

Nippon Dragon Resources Inc.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 3 MONTH PERIOD ENDED DECEMBER 31, 2015

(Unaudited and not reviewed by the Company's independent auditors)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Nippon Dragon Resources Inc.

(Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL POSITION
(in Canadian dollars)

(Unaudited and not reviewed by the Company's independent auditors)

	December 31, 2015	September 30, 2015
ASSETS		
CURRENT ASSETS		
Cash	$ 84,043	$ 83,918
Accounts receivable and other receivables (note 7)	99,542	79,699
Sales taxes receivable	13,084	20,542
Prepaid expenses	143,584	161,454
Tax credits and redeemable rights receivable	17,763	17,763
TOTAL CURRENT ASSETS	358,016	363,376
NON CURRENT ASSETS		
Property, plant and equipment (note 8)	362,851	382,919
Exploration and evaluation assets (note 9)	8,768,806	8,749,686
TOTAL NON CURRENT ASSETS	9,131,657	9,132,605
TOTAL OF ASSETS	$ 9,489,673	$ 9,495,981
LIABILITIES		
CURRENT		
Accounts payable (note 10)	$ 3,272,091	$ 3,191,200
Loans (note 11)	20,557	20,833
Indemnities payable to subscribers (note 12)	2,527,698	2,527,698
Current portion of long term debts (note 13)	1,500,000	1,500,000
Current portion of debentures (note 14)	2,270,529	2,267,702
TOTAL CURRENT LIABILITIES	9,590,875	9,507,433
TOTAL OF LIABILITIES	$ 9,590,875	9,507,433

Nippon Dragon Resources Inc.

(Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL POSITION (cont'd)
(In Canadian dollars)

(Unaudited and not reviewed by the Company's independent auditors)

	December 31, 2015	September 30, 2015
SHAREHOLDER'S DEFICIENCY		
Share capital (Note 15)	$ 44,237,443	$ 44,023,670
Contributed surplus	10,318,134	10,293,200
Warrants (Note 15)	617,436	540,112
Equity component of convertible debentures	703,087	703,087
Deficit	(55,977,302)	(55,571,521)
TOTAL SHAREHOLDER'S DEFICIENCY	(101,202)	(11,452)
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIENCY	$ 9,489,673	$ 9,495,981

COMMITMENTS AND CONTIGENCIES (Note 19)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

ON BEHALF OF THE BOARD OF DIRECTORS

(s) Paul A. Girard _____,Director

(s) Émile P. Molgat _____,Director

Nippon Dragon Resources Inc.

(Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE LOSS (INCOME)
(in Canadian dollars)

(Unaudited and not reviewed by the Company's independent auditors)

	3 month period ended December 31, 2015	3 month period ended December 31, 2014
INCOME		
Contracts income from a joint operation	$ 70,955	$ 39,700
Other income	4,062	4,251
	75,017	43,951
CONTRACTS COST		
Contracts expenses from a joint operation	54,837	25,627
Salaries and fringe benefits	-	3,817
Container	-	2,000
Royalties	2,775	4,584
Amortization of property, plant and equipment	6,410	1,755
	64,022	37,783
ADMINISTRATIVE AND GENERAL OPERATING EXPENSES		
Salaries and fringe benefits	110,593	139,102
Stock-based compensation	29,534	19,888
Insurances	7,086	8,681
Bank charges	473	525
Trustee fees and registration	19,750	17,980
Professional fees	51,510	58,153
Rent	299	3,423
Maintenance and repairs	3,607	9,424
Stationary and office expenses	1,815	12,214
Telecommunications	1,500	2,169
Mining titles	1,585	247
Travelling and promotion	42,375	145,224
Amortization of property, plant and equipment	13,658	15,155
Write-off of indemnities payable to subscribers (Note 12)		(3,525,355)
(Gain) loss on evaluation of precious metal	(276)	323
	283,509	(3,092,847)
OTHERS FINANCIALS ELEMENTS		
Interests on debentures and debts	117,138	105,061
Financing charges and other interests	5,634	3,543
Rent income	-	(1,895)
Share of results in the joint-venture	-	71,504
Write-off of a due to a shareholder	-	(20,506)
	122,772	157,707
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME	**$ (395,286)**	**$ 2,941,308**
NET (LOSS) INCOME PER SHARE		
Basic	$ (0.0040)	$ 0.0383
Diluted	$ (0.0040)	$ 0.0383
Weighted average number of shares outstanding	99,769,599	76,767,894

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Nippon Dragon Resources Inc.

(Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In Canadian dollars)

(Unaudited and not reviewed by the Company's independent auditors)

	Number of shares	Share capital	Contributed surplus	Warrants	Equity component of convertible debentures	Deficit	Total Equity
BALANCE AS AT OCTOBER 1ST, 2015	98,315,278	$ 44,023,670	$ 10,293,200	$ 540,112	$ 703,087	$ (55,571,521)	$ (11,452)
Shares issued by private Investment	3,345,000	189,963	-	77,637	-	-	267,600
Options granted – Stock-based Compensation	200,000	21,600	(4,600)	-	-	-	17,000
Stock-based compensation	-	-	29,534	-	-	-	29,534
Warrants exercised	16,500	2,210	-	(313)	-	-	1,897
Other issuance expenses	-	-	-	-	-	(10,495)	(10,500)
Transactions with owners	3,561,500	213,773	24,934	77,324	-	(10,495)	305,536
Net loss and comprehensive loss	-	-	-	-	-	(395,286)	(395,286)
BALANCE AS AT DECEMBER 31ST, 2015	**101,876,778**	**$ 44,237,443**	**$ 10,318,134**	**$ 617,436**	**$ 703,087**	**$ (55,977,302)**	**$ (101,202)**

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Nippon Dragon Resources Inc.

(Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

(In Canadian dollars)

(Unaudited and not reviewed by the Company's independent auditors)

	Number of shares	Share capital	Contributed surplus	Warrants	Equity component of convertible debentures	Deficit	Total equity
BALANCE AS AT OCTOBER 1ST, 2014	63,471,326	$ 41,717,173	$ 9,927,144	$ 141,858	$ 776,915	$ (56,625,375)	$ (4,062,285)
Shares issued by private investment	21,657,110	1,192,973	-	431,311	-	-	1,624,284
Options granted – Stock-based compensation	-	-	19,888	-	-	-	19,888
Other issuance expenses	-	-	-	-	-	(7,679)	(7,679)
Transactions with owners	21,657,110	1,192,973	19,888	431,311	-	(7,679)	1,636,493
Net income and comprehensive income	-	-	-	-	-	2,941,308	2,941,308
BALANCE AS AT DECEMBER 31 ST, 2014	85,128,436	$ 42,910,146	$ 9,947,032	$ 573,169	$ 776,915	$ (53,691,746)	$ 515,516

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Nippon Dragon Resources Inc.

(Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Canadian dollars)
(Unaudited and not reviewed by the Company's independent auditors)

	3 month period ended December 31, 2015	3 month period ended December 31, 2014
OPERATING ACTIVITIES		
Net (loss) income and comprehensive (loss) income	$ (395,286)	$ 2,941,308
Adjustments:		
Share of results in the joint venture	-	71,504
Interest paid	-	233,634
Stock-based compensation	29,534	19,888
Amortization of discount on issuance of debentures	2,827	46,225
Amortization of property, plant and equipment	20,068	16,910
Gain on write-off of indemnities payable to subscribers	-	(3,525,355)
Gain on write-off of a due to a shareholder	-	(20,506)
(Gain) Loss on valuation of precious metal	(276)	323
	(343,133)	(216,069)
Changes in working capital items (note 20)	86,376	(839,770)
Cash flows from operating activities	(256,757)	(1,055,839)
INVESTING ACTIVITIES		
Addition to exploration and evaluation assets	(19,120)	(15,665)
Cash flows from investing activities	(19,120)	(15,665)
FINANCING ACTIVITIES		
Exercise of stock options	17,000	-
Repayment of indemnities payable to subscribers	-	(4,000)
Long-term debts repayment	-	(9,969)
Debentures repayment	-	(100,002)
Shares issuance cost	(10,495)	(7,679)
Exercise of warrant options	1,897	-
Interest paid		(233,634)
Issuance of shares and warrants	267,600	1,624,284
Cash flows from financing activities	276,002	1,269,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	125	197,496
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	83,918	$ 56,348
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 84,043	$ 253,844

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Nippon Dragon Resources Inc.

(Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(in Canadian dollars)
(Unaudited and not reviewed by the Company's independent auditors)

December 31, 2015

1. STATUTES OF INCORPORATION AND NATURE OF OPERATIONS

Nippon Dragon Resources Inc. (Formerly Rocmec Mining Inc., hereafter the "Company") specializes in the exploration of metal in mining sites located in Quebec.

The Company is incorporated under the part 1A of the *Quebec Companies Corporation Act* and continued under the *Quebec Business Corporations Act*. The address of the Company's registered office and its principal place of business is 500-7055, boulevard Taschereau, Brossard (Quebec) J4Z 1A7. The Company's shares are listed on the TSX Venture Exchange under the symbol "NIP".

The condensed interim consolidated financial statements for the period ended December 31, 2015 (including comparatives statements) were approved and authorized for issue by the Board of Directors on February 29, 2016.

2. GOING CONCERN

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

Given that the Company has not yet found a mineral property containing mineral deposits that are economically recoverable, the Company has not yet generated any income or cash flows from its mining exploration operations. As at December 31, 2015, the Company has cumulated deficit of $55,977,302 ($55,571,521 as at September 30, 2015) and a working capital deficiency. The Company's current liquidity position is not sufficient to fund next year's administrative and exploration's expenses. These conditions raise significant doubt regarding the Company's ability to continue as a going concern and the use of the going concern assumption.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and to the current and non-current debt repayments and, even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. Management is assessing its alternatives in terms of financing options including the renegotiation of the debts' terms and its strategic alternatives that include the disposal of its rights in the Rocmec 1 property and the reduction of its discretionary expenses.

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

3. RESTATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended September 30, 2015 have been restated as to the indemnities payable to subscribers. Based on an official legal opinion received in February 2016, the Company is of the opinion that it has no indemnity obligation towards subscribers in flow-through financing entered into during the years 2009, 2010 and 2011 others than those included in specific contracts containing an indemnity clause. Only the indemnities related to official claims or to an indemnity clause included in the contracts have been accrued for, other amounts that had been previously accrued have been written off.

The restatement had the following effects on the consolidated financial position as at September 30, 2015, a reduction of the indemnities payable to subscribers of $3,758,084, current liabilities, total liabilities, deficit and shareholders' deficiency have been reduced of the same amount.

In the consolidated statement of earnings for the year ended September 30 2015, the restatement resulted in the write-off of indemnities payable to subscribers of an amount of $3,758,084 and in the transformation of the net loss and comprehensive loss of $2,644,618 into a net income and comprehensive income of $1,113,466. The basic and diluted net loss per share changed to a basic and diluted net income per share of $0.0127.

4. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND COMPLIANCE TO IFRS

4.1 Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") *34 Interim Financial Reporting* and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the *International Accounting Standards Board* ("IASB"). These financial statements should be read in conjunction with the audited financial statements for the year ended September 30, 2015. These unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as set out in the audited annual financial statements for the year ended September 30, 2015.

5. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

5.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (cont'd)

IAS 1 Presentation of Consolidated Financial Statements

In December 2014, IASB published modifications to IAS 1. The modifications brought more precision on the use of professional judgement when determining the structure and detail of information to present in the consolidated statements (includes the importance of proper grouping, presentation of sub totals and information about the accounting methods chosen). Early adoption of the norm is accepted since January 2016th. As the norm is only for presentation, they have no effect on the financial situation of the consolidated results.

IFRS 9 Financial Instruments (effective October 1st, 2015)

IASB intends to entirely replace IAS 39, financial instruments: recognition and measurement. The replacement standard (IFRS 9) is being issued in phases. To date, the sections dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These sections will be effective for annual periods beginning on or after January 1st, 2018. Further sections dealing with impairment methodology and hedge accounting are still being developed. Management has yet to assess the impact of this new standard on the consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its sections have been published and they can comprehensively assess the impact of all changes.

5.2 Reporting standards, amendments and interpretations of standards published and adopted by the Company

IFRS 15 Revenue from Contracts with Customers

In May 2014, IASB published IFRS 15 with specifies the method and timing for accounting revenue from ordinary activities as well as the presentation and related detailed information. IFRS 15 replaces IAS 18 Revenue & IAS 11 Construction Contracts in addition to any other sections/interpretations related to revenue from regular activities. In September 2015, IASB altered the date of mandatory reporting to January 1, 2018 for companies to retrospectively apply this section. At this time, the organization is assessing the impact of the norm changes and the impacts of this reporting norm to the condensed interim consolidated financial statements.

6. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

When preparing the condensed interim consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are presented below.

Classification of joint arrangements

Don Bourgeois et Fils Inc., CANADA
The Company concluded an exclusive agreement with Don Bourgeois et Fils Inc in Canada for the distribution and the use of its patented thermal fragmentation mining method. No legal entity was created for the purposes of the agreement, and each company is entitled to 50 % of the profits and the losses generated by the partnership.

Since no legal entity has been created and the respective companies only have an interest in the profits and losses generated by the agreement, and both have rights to the assets they brought to the Company, the Company classified this partnership as a joint operation.

7. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31, 2015	September 30, 2015
Receivable from a partner in a joint operation	$ 88,095	$ 65,477
Receivable from a non-related company	50,407	53,182
Provision	(38,960)	(38,960)
	11,447	14,222
	$ 99,542	$ 79,699

Receivable from a partner in a joint operation includes a receivable amount of $151,963 ($ 83,010 as at September 30th 2015) less a payable of $63,868 ($ 17,533 as at September 30th 2015).

8. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Mill Plant	Computer equipment	Automotive equipment	Telephone system	**Total**
GROSS CARRYING AMOUNT						
Balance as at October 1st, 2015	815,365	$ 1, 819,093	$ 25,575	$ 37,703	$ 4,201	$ **2,701,937**
Balance as at December 31, 2015	815,365	1,819,093	25,575	37,703	4,201	**2,701,937**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at October 1st, 2015	432,446	$ 1,819,093	$ 25,575	$ 37,703	$ 4,201	$ **2,319,018**
Depreciation	20,068	-	-	-	-	**20,068**
Balance as at December 31, 2015	452,514	1,819,093	25,575	37,703	4,201	**2,339,086**
CARRYING AMOUNT AS AT DECEMBER 31, 2015	**362,851**	**$ Nil**	**$ Nil**	**$ Nil**	**$ Nil**	**$ 362,851**

Nippon Dragon Resources Inc.

(Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(in Canadian dollars)

December 31, 2015

	Equipment	Mill plant	Computer equipment	Automotive equipment	Telephone system	Equipment under finance lease	**Total**
GROSS CARRYING AMOUNT							
Balance as at October 1st, 2014	$ 596,576	$ 1,819,093	$ 25,575	$ 37,703	$ 4,201	$ 45,990	$ **2,529,138**
Additions	172,799	-	-	-	-	-	**172,799**
Transfer	45,990	-	-	-	-	(45,990)	**-**
Balance as at September 30, 2015	815,365	1,819,093	25,575	37,703	4,201	Nil	**2,701,937**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at October 1st, 2014	322,198	1,819,093	25,575	37,703	4,201	36,775	**2,245,545**
Depreciation	64,258	-	-	-	-	9,215	**73,473**
Transfer	45,990	-	-	-	-	(45,990)	**-**
Balance as at September 30, 2015	432,446	1,819,093	25,575	37,703	4,201	Nil	**2,319,018**
CARRYING AMOUNT AS AT SEPTEMBER 30, 2015	**$ 382,919**	**$ Nil**	**$ Nil**	**$ Nil**	**$ Nil**	**$ Nil**	**$ 382,919**

Nippon Dragon Resources Inc.

(Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(in Canadian dollars)

December 31, 2015

9. EXPLORATION AND EVALUATION ASSETS

	Balance as at October 1st, 2015	Additions	Tax credits and duties refundable	Impairment	**Balance as at December 31, 2015**
Denain (a)	$ -	$ -	$ -	$ -	$ **-**
Courville Maruska (b)	-	-	-	-	**-**
Rocmec 1 (c)					
Mining rights	2,603,982	-	-	-	**2,603,982**
Exploration and evaluation	6,145,704	19,120	-	-	**6,164,824**
	$ 8,749,686	$ 19,120	$ Nil	$ Nil	$ **8,768,806**

