3. Critical Accounting Estimates and Judgments

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the estimated useful lives and residual value of equipment which are included in the consolidated financial statements and the related amortization included in profit or loss;
- the inputs used in accounting for share-based payment transactions and in valuation of warrants included in shareholders' equity;
- management determination of the ability to raise additional capital and/or obtain financing to advance mineral projects;
- due to the complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In the opinion of management, these matters did not have a material effect on the Company's consolidated financial position or results of operations as at December 31, 2015 and 2014;
- the interpretation of existing tax laws or regulations in Canada which the Company's operations are located requires the use of judgment. Differing interpretation of these laws or regulations could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. In addition, the recoverability of deferred income tax assets, including expected periods of reversal of temporary differences and expectations of future taxable income, are assessed by management at the end of each reporting period; and
- management assumption of no material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the period.

Manitou Gold Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2015 and 2014 (Expressed in Canadian Dollars)

4. Capital Risk Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, warrants, contributed surplus and deficit, which at December 31, 2015, totaled \$234,704 (December 31, 2014 - \$631,186).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2015 and 2014. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2015, management believes it is compliant with known requirements.

5. Financial Risk Factors

The Company is exposed to credit risk, market risk (consisting of interest rate risk and other price risk), and liquidity risk.

(a) Credit Risk

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company mitigates its exposure to credit loss by placing its cash with major financial institutions and believes that its accounts receivable credit risk exposure is limited.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices and consists of two types of risk: interest rate risk and other price risk.

- (i) Interest rate risk arises because of changes in market interest rates.
- (ii) Other price risk is risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's cash and cash equivalents are subject to minimal risk of changes in value and are readily convertible into cash.

Manitou Gold Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2015 and 2014 (Expressed in Canadian Dollars)

5. Financial Risk Factors (continued)

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they come due. The Company's investment policy is to invest its excess cash in high grade investment securities with varying terms to maturity, selected with regard to the expected timing of expenditures for continuing operations. Amounts payable and other liabilities are all current. The Company monitors its liquidity position and budgets future expenditures, in order to ensure that it will have sufficient capital to satisfy liabilities as they come due.

As at December 31, 2015, the Company has amounts payable and other liabilities of \$34,093 (December 31, 2014 - \$224,195) due within 12 months and has cash and cash equivalents of \$255,875 (December 31, 2014 - \$813,985) to meet its current obligations. As a result, the Company has minimal liquidity risk.

6. Cash and Cash Equivalents

	As at December 31, 2015	As at December 31, 2014
Cash	\$ 4,780	\$ 53,808
Guaranteed investment certificates ("GIC's")	251,095	760,177
Total	<u>\$ 255,875</u>	<u>\$ 813,985</u>

The GIC's earn interest at prime rate less 2.0% (2014 - prime rate less 2.0%), mature one year from the date of purchase and are redeemable at the option of the Company at any time.

7. Amounts Receivable and Other Assets

	As at December 31, 2015	As at December 31, 2014
Sales tax receivable - (Canada)	\$ 3,458	\$ 7,605
Prepaid expenses	9,464	4,363
Total	<u>\$ 12,922</u>	<u>\$ 11,968</u>

Manitou Gold Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2015 and 2014 (Expressed in Canadian Dollars)

8. Equipment

December 31, 2015	Cost	Amortization Expense	Accumulated Amortization	Impairment	Net
Equipment	\$ 29,507	\$ 2,040	\$ 17,950	\$ 11,557	\$ -
Office furniture	3,709	257	2,257	1,452	-
Computer software	13,479	2,010	12,809	670	-
Computer hardware	7,001	665	4,708	2,293	-
Vehicles	29,100	1,909	22,525	6,575	-
	\$ 82,796	\$ 6,881	\$ 60,249	\$ 22,547	\$ -

During the year ended December 31, 2015, management determined that that net realizable value of the equipment was \$nil and as a result the Company recognized an impairment of \$22,547.

