Consolidated Financial Statements of

TRUE NORTH GEMS INC.

As at and for the years ended December 31, 2015 and 2014

Expressed in Canadian dollars

April 28, 2016

Independent Auditor's Report

To the Shareholders of True North Gems Inc.

We have audited the accompanying consolidated financial statements of True North Gems Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of changes in equity, loss, comprehensive loss and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of True North Gems Inc. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which discloses conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about True North Gems Inc.'s ability to continue as a going concern.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

TRUE NORTH GEMS INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2015	December 31, 2014
Current assets		
Cash and cash equivalents	$ 1,044,907	$ 1,988,992
Restricted cash	34,652	34,716
Investments (Note 5)	104,000	283,950
Accounts receivable	23,163	35,316
Deposits and prepaid expenses	89,071	76,235
	1,295,793	2,419,209
Non-current assets		
Property, plant and equipment (Note 6)	38,166,591	24,942,674
Restricted cash - reclamation (Note 7)	1,777,012	1,662,973
Deposit on finance lease obligation (Note 8)	6,054,391	-
Exploration and evaluation assets (Note 9)	3,432,828	3,045,646
	49,430,822	29,651,293
Total assets	**$ 50,726,615**	**$ 32,070,502**
Current liabilities		
Accounts payable and accrued liabilities	$ 2,197,913	$ 632,879
Current portion of loans payable (Note 10)	-	631,475
Current portion of provision for reclamation costs (Note 11)	-	81,772
Current portion of finance lease obligation (Note 12)	153,848	-
	2,351,761	1,346,126
Non-current liabilities		
Deferred income tax liability (Note 15)	1,488,173	245,000
Loans payable (Note 10)	1,924,747	876,977
Provision for reclamation costs (Note 11)	1,612,509	282,975
Finance lease obligation (Note 12)	661,521	-
	5,686,950	1,404,952
Total liabilities	8,038,711	2,751,078
Equity attributable to common shareholders		
Share capital (Note 13(a))	48,411,260	46,705,857
Reserves (Note 13(b))	16,221,781	9,193,969
Deficit	(32,088,027)	(28,409,206)
Accumulated other comprehensive income	3,333,162	60,030
	35,878,176	27,550,650
Non-controlling interest (Note 14)	6,809,728	1,768,774
	42,687,904	29,319,424
Total liabilities and shareholders' equity	**$ 50,726,615**	**$ 32,070,502**

Nature of operations and going concern (Note 1)

Approved on behalf of the Board:

(signed) David S. Parsons Director (signed) William J. Anderson Director

The accompanying notes are an integral part these Consolidated Financial Statements.

TRUE NORTH GEMS INC.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital		Reserves						
	Number of Shares	Amount	Warrants	Contributed surplus	Deficit	Accumulated other comprehensive income	Total common shareholders' equity	Non-controlling interest	Total equity
Balance - December 31, 2013	247,825,134	$ 41,962,189	$ 43,511	$ 7,403,800	$ (26,802,191)	$ 147,030	$ 22,754,339	$ (1,526)	$ 22,752,813
Shares issued to acquire assets	4,168,820	550,000	-	-	-	-	550,000	-	550,000
Non brokered private placement	45,238,095	4,500,000	-	-	-	-	4,500,000	-	4,500,000
Reallocation of the fair value of warrants issued		(264,959)	264,959	-	-	-	-	-	-
Capital raising costs		(41,373)	(2,113)	-	-	-	(43,486)	-	(43,486)
Share-based compensation		-	-	24,342	-	-	24,342	-	24,342
Equity investment		-	-	1,459,470	-	-	1,459,470	1,792,157	3,251,627
Net loss for the year		-	-	-	(1,607,015)	-	(1,607,015)	(21,857)	(1,628,872)
Other comprehensive income (loss) for the year		-	-	-	-	(87,000)	(87,000)	-	(87,000)
Balance - December 31, 2014	**297,232,049**	**$ 46,705,857**	**$ 306,357**	**$ 8,887,612**	**$ (28,409,206)**	**$ 60,030**	**$27,550,650**	**$ 1,768,774**	**$ 29,319,424**
Warrants exercised	8,333,334	1,000,000	-	-	-	-	1,000,000	-	1,000,000
Stock options exercised	1,920,000	265,500	-	-	-	-	265,500	-	265,500
Reallocation of the fair value of warrants exercised		262,846	(262,846)	-	-	-	-	-	-
Reallocation of the fair value of stock options exercised		177,057	-	(177,057)	-	-	-	-	-
Share-based compensation		-	-	760,815	-	-	760,815	-	760,815
Sale of an equity interest in subsidiary (note 13)		-	-	3,626,216	-	-	3,626,216	1,681,346	5,307,562
Transfer of interest in subsidiary (note 13)		-	-	3,080,684	-	401,585	3,482,269	2,572,122	6,054,391
Net loss for the year		-	-	-	(3,678,821)	-	(3,678,821)	(168,837)	(3,847,658)
Other comprehensive income for the year		-	-	-	-	2,871,547	2,871,547	956,323	3,827,870
Balance - December 31, 2015	**307,485,383**	**$ 48,411,260**	**$ 43,511**	**$ 16,178,270**	**$ (32,088,027)**	**$ 3,333,162**	**$35,878,176**	**$ 6,809,728**	**$ 42,687,904**

The accompanying notes are an integral part these Consolidated Financial Statements.

TRUE NORTH GEMS INC.
Consolidated Statements of Loss
(Expressed in Canadian dollars)

	For the year ended December 31, 2015	2014
Operating expenses		
Audit and related services	$ 119,625	$ 71,014
Corporate financial services fees	-	76,125
Corporate secretarial and accounting	272,276	166,986
Depreciation	8,969	6,243
Directors fees	121,926	54,000
Exploration and evaluation expenditures (recoveries)	(10,335)	(3,072)
Farmout receipts	-	(14,500)
Foreign exchange gain	(510,438)	(70,505)
General and administrative	292,203	184,776
Investor relations	240,301	176,372
Legal fees	49,397	9,448
Rent and occupancy costs	354,379	137,641
Revision in reclamation estimate	(81,772)	-
Salaries	929,533	302,342
Share-based compensation	620,084	24,342
Transfer agent and filing fees	35,323	19,345
Travel	222,318	81,309
Operating loss	(2,663,789)	(1,221,866)
Other income (expenses)		
Interest and other income	737	2,716
Borrowing costs	(19,009)	(151,722)
Loss before income taxes	(2,682,061)	(1,370,872)
Income tax expense	(1,165,597)	(258,000)
Net loss for the year	$ (3,847,658)	$ (1,628,872)
Loss attributable to :		
Shareholders	$ (3,678,821)	$ (1,607,015)
Non-controlling interest	(168,837)	(21,857)
	$ (3,847,658)	$ (1,628,872)
Loss per share - basic and fully diluted	$ (0.01)	$ (0.01)
Weighted average number of common shares - basic and fully diluted	302,503,593	272,401,394

The accompanying notes are an integral part these Consolidated Financial Statements.