	Balance as at October 1st, 2014	Additions	Tax credits and duties refundable	Impairment	**Balance as at September 30, 2015**
Denain (a)	$ -	$ -	$ -	$ -	$ **-**
Courville Maruska (b)	-	-	-	-	**-**
Rocmec 1 (c)					
Mining rights	2,603,982	-	-	-	**2,603,982**
Exploration and evaluation	6,115,820	41,505	(11,621)-	-	**6,145,704**
	$ 8,719,802	$ 41,505	$ (11,621)	$ Nil	$ **8,749,686**

a) Denain projet – Denain township, Quebec

85% interest in 24 mining claims, subject to 3.5% royalty

b) Courville-Maruska project – Courville township, Quebec

100% interest in 15 mining claims.

c) Rocmec 1 project – Dasserat Township, Quebec

100% interest in mining rights including 76 mining claims which 11 mining claims subject to a 5% Net Metal Royalty on the first 25,000 ounces and 3% on additional ounces.

9. EXPLORATION AND EVALUATION ASSETS (ctd.)

The exploration and evaluation assets capitalized are as follow:

	December 31, 2015	September 30, 2015
Supervision	$ 4,120	$ 30,900
Other exploration expenses	15,000	10,605
	$ 19,120	$ 41,505

10. ACCOUNTS PAYABLE

	December 31, 2015	September 30, 2015
Trade accounts payable*	$ 293,072	$ 358,615 ,
Accrued interest payable	1,290,992	1,176,682
Taxes on Section XII.6 and III.14 payable	822,262	822,262
Salaries and fringe benefits payable	763,814	729,662
Other liabilities	101,951	103,979
	$ 3,272,091	$ 3,191,200 ,

* Include an amount of $ 16,219 ($ 35,490 as at September 30th 2015) payable to related parties.

During the previous period, the Company settled accrued interest totaling $23,516 by issuing 235,156 common shares at $0.10 per share. This transaction did not result in a gain or loss on settlement of debt.

11. LOANS

	December 31, 2015	September 30, 2015
Loans reimbursable in gold, payable on demand	$ 20,557	$ 20,833

12. INDEMNITIES PAYABLE TO SUBSCRIBERS

	Flow-through placements 2011 a)	Flow-through placements 2010 b)	Flow-through placements 2009 c)	Total
Balance as at October 1st, 2011	$ -	1,204,500	4,318,449	5,522,949
Additions	540,809	42,400	-	583,209
Decrease	-	-	(18,000)	(18,000)
Balance as at September 30, 2012	540,809	1,246,900	4,300,449	6,088,158
Additions	28,600	70,594	-	99,194
Balance as at September 30, 2013	569,409	1,317,494	4,300,449	6,187,352
Addition	32,590	74,627	-	107,217
Decrease	-	-	(4,787)	(4,787)
Balance as at September 30, 2014	601,999	1,392,121	4,295,662	6,289,782
Decrease	-	-	(4,000)	(4,000)
Write-off	(340,040)	(1,212,694)	(2,205,350)	(3,758,084)
Balance as at September 30, 2015	261,959	$ 179,427	$ 2,086,312	$ 2,527,698
Balance as at December 31st, 2015	$ **261,959**	**$ 179,427**	**$ 2,086,312**	**$ 2,527,698**

a) Following flow-through financing agreements entered into with subscribers in 2011, the Company committed to incur $839,950 in Canadian Exploration Expenses ("CEE") before December 31, 2012. At this date, the Company incurred an amount of $120,670. Consequently, an approximated balance of $719,300 in exploration expenses renounced to investors had not been incurred in CEE as of December 31, 2012. Amended renunciation forms have been filed with tax authorities and will consequently mean that new notice of assessment will be sent to subscribers for taxation year 2011. In this respect, the Company recorded on September 30, 2012 a $540,809 provision as indemnities payable and interest and an expense for the same amount was recorded in earnings. At the same date, the Company recorded a $84,427 provision in the statement of comprehensive loss as Parts XII.6 and III.14 in income taxes payable relating to the exploration expenses renounced and not incurred as at December 31, 2012. As at September 30, 2014, the Company recorded a $32,590 ($28,600 in 2013) provision related to interests payable and the charge was booked in earnings as indemnities to subscribers. By virtue of the absence of valid indemnification provisions in the subscription agreements, it was determined by the Company that only the indemnities related to subscriptions containing a specific compensation clause would be retained in the books, which amounts to $261,959, representing a write-off of $340,040.