December 31, 2014	Cost	Amortization Expense	Accumulated Amortization	Impairment	Net
Equipment	\$ 29,507	\$ 3,399	\$ 15,910	\$ -	\$ 13,597
Office furniture	3,709	427	2,000	-	1,709
Computer software	13,479	2,680	10,799	-	2,680
Computer hardware	7,001	1,080	4,043	-	2,958
Vehicles	29,100	3,636	20,616	-	8,484
	\$ 82,796	\$ 11,222	\$ 53,368	\$ -	\$ 29,428

During the year ended December 31, 2014, the Company purchased computer hardware in the amount of \$872 and computer software in the amount of \$5,360.

9. Amounts Payable and Other Liabilities

	As at December 31, 2015	As at December 31, 2014
Falling due within the year		
Trade payables	\$ 9,593	\$ 45,302
Accrued liabilities	24,500	178,893
Total	\$ 34,093	\$ 224,195

Manitou Gold Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

10. Share Capital

(a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Common shares issued

At December 31, 2015 and 2014, the issued share capital amounted to \$13,787,893. The changes in issued share capital for the years presented were as follows:

	Number of Shares	Amount
Balance at December 31, 2013	54,847,411	\$ 13,779,143
Shares issued on acquisition of property rights (note 14(d))	175,000	8,750
Balance at December 31, 2014 and December 31, 2015	55,022,411	\$ 13,787,893

11. Warrants

The following table reflects the continuity of warrants for the years ended December 31, 2015 and 2014:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2013	11,127,039	\$ 0.52
Warrants expired	(10,127,039)	0.52
Balance at December 31, 2014	1,000,000	\$ 0.50
Warrants expired	(1,000,000)	0.50
Balance at December 31, 2015	-	\$ -

Manitou Gold Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2015 and 2014 (Expressed in Canadian Dollars)

12. Stock Options

The Company has a formal stock option plan (the "Plan"). The Plan is referred to as a "floating" plan and provides for an aggregate number of shares reserved for issuance of up to 10% of the Company's issued common shares at the time of the grant of a stock option under the Plan. Options granted under the Plan generally vested upon issuance.

The following table reflects the continuity of stock options for the years ended December 31, 2015 and 2014:

	Number of Options	Weighted Average Exercise Price
Balance at December 31, 2013	1,840,000	\$ 0.56
Stock options expired	(1,840,000)	0.56
Balance at December 31, 2014	-	\$ -
Stock options granted (i)	4,000,000	0.10
Balance at December 31, 2015	4,000,000	\$ 0.10

(i) On June 24, 2015, the Company granted 4,000,000 stock options to certain directors, officers and consultants of the Company. All options are exercisable at a price of \$0.10 per common share. The options vest immediately and expire in two years. The grant date fair value of \$102,000 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.035, expected dividend yield of 0%, expected volatility of 195% which is based on historical volatility of the Company's share price, risk-free rate of return of 0.63% and an expected maturity of 2 years. For the year ended December 31, 2015, \$102,000 was expensed to share-based payments (2014 - \$nil).

The Company had the following stock options outstanding as of December 31, 2015:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
4,000,000	4,000,000	\$0.10	1.48	June 24, 2017

13. Net Loss per Common Share

The calculation of basic and diluted loss per share for the year ended December 31, 2015 was based on the loss attributable to common shareholders of \$498,482 (year ended December 31, 2014 - \$879,655) and the weighted average number of common shares outstanding of 55,022,411 (year ended December 31, 2014 - 55,009,466) for basic and diluted loss per share. Diluted loss per share did not include the effect of warrants and options for the years ended December 31, 2015 and 2014, as they are anti-dilutive.

Manitou Gold Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2015 and 2014 (Expressed in Canadian Dollars)

14. Exploration and Evaluation Expenditures

	Year Ended December 31, 2015	Year Ended December 31, 2014
Kenwest (a)	\$ 25,154	\$ 18,603
Canamerica (b)	172	4,876
Sherridon (c)	1,132	8,171
Gaffney (d)	21,809	172,169
Harper Lake (e)	447	7,409
Elora (f)	45	230,765
	\$ 48,759	\$ 441,993

For details on the exploration and evaluation expenditures see the attached schedules after note 20 within these statements.