TRUE NORTH GEMS INC.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	For the year ended December 31,	
	2015	**2014**
Net loss for the year	$ (3,847,658)	$ (1,628,872)
Items that may be reclassified subsequently to net loss		
Exchange rate differences on translation from functional to presentation currency	3,960,110	-
Unrealized gain (loss) on available-for-sale investments, net of income tax recovery $19,760 (2014: $13,000)	(132,240)	(87,000)
Comprehensive loss for the year	$ (19,788)	$ (1,715,872)
Comprehensive income attributable to:		
Shareholders	$ (584,578)	$ (1,694,015)
Non-controlling interest	564,790	(21,857)
	$ (19,788)	$ (1,715,872)

The accompanying notes are an integral part these Consolidated Financial Statements.

TRUE NORTH GEMS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the year ended December 31, 2015	2014
Operating activities		
Net loss for the year	$ (3,847,658)	$ (1,628,872)
Adjustments for:		
Borrowing costs	19,009	19,675
Deferred income tax expense	1,165,597	258,000
Depreciation	8,969	6,243
Farmout receipts - non-cash	-	(4,500)
Revision in reclamation estimate	(81,772)	-
Share-based compensation	620,084	24,342
Unrealized foreign exchange loss - translation	(201,407)	(40,041)
	(2,317,178)	(1,365,153)
Changes in non-cash working capital items (note 15)	(148,780)	(180,901)
Reclamation expenditures	-	(402,704)
Cash provided by (used in) operating activities	(2,465,958)	(1,948,758)
Investing activities		
Purchase of property, plant and equipment	(5,099,175)	(769,451)
Restricted cash - reclamation	-	(1,662,570)
Exploration and evaluation expenditures	(40,878)	(2,143,856)
Changes in working capital items relating to investing activities	-	(100,545)
Return of cash held as security	28,066	-
Cash provided by (used in) investing activities	(5,111,987)	(4,676,422)
Financing activities		
Debt advances	-	642,397
Shares and warrants issued for cash	-	4,500,000
Capital raising costs	-	(43,486)
Warrants exercised	1,000,000	-
Options exercised	265,500	-
Non-controlling interest - equity investment	5,307,562	3,251,626
Cash provided by (used in) financing activities	6,573,062	8,350,537
Increase (decrease) in cash and cash equivalents	(1,004,883)	1,725,357
Effect of exchange rate changes on cash and cash equivalent	60,798	(7,460)
Cash and cash equivalents - beginning of the year	1,988,992	271,095
Cash and cash equivalents - end of the year	**$ 1,044,907**	**$ 1,988,992**

Supplemental disclosure of non-cash investing and financing activities (Note 16)

The accompanying notes are an integral part these Consolidated Financial Statements.

1. Nature of operations and going concern

True North Gems Inc. (the "Company") was incorporated in the Yukon Territory under the Business Corporations Act on May 25, 2001. The Company's corporate office is located at Suite 700, 1055 West Georgia Street, Vancouver, BC V6E 3P3. The Company and its subsidiary (collectively referred to, as the "Company") are engaged in exploration and development of coloured gemstone deposits in Greenland and Canada.

The Company, through a controlled subsidiary, owns the Aappaluttoq Ruby and Pink Sapphire Deposit located in SW Greenland for which the Company was awarded an exploitation (mining) licence in March of 2014. Additionally, the Company has a portfolio of exploration and evaluation assets in Greenland and in Canada that it is currently exploring.

These Consolidated Financial Statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2015, the Company incurred a net loss attributable to shareholders totaling $3,678,821. The accumulated deficit at December 31, 2015 is $32,088,027. At December 31, 2015, the Company had working capital deficiency of $1,055,968. These conditions cast significant doubt on the Company's ability to continue as a going concern.

Based on the Company's financial position at December 31, 2015, available funds are not considered adequate to meet requirements for fiscal 2016 based on budgeted and committed expenditures for operations, mine development, project commissioning and project exploration. To meet fiscal 2016 expenditure requirements, the Company is dependent upon its ability to access financial resources through the issuance of securities, sale of the Company's investments, or obtaining debt financing. There can be no assurances that the Company will be successful in accessing these financial resources.

If the going concern basis was not appropriate for these Consolidated Financial Statements, then adjustments would be necessary to the carrying value of the assets and liabilities, the reported amount of expenses and the classifications used on the statement of financial position. Such adjustments could be material.

2. Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Board of Directors on April 28, 2016.

3. Significant accounting policies

a) Basis of presentation

The Consolidated Financial Statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of Consolidated Financial Statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4.

b) Basis of consolidation

These Consolidated Financial Statements include the accounts of the Company and its subsidiary. All inter-entity balances and transactions have been eliminated.

A subsidiary is an entity controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has the rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. A subsidiary is fully consolidated from the date on which control is obtained by the Company and de-consolidated from the date that control ceases.

(Expressed in Canadian dollars, except as otherwise noted)

The following entity has been consolidated within the Consolidated Financial Statements:

Subsidiary	**Jurisdiction of Incorporation & Domiciled**	**Functional Currency**
True North Gems Greenland A/S	Greenland	USD

The change in ownership interest and voting control in the subsidiary is set out below:

	Class A Shares	Ownership Interest	Voting Control
Balance – December 31, 2013	499,000	99.39%	99.94%
Shares issued (i)	75,033,334	-	-
Shares issued (ii)	-	-7.00%	-7.04%
Balance – December 31, 2014	75,532,334	92.39%	92.90%
Shares sold (iii)	(5,722,940)	-7.00%	-7.04%
Shares transfered (iv)	(8,175,628)	-10.00%	-10.06%
Balance – December 31, 2015	61,633,766	75.39%	75.80%

(i) On October 3, 2014, True North Gems Greenland A/S ("TNGG") issued the Company 75,033,334 Class A Shares in consideration for expenditures incurred on the Greenland Properties up to December 31, 2013.

(ii) On October 30, 2014, LNS Greenland A/S (with LNS Denmark APS are collectively the "LNS Group") acquired a 7% equity interest in TNGG by investing US$3,000,000 (CAD $3,251,627) and were issued 5,722,939 Class A shares from treasury (Note 14).

(iii) On August 25, 2015, the Company entered into a share purchase and option agreement (the "Share Purchase Agreement") with Greenland Venture A/S ("Greenland Venture"), under which Greenland Venture purchased 7% of the issued and outstanding Class A shares of TNGG from the Company for a purchase price of $5,307,562 (US$4,000,000) (Note 14).

(iv) On October 14, 2015, the Company transferred 10% of the Class A shares of TNGG to the LNS Group as they achieved the 75% project completion milestone (Note 14).

c) Foreign currency transactions

Transactions in currencies other than the functional currency of the reporting entity are recorded at rates of exchange prevailing on the dates of such transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated. The functional currency of the Company is Canadian dollars, and the functional currency of the Company's subsidiary, TNGG, is US dollars.

d) Cash and cash equivalents

Cash is cash on deposit with banks and cash `equivalents are money market investments with maturities on date of acquisition of 90 days or less. Cash and cash equivalents are designated as loans and receivables.

e) Accounts receivable

Accounts receivable are stated at carrying value, which approximates fair value due to short terms to maturity, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due.

f) Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition less accumulated depletion or depreciation and impairment losses, if any. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, including gaining access to the mineral resource, along with the future cost of dismantling and removing the asset. Depreciation is provided for on a declining balance and straight-line basis at rates calculated to write off the cost less estimated residual value of each asset over it expected useful life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life. Construction in progress is not depreciated; rather it is deferred until the asset is ready for use, at which point the deferred amount is transferred to the appropriate asset category and depreciated.