12. INDEMNITIES PAYABLE TO SUBSCRIBERS (cont'd)

b) Following flow-through financing agreements entered into with subscribers in 2010, the Company committed to incur $1,899,704 in Canadian Exploration Expenses before December 31, 2011. At this date, the Company incurred an amount of $62,135 in exploration expenses. Consequently, an approximate balance of $1,838,000 in explorations expenses renounced to investors had not been incurred in CEE as at December 31, 2011. Amended renunciation forms were filed with tax authorities and will consequently mean that new notice of assessment will be sent to subscribers for taxation year 2010. In this respect, the Company recorded as at September 30, 2011, a $1,204,500 provision as indemnity payable and interest and an expense for the same amount was recorded in earnings. The Company also recorded at the same date a $202,000 provision for Income taxes Part XII.6 and XII.14 payable relating to exploration expense renounced but not incurred as at December 31, 2011. As at September 30, 2014, the Company recorded a $74,627 ($70,954 in 2013) provision related to interests payable and the charge was booked in earnings as indemnities to subscribers. By virtue of the absence of valid indemnification provisions in the subscription agreements, it was determined by the Company that only the indemnities related to subscriptions containing a specific compensation clause would be retained in the books, which amounts to $179,427, representing a write-off of $1,212,694.

c) During the period ended September 30, 2010, the Canada Revenue Agency (the Agency) has verified the flow expenditure by the Company from 2007 to 2009. All flow-through expenses renounced by the subscribers were accepted. However, the Agency refused eligibility for investment tax credits (ITC) that were also renounced to the subscribers concerned with respect to underground exploration work. The amount of ITC refused by the Agency amounted to $2,343,650. The refusal of this amount has no impact on the Company's tax balances but will result in the affected subscribers will receive new notice of assessment for the tax years in issue, representing 15% of their subscription minus federal tax paid on the ITC during the following year. The Company has estimated the loss suffered by investors in the amount of $1,775,782 and an indemnity of this amount was booked in earnings. The Company offered a settlement in common shares at the issue price of $0.05 per share to policyholders affected by this. The terms of this Regulation have been conditionally approved by the TSX Venture Exchange. As at September 30, 2011, the Company issued 19,426,675 common shares at a price of $0.05 per share in respect of such compensation to pay $971,333 (971,333 shares after reunification) for the subscribers who have accepted the proposed settlement, leaving a balance of $804,449 for other subscribers.

Following flow-through financing agreements entered into with subscribers in 2009, the Company committed to incur $5,888,560 in Canadian Exploration Expenses ("CEE") before December 31, 2010. At that date, the Company incurred an amount of $1,139,591 in exploration expenses. Consequently, an approximate balance of $4,749,000 in explorations expenses renounced to investors had not been incurred in CEE as at December 31, 2010. Amended renunciation forms were filed with tax authorities and will consequently mean that new notice of assessment will be sent to subscribers for taxation year 2009. In this respect, the Company accounted as at September 30, 2010, a $3,142,000 provision for an indemnity payable and an expense for the same amount was recorded in earnings. In addition, the Company also recorded at the same date a $579,000 provision for Income taxes Part XII.6 and XII.14 payable relating to exploration expenses renounced but not incurred as at December 31, 2010. As at September 30, 2011, the Company provided a $372,000 for interest payable which was recorded in earnings as indemnities to subscribers.

Regarding flow-through financing of 2009, a group of investors has filed a lawsuit with the Superior Court of Quebec for an approximate amount of $1,126,200. The amount is currently being debated in Court and management deems that the amount recognized as an indemnity payable to subscribers as stated in the consolidated statement of financial position is adequate. By virtue of the absence of valid indemnification provisions in the subscription agreements, it was determined by the Company that only the indemnities related to subscriptions containing a specific compensation clause would be retained in the books, which amounts to $2,086,312, representing a write-off of $2,205,350.

12. INDEMNITIES PAYABLE TO SUBSCRIBERS (cont'd)

The amounts of indemnity payable to subscribers provided by the Company represent management's best estimate of the potential liability in this regard and the actual amount may differ from management's current estimate. The amounts of indemnity payable to subscribers and the interests were calculated according to the tax laws and tax rates enacted for the concerned subscribers and the prescribed interest rates. The Company has always voluntary fulfilled its responsibilities in accordance with the relevant authorities in the flow-through financing case and in relation with all the uncommitted balances in exploration work.