(a) Kenwest Property – Kenora Mining Division, Ontario

The Company holds 100% of the issued and outstanding shares of Kenwest Mines Limited (“Kenwest”), which holds a 100% undivided interest and title in 32 patented mining claims and 10 mining licenses of occupation in the Township of Boyer Lake, Kenora Mining Division (collectively, the “Kenwest Property”).

(b) Canamerica Property – Kenora Mining Division, Ontario

Pursuant to an option agreement dated June 3, 2009, the Company was granted an option to acquire 7 unpatented mining claims in the Township of Boyer Lake, Kenora Mining Division (collectively, the “Canamerica Optioned Property”). Pursuant to the option agreement, the Company can exercise its option to acquire the Canamerica Optioned Property by making cash payments totaling \$80,000, issuing a total 800,000 common shares and granting a 2.5% net smelter royalty (“NSR”). The Company can purchase 1% of the NSR for \$1,000,000. The payments and share issuances will be made in equal increments of \$20,000, and 200,000 shares, respectively. Moreover, the payments and issuances will be made upon the effective date of the agreement, as well as on or prior to each of the first, second, and third anniversaries of the effective date thereafter. To date the Company has paid \$80,000 and issued 800,000 shares. The shares have been valued based on the equity instruments granted. Since entering into the option agreement, the Company acquired a 100% beneficial interest in an additional 19 claims that were contiguous to the Canamerica Optioned Property (the Canamerica Optioned Property and 19 additional claims collectively referred to as the “Canamerica Property”). These additional 19 claims are also subject to the NSR to which the Canamerica Optioned Claims are subject, as described above.

(c) Sherridon Property – Kenora Mining Division, Ontario

Pursuant to a letter agreement dated January 29, 2010, the Company was granted an option to acquire three unpatented mining claims in the Townships of Mang Lake and Lower Manitou Lake, Kenora Mining Division (the “Sherridon Optioned Property”). Pursuant to the letter agreement, the Company exercised its option to acquire the Sherridon Property by making cash payments totaling \$98,500 and issuing a total of 200,000 shares of the Company, over a three year period. The shares have been valued based on the quoted market price at the time of grant. The agreement is also subject to a 2% NSR. The Company can purchase a 1% NSR for \$1,000,000. Since entering into the option agreement, the Company acquired a 100% beneficial interest in an additional 23 claims that were contiguous to the Sherridon Optioned Property (the Sherridon Optioned Property and the additional 23 claims collectively referred to as the “Sherridon Property”).

Manitou Gold Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2015 and 2014 (Expressed in Canadian Dollars)

14. Exploration and Evaluation Expenditures (continued)

(d) Gaffney Extension Property – Kenora Mining Division, Ontario

Pursuant to a letter agreement dated January 31, 2011, the Company was granted an option to acquire 1 unpatented mining claim in the Township of Lower Manitou Lake, Kenora Mining Division (the "Gaffney Extension Property"). Pursuant to the letter agreement, the Company could exercise its option to acquire the Gaffney Extension Property by making cash payments totaling \$70,000 and issuing a total of 700,000 shares of the Company, over a three year period. During the year ended December 31, 2014, the Company issued a cash payment in the amount of \$17,500 and issued 175,000 shares of the Company (note 10). To date \$70,000 has been paid and 700,000 shares have been issued pursuant to the letter agreement. The shares have been valued based on the quoted market price at the time of grant. The agreement is also subject to a 2.5% NSR. The Company can purchase a 1.25% NSR for \$1,250,000.

The Company also holds 14 additional unpatented mining claims in the Townships of Lower Manitou Lake and Mang Lake, Kenora Mining Division.

The Company holds a 100% interest in two non-contiguous claims (the "Aaronson Creek Claims") that are located within the outer property boundary of the Company's Gaffney Extension claims. This interest is subject to a 2% NSR of which the Company may purchase a 1% NSR by making a cash payment of \$1,000,000.