Depletion
Mineral property costs are not depleted until the properties to which they relate are put into commercial production at which time the costs will be depleted on a unit-of-production basis over the estimated resources and or ore reserves.

Depreciation
The depreciation rates applicable to each category of asset are as follows:

Computer equipment and software	30% declining balance
Laboratory and gem processing equipment	20% declining balance
Office furniture and equipment	20% declining balance
Plant and equipment	3 or 10 years straight line

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use are capitalized as part of the cost of the asset. Capitalization of borrowing costs begins when there are borrowings and activities commence to prepare an asset for its intended use. Capitalization of borrowing costs ends when substantially all activity necessary to prepare a qualifying asset for its intended use is complete.

g) Exploration and evaluation assets

Exploration and evaluation expenditures are capitalized once the legal right to explore a mineral property interest has been acquired. Exploration and evaluation expenditures are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, claim maintenance and exploration and evaluation of mineral property interests together with any incidental revenues are capitalized and deferred until the commercial viability of the asset is established, sold, abandoned or impaired. The depreciation of property and equipment assets in connection with exploring or evaluating a mineral property interest of this nature will be included in the cost of the intangible asset.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, expenditures are reclassified to mine construction and development costs within property, plant and equipment and carried at cost until the properties to which they relate are placed into commercial production, sold, abandoned or determined by management to be impaired.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as:

- The extent to which mineral reserves or mineral resources, as defined in National Instrument 43-101, have been identified through a pre-feasibility study;
- Status of mining licences;
- Status of operating and environmental permits;
- Status of other agreements to allow mining operations; such as, Income Benefit Agreements; and,
- Status of construction financing.

Exploration and evaluation assets are assessed for impairment when reclassified to mine construction and development costs, or when facts and circumstances indicate the carrying amount may exceed its recoverable amount. An impairment loss is recognized for the amount by which the exploration and evaluation assets' carrying value exceeds it recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal ("FVLCD") or their value in use.

From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are recorded in the statement of loss.

h) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

i) There is a change in contractual terms, other than a renewal or extension of the arrangement;
ii) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
iii) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
iv) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (iii) or (iv) and at the date of the renewal or extension period for scenario (ii).

Company as a lessee
Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the commencement of the lease term (the date from which the lessee is entitled to exercise its right to use the leased asset) at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership.

Operating lease payments are recognized as an expense in the statement of operations on a straight line basis over the lease term.

i) Impairment of non-financial assets

At each reporting date, the Company reviews its long-lived assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of FVLCD and the asset's value in use. FVLCD is the amount that would be obtained from the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties less costs of disposal. For mineral assets, when a binding sale agreement is not readily available, FVLCD is often estimated using a discounted cash flow approach. In assessing value in use, the estimated future flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves or resources, future commodity prices and future operating, capital and reclamation costs. The discount rate applied to estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset. Determining the discount rate includes appropriate adjustments for the risk profile of the countries in which the individual CGU operates. If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the statement of income (loss).

Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment charge subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount but only so that the increased carrying amount does not exceed the carrying amount that would have been determine (net of depreciation, depletion or amortization) had no impairment loss been recognized for the asset in prior years. A reversal of impairment is recognized as a gain in the statement of income (loss).

j) Provisions for site restoration

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company.

On initial recognition, the estimated net present value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-financial asset or charged to statement of income (loss) if the property has been written off. Discount rates using a pre-tax rate that reflects the time value of money and the risk associated with the liability ae used to calculate the net present value. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation.

k) Income taxes

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

Current tax expense is the expected payable on the taxable income for the period using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising between the carrying amounts of net assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the liability method. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable loss. Deferred tax is also not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using rates enacted or substantively enacted at the financial position date.

l) Share-based payment transactions

The Company grants stock options to directors, officers, employers and service providers. Each tranche in an award is considered a separate award with its own vesting period and fair values. The Company applies the fair-value method of accounting for share-based payments. The fair value is calculated using the Black-Scholes option pricing model.

Share-based payments for employees and others providing similar services are determined based on the grant date fair value. Share-based payments for non-employees is determined based on the fair value of the goods or services received or option granted measured at the date on which the Company obtains the goods or services.

Compensation expense is recognized over each tranche's vesting period, in the consolidated statement of loss or capitalized as appropriate, based on the number of awards that vest less the estimated forfeitures. The number of forfeitures likely to occur is estimated on the grant date. If stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

The Company may also issue common shares for the acquisition of exploration and evaluation assets. The shares will be recorded at the market price of the shares on the stock exchange where the Company's shares are traded at date of issuance, which is usually the date of approval of the transaction by the stock exchange.

m) Share capital

Proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised.

Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value reduced by an estimate of transaction costs incurred when such shares are issued for cash.

On a unit offering, the Company prorates the proceeds between the relative fair values of the shares issued and the Black-Scholes value of the warrants issued.

n) Financial assets

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

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Cash and cash equivalents, certain of the Company's investments and accounts receivable have been designated as loans and receivables and are initially recorded at fair value. After initial measurement, loans and receivable are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization period.

Available-for-sale – Non-derivative financial assets not included in loans and receivables are classified as available-for-sale. Certain of the investments have been designated as available-for sale and are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale asset constitutes objective evidence of impairment, the amount of the loss is removed from other comprehensive income (loss) and recognized in the statement of loss.

All financial assets are subject to review for impairment at each reporting date. The Company assesses at each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which is described above.

o) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

The Company classifies its financial liabilities as other financial liabilities. This category includes accounts payable and debt consisting of Class B shares in TNGG and loans payable, all of which are initially recognized at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest method.

p) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted and warrants outstanding.

When a loss is incurred during the reporting period, the exercise of options and warrants is considered anti-dilutive and the basic and diluted losses per share are the same.

q) Segment reporting

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

r) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

s) Adoption of IFRS pronouncements

The IFRS pronouncements that have been issued but are not yet effective are listed below. The Company plans to apply the new standards or interpretations in the annual period for which it is first required.

IFRS 9 – Financial instruments - classification and measurement

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“OCI”) and fair value though profit and loss (“FVTPL”). There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI for liabilities designated as FVTPL. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has yet to assess the full impact of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 addresses revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue and IAS 11, Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after

January 1, 2018, with early adoption permitted. The Company currently does not have any revenue however, prior to commencement of commercial production, the Company will assess the impact of IFRS 15.

IFRS 16 - Leases

IFRS 16 addresses accounting for leases and lease obligations. It replaces the existing leasing guidance in IAS 17, Leases. The objective of the new standard is to report all leases on the statement of financial position and to define how leases and lease liabilities are measured. IFRS 16 is effective January 1, 2019 with early adoption permitted for companies that also apply IFRS 15. The Company has not yet assessed the impact of this standard.

4. Significant accounting estimates and judgments

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company has identified the following accounting policies under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's statement of financial position within the next years. Actual results may differ from these estimates.

Investment in subsidiary –TNGG

TNGG is consolidated as a subsidiary. During the year ended December 31, 2014, the TSX Venture Exchange approved the Option Agreement dated August 7, 2013, as amended effective October 30, 2014, between the Company and the LNS Group under which the LNS Group was granted an option to earn a 20% interest of the issued and outstanding Class A shares of TNGG ("Option Agreement"). On October 14, 2015, the Company transferred 10% of the Class A shares of TNGG to the LNS Group as they achieved the 75% project completion milestone as per the Option Agreement.

On October 30, 2014, LNS Group invested US $3,000,000 into TNGG and were issued 5,722,939 Class A shares of TNGG from treasury representing a 7% equity interest (Note 14).

On August 25, 2015, the Company entered into the Share Purchase Agreement with Greenland Venture, under which Greenland Venture purchased 7% of the issued and outstanding Class A shares of TNGG from the Company for a purchase price of $5,307,562 (US$4,000,000).

After the above noted transactions, as at December 31, 2015, the Company retains 75.4% ownership and 75.8% of the voting rights of TNGG.

A subsidiary is an entity controlled by a company. Management reviewed the following criteria to determine whether the Company had control over TNGG:

- the Company's power over TNGG;
- the Company's exposure, or rights, to variable returns from its involvement with TNGG; and,
- the Company's ability to use its power over TNGG to affect the amount of its return.

In reviewing the rights granted to the Company set out in the Shareholders' Agreement; it was concluded that the Company holds the substantive rights to direct the primary activities of TNGG, which affects the risks and reward from the Aappaluttoq Ruby and Pink Sapphire Deposit thus controlling the entity.

(Expressed in Canadian dollars, except as otherwise noted)

Deposit on finance lease obligation

The value associated with the Company's transfer of 10% of the Class A shares of TNGG to the LNS Group was determined based upon the difference between the budgeted cost of infrastructure to be contributed by the LNS Group to achieve their earn-in and the net present value of the total lease payments to be made to the LNS Group over the course of the mine life.

Exploration and evaluation assets – impairment assessment

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that the future economic benefits are probable either from future exploitation or sale or where activities have not reached a stage, which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after and expenditures is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of loss in the period when the new information becomes available.

Financial liability – put option (note 10(a))

The determination of the fair value of the financial liability relating to the put option involves significant judgment. On initial recognition, the fair value of the financial liability is based on the expected fair value of the resources given up in the future to settle the liability. Judgment was required by management in determining that the put option related to the Class B shares held by Greenland Venture does not result in the transfer of risks and rewards of ownership and therefore it is accounted for as a financial liability.

Site restoration and environmental provisions

The Company has accounted for site restoration and environmental provision based on facts and circumstances that existed as at December 31, 2015. The Company reviews facts and circumstances surrounding its exploration program, existing laws, contracts and other policies. A material reclamation obligation involves a number of estimates relating to timing, type of costs and associated contract negotiations and a review of potential methods and technical advancements.

5. Investments

	December 31, 2015			December 31, 2014
	Cost	**Accumulated unrealized holding gain (loss)**	**Carrying value**	**Carrying value**
0.8% Term deposit maturing July 9, 2015	$ -	$ -	$ -	$ 27,950
Endurance Gold Corporation	175,000	(75,000)	100,000	250,000
Pacific Ridge Explorations Ltd.	12,000	(8,000)	4,000	6,000
	$187,000	**$ (83,000)**	**$ 104,000**	**$ 283,950**

(Expressed in Canadian dollars, except as otherwise noted)

6. Property, plant and equipment

	Mine construction and development costs	Plant and equipment - in construction	Computer equipment and software	Laboratory and gem processing equipment	Office furniture and equipment	Plant and equipment - exploration	Total
Cost							
Balance - December 31, 2013	$ -	$ -	$ 114,620	$ 6,061	$ 3,828	$ 1,193,193	$ 1,317,702
Reclassification from exploration and evaluation assets	23,235,882	-	-	-	-	-	23,235,882
Additions	904,691	351,922	5,588	7,573	-	-	1,269,774
Capitalized interest	29,870	-	-	-	-	-	29,870
Provision for reclamation (note 11)	64,475	-	-	-	-	-	64,475
Balance - December 31, 2014	24,234,918	351,922	120,208	13,634	3,828	1,193,193	25,917,703
Additions	2,359,788	5,403,158	5,461	-	-	-	7,768,407
Capitalized depreciation	92,731	-	-	-	-	-	92,731
Capitalized interest	294,156	-	-	-	-	-	294,156
Effect of translation	3,811,996	-	-	-	-	157,780	3,969,776
Provision for reclamation (note 11)	1,306,485	-	-	-	-	-	1,306,485
Balance - December 31, 2015	$ 32,100,074	$ 5,755,080	$ 125,669	$ 13,634	$ 3,828	$ 1,350,973	$ 39,349,258
Accumulated depreciation							
Balance - December 31, 2013	$ -	$ -	$ 90,108	$ 5,055	$ 1,302	$ 747,554	$ 844,019
Depreciation	-	-	7,892	1,098	506	121,514	131,010
Balance - December 31, 2014	-	-	98,000	6,153	1,808	869,068	975,029
Depreciation	-	-	7,164	1,496	308	92,731	101,699
Effect of translation	-	-	-	-	-	105,939	105,939
Balance - December 31, 2015	$ -	$ -	$ 105,164	$ 7,649	$ 2,116	$ 1,067,738	$ 1,182,667
Carrying amount - December 31, 2014	**$ 24,234,918**	**$ 351,922**	**$ 22,208**	**$ 7,481**	**$ 2,020**	**$ 324,125**	**$ 24,942,674**
Carrying amount - December 31, 2015	**$ 32,100,074**	**$ 5,755,080**	**$ 20,505**	**$ 5,985**	**$ 1,712**	**$ 283,235**	**$ 38,166,591**

Mine construction and development costs

Aappaluttoq Ruby and Pink Sapphire Project

The property is located in southwest Greenland, south of the capital Nuuk. The site of the Aappaluttoq Ruby and Pink Sapphire Project is located on Exploitation Licence 2014/21, which is registered with the Government of Greenland to TNGG. This licence is a 30-year exclusive mining licence covering an area of approximately 20 square kilometres granted on March 14, 2014 and expiring on March 7, 2044.

7. Restricted cash – reclamation

Pursuant to the terms of the Escrow and Pledge Agreement dated September 22, 2014 between TNGG, the Government of Greenland and the Bank of Greenland, TNGG is required to place DKK 22,505,500 ($4,532,647) into an escrow account based on stages of the construction activity at the Aappaluttoq project. The funds are being held at the Bank of Greenland, as security for the fulfillment of any abandonment (closure) obligations. As at December 31, 2015, DKK 8,823,307 ($1,777,012) (2014: DKK 8,822,197 ($1,662,973)) is being held in escrow in compliance with the government requirements for the stage of construction.

8. Deposit on finance lease obligation

As prescribed by the Option Agreement and Amendment No.1 to the Option Agreement (Note 14) between the LNS Group and the Company, the LNS Group is required to complete the majority of the Aappaluttoq mine construction. Upon reaching 50% and 75% construction completion milestones, 5% of shares in the Company's subsidiary TNGG were to be transferred from the Company to LNSG for each milestone. An additional 10% is to be transfer upon construction completion. Concurrently, the Company entered into the Lease and Purchase Agreement and the Amendment No.1 to the Lease and Purchase Agreement in fiscal 2013 and 2014 respectively.