Pursuant to an asset transfer agreement dated September 27, 2013, the Company purchased a 100% interest in 12 patented mining claims and 2 mining licenses of occupation (the "Gaffney Patents") that are located adjacent to the Company's Gaffney Extension Claims. The vendors of the Gaffney Patents are entitled to a 2% NSR on production generated on the Gaffney Property. The Company may purchase a 1% NSR (resulting in the optionors holding a 1% NSR) by making a cash payment of \$1,000,000.

(e) Harper Lake - Kenora Mining Division, Ontario

Pursuant to a letter agreement dated May 20, 2011, the Company acquired a 100% interest in the property known as the Harper Lake property consisting of 7 claims (73 claim units) in northwestern Ontario. During 2014, the Company allowed 3 of these claims to lapse. Subsequent to December 31, 2015, the remaining claims were dropped.

(f) Elora - Kenora Mining Division, Ontario

Pursuant to an agreement dated May 31, 2012, the Company could acquire a 100% interest in the 14 patented Elora claims and one mining license of occupation, in exchange for the payment of \$200,000 in cash and the issuance of 2,000,000 common shares of the Company, and the completion of a \$2,500,000 work commitment, all over a three year period, as well as the assumption of a \$20,000 annual advance royalty payment payable on an underlying 2.5% NSR held by the prior property owner. During 2014, the Company decided not to continue further exploration on the Elora Property and terminated the agreement.

15. Related Party Balances and Transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The noted transactions below are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Manitou Gold Inc.

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

15. Related Party Balances and Transactions (continued)

During the year ended December 31, 2015, the Company paid professional fees and disbursements of \$35,579 (year ended December 31, 2014 - \$37,075) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is President. Carmelo Marrelli is the Chief Financial Officer ("CFO") of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at December 31, 2015, Marrelli Support was owed \$nil (December 31, 2014 - \$nil).

During the year ended December 31, 2015, the Company paid professional fees and disbursements of \$28,172 (year ended December 31, 2014 - \$24,423) to DSA Corporate Services Inc. ("DSA"), an organization of which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operation of corporate secretarial matters. As at December 31, 2015, DSA was owed \$2,453 (December 31, 2014 - \$2,588) and these amounts were included in amounts payable and other liabilities.

Under an office rental agreement beginning July 2015 with a company controlled by a director of the Company, the Company is committed to a monthly rental payment of \$1,500 per month until June 2016. During the year ended December 31, 2015, the Company paid rent of \$10,500 to the director's company.

Salaries paid to key management personnel for the year ended December 31, 2015 totaled \$152,383 (year ended December 31, 2014 - \$365,078). Share-based payments to key management personnel for the year ended December 31, 2015 totaled \$95,625 (year ended December 31, 2014 - \$nil). Key management personnel are comprised of the Company's former President and Chief Executive Officer, the Company's current President and Chief Executive Officer ("Current CEO"), the Company's CFO, directors and former directors. The Board of Directors do not have employment or service contracts with the Company. Directors and officers are entitled to stock options for their services. As at December 31, 2015, key management personnel were owed \$nil (December 31, 2014 - \$nil).

To the knowledge of the directors and officers of the Company, as at December 31, 2015 and 2014, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all the common shares of the Company.

As of December 31, 2015, directors and officers of the Company control an aggregate of 3,298,000 common shares or approximately 5.99% of the shares outstanding. These holdings can change at any time at the discretion of the owner.

See note 18 for details regarding a change of control provision with a related party.

16. Income Taxes

Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the financial statements:

	2015	2014
Loss before income taxes	\$ (498,482)	\$ (879,655)
Statutory rate	26.5%	26.5%
Expected income tax expense (recovery)	(132,000)	(233,100)
Stock based compensation	27,000	-
Non-deductible expenses	2,000	-
Other	1,000	-
Change in deferred taxes not recognized	102,000	233,100
Income tax expense (recovery)	\$ -	\$ -

Manitou Gold Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

16. Income Taxes (continued)

Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets are presented below:

	2015	2014
Non-capital loss carry forwards	\$ 3,333,000	\$ 2,728,000
Share issue costs and other	11,000	304,000
Mineral properties and deferred exploration costs	2,734,000	10,269,000
Other temporary differences	85,000	55,000
Total temporary differences	<u>\$ 6,163,000</u>	<u>\$ 13,356,000</u>

The Company has not recorded any deferred income tax asset because it believes it is not probable that sufficient taxable income will be realized during the carryforward period to utilize the deferred income tax asset.