(Expressed in Canadian dollars, except as otherwise noted)

The Option Agreement and Lease and Purchase Agreement represent the acquisition of a finance lease from LNSG for consideration of an additional 20% interest in TNGG and the present value of lease payments for mining equipment. The value assigned to the Option Agreement was determined to be the difference between the present value of the lease payments and the estimated value of the leased assets.

On October 14, 2015, the Company received notification from the LNS Group that 75% of the construction and infrastructure had been completed at the Aappaluttoq mine, triggering the transfer of 10% of TNGG shares from the Company to the LNS Group. As the interest in TNGG transferred to the LNS Group on these construction milestones forms part of the consideration of the Lease and Purchase Agreement, the value attributable to TNGG equity issued has been accounted for as lease prepayments. The total value attributed to the Option Agreement is US$8,749,119 of which US$4,374,559 ($6,054,391) was recognized at the date the shares were transferred. As the Company retained control of TNGG in this transaction, it was accounted for as a reallocation of equity between the controlling interest and the non-controlling interest.

9. Exploration and evaluation assets

The following table details the expenditures on exploration and evaluation assets by area of interest:

Areas of Interest	**Greenland Property**	**Baffin Island Property**	**Other Yukon Properties**	**Total**
Balance - December 31, 2013	$ 23,089,657	$ 903,625	$ 1	$ 23,993,283
Total acquisition costs for the year	895,576	-	-	895,576
Exploration expenditure				
Camp construction and operation	254,568	-	-	254,568
Licence and application fees	283,012	-	-	283,012
Other	111,517	-	-	111,517
Permitting	35,288	-	-	35,288
Plant and equipment - depreciation	94,388	-	-	94,388
Technical services	439,161	-	-	439,161
Travel	117,244	-	-	117,244
Total exploration for the year ended December 31, 2014	1,335,177	-	-	1,335,177
Total expenditures before the following:	25,320,410	903,625	1	26,224,036
Gemstone test marketing study	57,492	-	-	57,492
Reclassification to mine construction and development costs (Note 6)	(23,235,882)	-	-	(23,235,882)
Balance - December 31, 2014	2,142,020	903,625	1	3,045,646
Effect of translation	346,304	-	-	346,304
Licence and application fees	40,427	-	-	40,427
Technical services	451	-	-	451
Balance - December 31, 2015	**$ 2,529,202**	**$ 903,625**	**$ 1**	**$ 3,432,828**

(Expressed in Canadian dollars, except as otherwise noted)

Greenland Property

The property consists of the following:

Licences	**Licence Renewal Date**	**2016 Exploration Obligation**		**Surplus Expenditures - December 31, 2015**	
Exploration Licences		DKK	CAD	DKK	CAD
Fiskenaesset - Licence 2008/46	December 31, 2015	-	$ -	14,935,681	$ 3,008,072
Qaqqatsiaq - Licence 2008/01	December 31, 2017	-	$ -	918,318	$ 184,951
Manitsoq - Licence 2014/47	December 31, 2018	832,040	$ 167,574	830,468	$ 167,258

Surplus expenditures on the exploration licences may be carried forward and credited against the calculated exploration commitment in future years, which is subject to confirmation by the Mineral Licencing and Safety Authority ("MLSA").

Fiskenaesset – Licence 2008/46 was obtained by the Company satisfying all the terms of an option agreement with Brereton Engineering and Developments Ltd. These terms were fulfilled on November 1, 2014. The Qaqqatsiaq - Licence 2008/01 and Maniitsoq - Licence 2014/47 are not subject to any agreements, royalties or encumbrances.

The Fiskenaesset - 2008/46 exploration licence was subject for renewal by December 31, 2015. An application was lodged and acknowledged by the Government prior to the required date. A renewed prospecting licence was also applied for in late 2015. The Company is awaiting the final paperwork from the Government of Greenland confirming the renewals of these licences. Although the Company has followed protocol in making the application for renewals and believes the renewals will be granted, there is no assurance the Government approval will be received. If the licences are not renewed, it could result in a material change in the financial position of the Company.

Baffin Island Property

The property is located on southeastern Baffin Island, Nunuvut, near the town of Kimmirut. The Company holds a 100% interest in 10 claims, NAIP I to NAIPI 10, which 2 claims are subject to a 2% Net Smelter Returns royalty and a 2% Gross Overriding royalty. Conversion of NAIPI 1 TO NAIPI 4 claims to a mining lease was initiated in 2011 and the lease applications are still underway.

Other Yukon Properties

a) Tsa da Glisza Property

Pursuant to an agreement dated March 7, 2002 with Expatriate Resources Ltd., the Company acquired 100% of the Tsa da Glisza Property. The property consists of 93 claims located in the Watson Lake Mining District, Yukon Territory. There has been no recent exploration activity on this property.

b) True Blue Property

The property consists of 301 claims located 55 kilometres south of Ross River, Yukon.

(Expressed in Canadian dollars, except as otherwise noted)

10. Loans payable

	December 31, 2015	December 31, 2014
Current debt (a)	$ -	$ 631,475
Non-current debt		
Equity investment - Class B shares (b)(i)	$ 151,533	$ 122,977
Term loan (b)(ii)	-	754,000
Revised term loan (c)	1,773,214	-
Non-current debt	$ 1,924,747	$ 876,977

a) TNGG had a credit facility of up to DKK 3,300,000 (December 31, 2014: $631,475) from Greenland Venture with repayment guaranteed by the Company (the "Guarantor"). The Guarantor unconditionally and irrevocable guaranteed repayment to Greenland Ventures of loan principal, accrued interest, any costs and expenses payable in connection with the loan. The loan principal and accrued interest thereon was replaced during the current year as disclosed below.

b) During the year ended December 31, 2013, a financial agreement was entered into with Greenland Venture whereby Greenland Venture contributed DKK 4,500,000 to TNGG by the following:

(i) 500 Class B shares with a par value of DKK 1,000 per share, currently representing a 0.61% ownership stake in TNGG. The Class B shares have preferential right to dividends of 10% per annum calculated on the basis of their nominal value, meaning that the B-shares shall receive its preferential dividends before any dividends are paid to the A-shares. The preferential right is cumulative and is transferred to later years if no dividends are declared. The DKK 500,000 equity component is considered a financial liability for accounting purposes based on features of the put option granted to Greenland Venture's exercisable on or after fifth anniversary date of the funding of the final draw (June 14, 2013). The expected settlement amount of the obligation is anticipated to be DKK 750,000 and the premium of DKK 250,000 is being accreted over the term as a borrowing cost and the 10% annual cumulative dividend is being accrued as a borrowing cost; and,

(ii) DKK 4,000,000 term loan bearing interest at the rate of 10% per annum payable annually in arrears. The principal balance of DKK 4,000,000 and any accrued interest thereon was to be repayable on the fifth anniversary date of the funding of the final draw (June 14, 2013) on the credit facility (the "Maturity Date") with repayment guaranteed by the Company, however this term loan was replaced during the current year , as disclosed below.

c) On August 25, 2015, TNGG and Greenland Venture entered into a revised loan agreement which replaced and consolidated the above noted credit facility and term loan (the "Consolidated Loan"). As of July 31, 2015 (the "Consolidation Date"), the Consolidated Loan principal amount outstanding was DKK 7,909,255. The Consolidated Loan bears interest at a rate of 2% per month, and the principal and accrued interest is repayable on the second anniversary of the Consolidation Date (July 31, 2017). As with the previous loan agreements, the Company has unconditionally and irrevocably guaranteed repayment to Greenland Ventures of the loan principal, accrued interest, and any costs and expenses payable in connection with the loan.

11. Provision for reclamation

The Company has an obligation under various agreements to reclaim and restore the lands disturbed by its exploration and mine development activities. Changes to the provision are as follows:

	Greenland Property	Baffin Island Property	Tsa da Glizsa	Total
Balance - December 31, 2013	$ 190,000	$ 28,500	$ 484,476	$ 702,976
Expenditures	-	-	(402,704)	(402,704)
Revision in estimates	64,475	-	-	64,475
Balance - December 31, 2014	254,475	28,500	81,772	364,747
Effect of translation	23,049	-	-	23,049
Revision in estimates	1,306,485	-	(81,772)	1,224,713
Balance - December 31, 2015	**$ 1,584,009**	**$ 28,500**	**$ -**	**$ 1,612,509**

The Company's provision for reclamation recorded in the years ended December 31, 2015 and 2014 includes the decommissioning and closure of the Aappaluttoq Ruby and Pink Sapphire Deposit that is currently being developed into a mine. The expected timing of the cash flows in respect of the provision is based on the life of the mining operations. The provision is calculated as the present value of future net cash outflows based on an inflation rate of 0.4% (2014 – 1.9%) and discount rate of 0.95% (2014 – 0.84%). The discount rate is a risk-free rate determined based on the Denmark 10 year bond yield. The inflation rate used in determining the present value of the future cash outflows is based on the Denmark inflation rate as the majority of the expenditures are expected to be incurred in Danish krone.

During the period, the Company received the final inspection report from the Yukon government recommending a certificate of completion of reclamation at the Tsa da Glizsa property, therefore the provision has been revised to $Nil, as no further expenditures are expected to be incurred.

12. Finance lease obligation

	December 31, 2015			December 31, 2014
	Future minimum lease payments	Interest	Present value of minimum lease payments	Carrying value
Less than 1 year	$ 154,677	$ (829)	$ 153,848	$ -
Between 1 and 5 years	618,706	(18,355)	600,351	-
More than 5 years	64,449	(3,271)	61,177	-
	$ 837,831	**$ (22,455)**	**$ 815,376**	**$ -**

On June 1, 2015, the Company entered into a finance lease agreement. The agreement is for 72 months (6 years), without any possibility of termination unless the remaining lease obligations are paid in full. The monthly lease payment is DKK 64,000 ($12,890), with an implicit interest rate of 0.99% per annum. At the end of the term, the Company has the option to buy the equipment for DKK 1,000 ($201).

The equipment under finance lease has been recognized in property, plant and equipment at the present value of minimum lease payments. Interest charges on lease equipment during the year were approximately $5,112. Other than interest, no costs were incurred relating to the lease. The lease is secured by the assets under lease. At December 31, 2015, the net carrying amount of the leased equipment is DKK4,496,505 ($910,499).

(Expressed in Canadian dollars, except as otherwise noted)

13. Equity

a) Authorized

An unlimited number of common shares without par value are authorized for issue

b) Private placements

i. The Company completed a non-brokered private placement of 16,667,667 units at a price of $0.09 that closed on January 8, 2014. The gross proceeds of the unit placement totaled $1,500,000. Each unit comprised of one common share and one-half share purchase warrant, each whole share purchase warrant entitling the holder to acquire one common share for a period of two years at a price of $0.12 per share.
ii. The Company completed a non-brokered private placement of 28,571,428 shares at a price of $0.105 that closed on October 30, 2014. The gross proceeds of the placement totaled $3,000,000.

c) Reserves

Reserves consist of share purchase warrants and the accumulated fair value of common share stock options recognized as share-based compensation.

i) Warrants

	December 31, 2015		December 31, 2014	
	Number of warrants	Amount	Number of warrants	Amount
Opening balance	9,313,990	$ 306,357	$ 980,656	$ 43,511
Warrants issued	-	-	8,333,334	262,846
Warrants exercised	(8,333,334)	(262,846)	-	-
Closing balance	**980,656**	**$ 43,511**	**9,313,990**	**$ 306,357**

The fair value of the 8,333,334 warrants issued in connection with the unit private placement completed during the year ended December 31, 2014 totaled $262,846.

The warrants were valued using the Black-Scholes valuation model, using the following assumptions:

Warrant term	Volatility	Dividend Yield	Risk-free interest rate	Warrants issued	Fair value	Warrant issue costs	Net
2 years	126.01%	0%	1.12%	833,334	$ 264,959	$ 2,113	$ 262,846

At December 31, 2015, the following share purchase warrants are outstanding:

Number of warrants outstanding	Exercise price	Expiry date
166,667	$0.09	April 4, 2016
813,989	$0.09	June 13, 2016
980,656		

ii) Stock options

On June 23, 2015, the shareholders approved the Stock Option Plan (the "Plan"), for which up to 10% of the issued share capital can be reserved for issuance to executive officers, directors, employees and consultants. The exercise price of the options is set at the Company's closing share price on the day before the grant date less the applicable discount permitted under the TSX Venture Exchange policies. The options have a maximum term of five years and vest at date of grant. At December 31, 2015, 11,798,538 options are available for future grant under the Plan.

(Expressed in Canadian dollars, except as otherwise noted)

Stock option transactions for the years ended December 31, 2015 and 2014 and the number of stock options outstanding and exercisable are summarized for the respective financial period ends as follows:

	December 31, 2015		December 31, 2014	
	Number of options	Weighted Average Exercise Price of Options Exercisable	Number of options	Weighted Average Exercise Price of Options Exercisable
Opening balance	18,800,000	$0.13	24,000,000	$0.13
Options granted	7,800,000	$0.16	300,000	$0.12
Options exercised	(1,920,000)	$0.14	-	-
Options expired	(5,430,000)	$0.15	(4,950,000)	$0.15
Options forfeited	(300,000)	$0.12	(650,000)	$0.14
Closing balance	**18,950,000**	**$0.13**	**18,700,000**	**$0.13**

The fair value of the 7,800,000 options granted during the year ended December 31, 2015 resulted in a compensation expense of $760,816 ($620,084 was charged to operations and $140,732 was charged to mine construction and development costs).