Loss Carry Forwards

As at December 31, 2015, the Company has non-capital tax loss carryforwards of \$3,333,000 expiring as follows:

2031	\$ 643,000
2032	1,020,000
2033	371,000
2034	694,000
2035	605,000
	<u>\$ 3,333,000</u>

17. Provision

As per the Separation Agreement dated November 13, 2014 between the Company and Todd Keast (former President), the Company will continue to pay Todd Keast an annual salary of \$150,000 until January 29, 2016. An amount of \$12,500 has been accrued as at December 31, 2015 (December 31, 2014 - \$162,500) and was included in amounts payable and other liabilities.

18. Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with government agencies, suppliers, consultants, and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

Environmental contingencies

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

Manitou Gold Inc.

**Notes to Consolidated Financial Statements
Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)**

18. Contingencies (continued)

Employment Agreement

Pursuant to an executive employment agreement with the Current CEO, in the event of termination, the Current CEO is entitled to 12 months' base salary plus a further month's salary for each completed year of service since May 1, 2015. In the event of a change of control of the Company, the Current CEO is entitled to receive a payment equal to 24 months' base salary in the sum of \$168,000.

19. Segmented Information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

20. Subsequent Event

On February 12, 2016, the Company granted 250,000 stock options to a consultant at an exercise price of \$0.10 with an expiry date of February 12, 2018, vesting immediately.

Manitou Gold Inc.**Consolidated Schedule of Exploration and Evaluation Expenditures****(Expressed in Canadian Dollars)****Year Ended December 31, 2015**

	Kenwest	Canamerica	Sherridon	Gaffney	Harper Lake	Elora	Total
Acquisition costs							
Property taxes	\$ 3,874	\$ -	\$ -	\$ 361	\$ -	\$ -	\$ 4,235
	3,874	-	-	361	-	-	4,235
Exploration expenditures							
Field supplies and consumables	1,490	-	-	3,038		45	4,573
Travel and accommodation	854	-	-	814		-	1,668
Wages and benefits	18,936	172	1,132	17,596	447	-	38,283
	21,280	172	1,132	21,448	447	45	44,524
Total exploration and evaluation expenditures	\$ 25,154	\$ 172	\$ 1,132	\$ 21,809	\$ 447	\$ 45	\$ 48,759

Manitou Gold Inc.

Consolidated Schedule of Exploration and Evaluation Expenditures (Continued)

(Expressed in Canadian Dollars)

Year Ended December 31, 2014

	Kenwest	Canamerica	Sherridon	Gaffney	Harper Lake	Elora	Total
Acquisition costs							
Issuance of shares	\$ -	\$ -	\$ -	\$ 8,750	\$ -	\$ -	\$ 8,750
Property taxes	2,699	-	-	693	-	807	4,199
Option payments	-	-	-	17,500	-	-	17,500
	2,699	-	-	26,943	-	807	30,449
Exploration expenditures							
Analysis and lab work	208	-	265	10,129	-	9,368	19,970
Consultants	-	475	225	1,600	450	-	2,750
Drilling	-	-	-	12,000	-	141,130	153,130
Field supplies and consumables	1,289	145	-	7,833	-	3,583	12,850
Insurance	-	-	1,163	2,431	1,163	4,428	9,185
Line cutting	-	-	-	8,763	-	-	8,763
Stripping and trenching	-	-	-	8,750	-	-	8,750
Travel and accommodation	468	-	-	11,748	-	5,813	18,029
Wages and benefits	13,939	4,256	6,518	81,972	5,796	65,636	178,117
	15,904	4,876	8,171	145,226	7,409	229,958	411,544
Total exploration and evaluation expenditures	\$ 18,603	\$ 4,876	\$ 8,171	\$ 172,169	\$ 7,409	\$ 230,765	\$ 441,993