The options were valued using the Black-Scholes valuation model with the following assumptions:

Expected life	Volatility	Dividend yield	Risk-free interest rate	Options granted	Fair value
5 years	75.15%	0%	0.78%	7,100,000	$ 689,103
5 years	75.32%	0%	0.74%	500,000	55,736
5 years	71.59%	0%	0.82%	200,000	15,977
				7,800,000	$ 760,816

The fair value of the 300,000 options granted during the year ended December 31, 2014 resulted in a compensation expense of $24,342 that was charged to operations. The options were valued using the Black-Scholes valuation model with the following assumptions:

Expected life	Volatility	Dividend yield	Risk-free interest rate	Options granted	Fair value
5 years	85.81%	0%	1.62%	300,000	$ 24,342

At December 31, 2015, stock options outstanding are as follows:

Number of options outstanding and exercisable	Range of exercise prices	Weighted Average Exercise Price of Options Exercisable	Weighted Average Remaining Contractual Life
3,250,000	$0.10	$0.10	1.98
7,400,000	$0.12	$0.12	2.89
8,300,000	$0.15-$0.17	$0.16	3.90
18,950,000	$0.13	$0.13	3.18

14. Non-controlling interest

LNS Group

In August 2013, the LNS Group acquired from the Company 1 Class A share with a par value of DKK 1,000 representing a 0.02% ownership stake in TNGG. On October 30, 2014, the LNS Group acquired a 7% equity interest in TNGG by investing US$3,000,000 (CAD $3,251,627) and were issued 5,722,939 Class A shares from treasury. As a result of the issue of additional shares by TNGG, there was a dilution gain on the Company's ownership interest of $1,459,470 that was recorded in the Consolidated Financial Statements for the year ended December 31, 2014.

In addition to the above arrangement, the Company and the LNS Group entered into an Option Agreement dated August 7, 2013, as amended effective October 30, 2014, whereby the LNS Group was granted the option to earn 20% of the issued and outstanding Class A shares of TNGG. To earn in, the LNS Group is contributing all infrastructure and engineering costs together with construction until operational status is achieved for the Aappaluttoq Ruby and Pink Sapphire mine. The earn in occurs as certain milestones of the project are achieved. On October 14, 2015, the Company transferred 10% of TNGG Class A shares (8,175,128 Class A shares) to the LNS Group as they achieved the 75% project completion milestone as per the Option Agreement. As a result of the transfer of shares to the LNS Group, the Company has recorded an increase to its non-controlling interest in the amount of $2,572,122 and a dilution gain of $3,080,684 for the year ended December 31, 2015.

In addition, the relationship between the Company and the LNS Group is governed by four additional agreements, which will be effective upon earn in, the TNGG Shareholders Agreement, the Lease and Purchase Agreement, the Management Agreement and the Pledge Agreement (whereby the Company has pledged the Class A TNGG shares, which may be earned by the LNS Group as security for the LNS Group's earn in expenditures).

The Shareholders' Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively formalize the procedural protocols for management of TNGG and grant certain rights to the LNS Group with respect to directing the relevant activities of TNGG. The Lease and Purchase Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively, is a nine year lease for the ore storage facility, two port facilities, mine operations camp, workshop, site roads, power plant and the fuel and explosive storage facility at the project. The lease commences once the LNS Group achieves operational status of all infrastructure. The lease fee is DKK 998,985 (approximately $0.2 million) per month for the first twelve months and escalates by 2.5% per annum thereafter. The Company has the right to acquire all of the leased assets at any time during the lease term for DKK 94,650,000 (approximately $19.1 million) of which all of the lease payments to date of exercise will be credited to the purchase price. After the lease term the Company may acquire all of the assets for DKK 8,000,000 (approximately $1.6 million). Additionally, the Company has the option to acquire only the primary crusher and processing facility assets at any time during the lease term for DKK 29,650,000 (approximately $6.0 million) of which the proportionate amount of lease payments to date of exercise for these assets will be credited to the purchase price. After the lease term the Company may acquire these assets for DKK 3,300,000 (approximately $0.7 million). The Management Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively governs all parties' cooperation, division of duties and each participant's obligations in respect of exploration, marketing and mining activities.

Greenland Venture

On August 25, 2015, the Company entered into a Share Purchase Agreement with Greenland Venture, under which Greenland Venture purchased 5,722,940 issued Class A shares (the "Purchased Shares") of TNGG from the Company for a purchase price of $5,307,562 (US$4,000,000). The Purchased Shares represented 7% of the issued and outstanding shares of TNGG. As a result of this transaction, since the Company still retained control of TNGG after the sale of a portion of its shareholdings, the proceeds have been allocated to equity attributable to common shareholders and non-controlling interest. A dilution gain of $3,626,216 was recorded on the transaction.

The Company has the option under the Share Purchase Agreement to repurchase 2,861,470 of the Purchased Shares, representing 3.5% of the issued and outstanding shares of TNGG, from Greenland Venture for three years from the closing of the share purchase. The repurchase price under the option is US$2,000,000, plus a premium of:

(Expressed in Canadian dollars, except as otherwise noted)

(i) US$1,000,000 if the Company exercises the repurchase option on or before the first anniversary of the closing of the share purchase;

(ii) US$2,500,000 if the Company exercises the repurchase option after the first anniversary but before or on the second anniversary of the closing of the share purchase; or

(iii) US$4,750,000 if the Company exercises the repurchase option after the second anniversary of the closing of the share purchase.

Should the Company exercise the repurchase option in the first year it will have the right to reacquire all 2,861,470 of the Purchased Shares. If the Company exercises the repurchase option in the second or third year, then LNS Group will have a pro-rata right to participate in the repurchase option up to its interest in TNGG.

Summary Financial Information

Set out below is summary financial information for TNGG that is material to the group. The amounts disclosed for TNGG are based on those amounts included in Consolidated Financial Statements before intercompany eliminations.

Summary of statements of financial position

		December 31, 2015		December 31, 2014
NCI percentage		**24.14%**		**7.04%**
Current assets	$	627,262	$	1,154,683
Less - current liabilities		(9,178,822)		(2,544,402)
		(8,551,560)		(1,389,719)
Non - current assets		48,287,352		27,669,231
Less - non-current liabilities		(5,812,297)		(1,376,452)
		42,475,055		26,292,779
Net assets	$	33,923,496	$	24,903,060
Accumulated NCI	$	6,809,728	$	1,768,774

Summary of statements of loss and comprehensive income (loss)

	For the year ended December 31,			
		2015		2014
Net loss for the year	$	(1,621,329)	$	(462,957)
Loss allocated to NCI	$	(168,837)	$	(21,857)
Comprehensive income (loss) for the year	$	2,338,782	$	(462,957)
Comprehensive income (loss) allocated to NCI	$	564,790	$	(21,857)

Summary of statements of cash flows

	For the year ended December 31,			
		2015		2014
Cash flows from operating activites	$	(1,001,783)	$	(287,158)
Cash flows from investing activites	$	(5,508,327)	$	(1,516,441)
Cash flows from financing activites	$	5,956,356	$	2,921,411

(Expressed in Canadian dollars, except as otherwise noted)

15. Income taxes

The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates as a result of the following:

	For the year ended December 31,	
	2015	**2014**
Statutory rates	26.00%	26.00%
Income tax recovery computed at statutory rates	$697,336	$332,976
Other permanent differences	(8,185)	(8,706)
Permanent differences on share-based compensation	(161,222)	(6,329)
Rate differences	191,325	949,006
Foreign exchange on tax values	(850,431)	(854,669)
Deferred tax benefits not recognized	(1,034,420)	(670,278)
Income tax expense	**($1,165,597)**	**($258,000)**

At December 31, 2015 and 2014, the deferred tax assets are not recognized on the following temporary differences as it is not likely that sufficient future taxable profits will be available to utilize such differences:

	December 31, 2015	**December 31, 2014**
Deferred tax assets		
Exploration and evaluation assets	$ -	$ 54,845
Financing costs	40,811	73,720
Non-capital loss carry forwards	11,340,972	10,445,116
Other	24,557	24,557
Unrealized gain on available-for-sale investments	-	17,940
Total gross deferred income tax assets	11,406,340	10,616,178
Deferred tax assets not recognized	(3,474,014)	(4,102,018)
	7,932,326	6,514,160
Deferred tax liabilities		
Exploration and evaluation expenditures	(65,427)	-
Property, plant and equipment	(9,306,139)	(6,759,160)
Unrealized loss on available-for-sale investments	(19,760)	-
	(1,459,000)	(245,000)
Effect of translation	(29,173)	-
Deferred tax liability	$ (1,488,173)	$ (245,000)

(Expressed in Canadian dollars, except as otherwise noted)

At December 31, 2015, the Company has Greenlandic and Canadian losses, which may be carried forward to apply against future year's income for income tax purposes, subject to final determination by taxation authorities, expiring as follows:

	Greenland	Canada
2027	-	1,564,811
2028	-	2,104,451
2029	-	1,273,826
2030	-	997,877
2031	-	1,217,072
2032	-	852,910
2033	-	1,331,821
2034	-	610,033
Indefinitely	29,177,478	-
	$ 29,177,478	$ 9,952,801

The Company has cumulative resource pools of $3,552,543, which can be carried forward indefinitely to offset future taxable income in Canada. The Company's unamortized share issue costs for tax purposes, which are available to reduce taxable income of years 2016-2018 amounts to $156,966. TNGG's unamortized acquisition costs for exploitation and exploration licences for tax purposes, which are available to reduce taxable income of years 2016-2017 amounts to $806,084 (DKK 4,002,366).

16. Supplementary disclosure of cash flow information

	For the year ended December 31, 2015	2014
Changes in non-cash working capital items		
Restricted cash	$ -	$ 25,807
Accounts receivable	12,153	(17,068)
Deposits and prepaid expenses	(12,836)	(17,214)
Accounts payable and accrued charges	(148,097)	(172,426)
	$ (148,780)	$ (180,901)

	For the year ended December 31, 2015	2014
Non-cash investing and financing activities		
Property, plant and equipment		
Shares issued - mine construction and development cost	$ -	$ 500,000
Depreciation	92,731	30,378
Effect of translation	(3,863,837)	-
Reclamation	(1,306,485)	64,475
Interest payable	(294,156)	-
Share-based compensation	(140,732)	-
Deposit on capital lease obligation	(6,054,391)	-
Exploration and evaluation assets		
Depreciation	-	94,388
Effect of translation	(346,304)	-
Shares issued for purchase of exploration and evaluation asset	-	50,000
Warrants issued to agents	-	24,432

	For the year ended December 31, 2015	2014
Interest income received	$ 737	$ 3,691
Interest paid	-	92,952

(Expressed in Canadian dollars, except as otherwise noted)

17. Related party transactions

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

Details of key management personnel compensation are as follows:

	For the year ended December 31, 2015	2014
Services provided:		
Salaries	$ 1,089,204	$ 412,407
Directors fees	104,000	54,000
Share-based compensation	555,579	-
Key management personnel compensation	$ 1,748,783	$ 466,407

	December 31, 2015	December 31, 2014
Balances payable to key management personnel for compensation	$ 365,881	$ 96,000

Balances payable are included in accounts payable and accrued liabilities.

18. Segmented information

The Company's operations comprise one reportable segment, exploration and development of mineral properties. The Company carries on business in Canada and Greenland. The carrying value of the Company's non-current assets on a geographical basis is as follows:

	December 31, 2015			December 31, 2014		
	Canada	Greenland	Total	Canada	Greenland	Total
Property, plant and equipment	$ 17,922	$ 37,330,760	$ 38,166,591	$ 18,510	$ 24,924,164	$ 24,942,674
Restricted cash - reclamation	-	1,777,012	1,777,013	-	1,662,973	1,662,973
Exploration and evaluation assets	903,626	2,529,202	3,432,828	903,626	2,142,020	3,045,646
Total	$ 921,548	$ 41,636,974	$ 43,376,432	$ 922,136	$ 28,729,157	$ 29,651,293

19. Management of capital risk

The Company's objectives when managing its capital is to maintain the ability to continue as a going concern in order to pursue the development of its mineral properties for the benefits of its stakeholders and to maintain flexible capital structure, which optimizes the costs of capital at an acceptable risk level.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company monitors actual expenses to budget for exploration and mine development projects and overheads to manage costs, commitments and exploration and mine development activities.

In order to maximize ongoing development efforts, the Company does not currently pay out dividends.

The Company's investment policy is generally to invest its cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. Periodically, the Company will invest in interest bearing investments with maturities exceeding 90 days, if it is for a specific purpose.

The Company will be required to access financial resources through to access financial resources through the issuance of securities via equity placements in the junior resource market, sale of the Company's investments, or obtaining debt financing in the current year to sustain operations of the Company. Further information related to management of capital risk and liquidity is set out in Note 1.

20. Financial instruments

a) Fair values

The Company's financial assets and liabilities consist of cash and cash equivalents, restricted cash, accounts receivable, investments, accounts payable and loans payable.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – 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 – inputs for the asset or liability that are not based on observable market data.

At December 31, 2015 and December 31, 2014, the Company's financial assets that are measured and recognized at fair value on a recurring basis are categorized as follows:

		December 31, 2015	**December 31, 2014**
Investments	Level 1	$104,000	$256,000

The carrying value of the Company's cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair value at December 31, 2015 and December 31, 2014 due to their short term nature. The fair value of accounts payable and loans payable may be less than the carrying value as a result of the Company's credit and liquidity risk.

b) Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk:

i) *Currency risk*
The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Greenland and a portion of its expenses are incurred in US dollars and Danish krone. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and Danish krone could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Danish krone:

	December 31, 2015		December 31, 2014	
	USD	DKK	USD	DKK
Cash	$ 185,457	2,806,597	$ 575	5,936,356
Accounts receivable	-	69,182	-	-
Accounts payable and accrued liabilities	(16,023)	(7,444,974)	-	(1,068,295)
Borrowing costs	-	(823,202)	-	(461,421)
Loans payable	-	(9,232,456)	-	(7,346,110)
Finance lease obligation	-	(4,048,505)	-	-
Net liability position	$ 169,434	(18,673,358)	$ 575	(2,939,470)

Based on the above net exposure as at December 31, 2015 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and the Danish krone would result in an increase/decrease of approximately $0.36 million (2014: $0.05 million) in the Company's net loss.

ii) Credit risk
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's term deposits included in short-term investments are held through large Canadian financial institutions. Term deposits are composed of financial instruments issued by Canadian banks with high investment-grade ratings. The term deposit matures annually.

iii) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Notes 1 and 19.

Accounts payable and accrued liabilities are due within the current operating period.

iv) *Interest risk*
Interest risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its loans payable. This risk is immaterial as at December 31, 2015.