13. LONG-TERM DEBTS

	December 31, 2015	September 30, 2015
Loan of nominal value of $1,134,906, secured by a first rank mortgage on Rocmec 1 property for an amount of $1,134,906, repayable at maturity at 7.5% interest (effective rate of 40%), payable monthly, either in cash or in common shares at the Company's option, which 50% of the capital balance is redeemable before maturity, redeemable by the Company in cash or in units (each unit is comprised of one (1) common share of the Company and one (1/2) half warrant; each whole warrant entitles the holder to purchase one (1) common share of the Company at a price equal to the reference price plus 50%), matured in May 2015	1,134,906	1,134,906
Loan of nominal value of $365,094, secured by a first rank mortgage on Rocmec 1 property for an amount of $365,094, repayable at maturity at 13.5% interest, payable monthly in cash, redeemable by the Company before maturity in cash, matured in May, 2015	365,094	365,094
	1,500,000	1,500,000
Current portion	1,500,000	1,500,000
	$ Nil	$ Nil

Long-term debts principal repayments to be made during the following year amount to $1,500,000.

14. DEBENTURES

	December 31, 2015	September 30, 2015
Liability component of convertible debentures		
Debentures totalling $500,000 at emission with a nominal value of $250,000 as at September 30, 2015 ($400,000 in 2014), bearing interest at 13.5% (effective rate of 40%) payable monthly, repayable from January 1st, 2014 through thirty monthly payments of $16,667, deferring the deadline to June 2016. These debentures are convertible into common shares at the holder's option at conversion prices of $0.26 and $0.29. No repayment has been made between March and June 2015 nor in August and September 2015. These payments will be repaid during the following year.	$ 233,029	$ 230,202
Debenture totalling $1,500,000 secured by equipment and the thermal fragmentation exclusive licence (written-off in the year 2010), bearing interest at 9% (effective rate of 49%) payable quarterly, an amount equal to $1,380,000 is convertible, at the price of $2 per unit, at any time at the holder's option into units consisting of one (1) common share and one (1) common share purchase warrant, each warrant entitling the holder to purchase one (1) common share at the price of $0.10 per common share for a 2 year period, expired in May 2012	1,500,000	1,500,000
Debenture issued in 2010 with a $120,000 discount. The holder conversion right was valued at $579,600 and was accounted as equity component of the convertible debentures. The fair value was estimate using the Black-Scholes options pricing model from the following assumptions: risk-free rate of 1.53%, expected volatility of 106%, no average dividend per share and expected life of two years.		
Others debentures		
Debentures of a nominal value of $537,500 redeemable by the Company at any time in cash or in units (each unit is comprised of one (1) common share of the Company and one (1) half warrant; each whole warrant entitles the holder to purchase one (1) common share of the Company at a price equal to the reference price plus 50%), bearing annual interest at 7.5% (effective rate of 40%), payable quarterly in cash or common shares, at the Company's option. These debentures are expired since December 31st, 2014.	537,500	537,500
	2,270,529	2,267,702
Current portion	2,270,529	2,267,702
	$ Nil	$ Nil

Long-term debenture principal repayments to be made during the following year amount to $ 2,270,529.

15. EQUITY

Share capital

The share capital of the Company consists only of fully paid common shares.

Authorized

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors. Shares are entitled, each in the same way, to payment of dividends and to capital reimbursement and give the right to one vote at the shareholders' meeting.

Issued

The variations in share capital of the Company are detailed as follows:

	December 31, 2015		September 30, 2015	
	Quantity	Amount	Quantity	Amount
Shares issued				
Balance at beginning of year	98,315,278	$ 44,023,670	$ 63,471,326	$ 41,717,173
Paid in cash	3,345,000	267,600	31,078,796	2,378,018
Issued warrant's value	-	(77,637)		(550,967)
Exercise of common share purchase options	200,000	21,600	300,000	65,100
Debentures conversion	16,500	2,210	3,230,000	390,830
Debts settlement	-	-	235,156	23,516
Balance at end of year	101,876,778	$ 44,237,443	$ 98,315,278	$ 44,023,670

Three-month period ended December 31, 2015

On October 28, 2015, 200,000 shares were issued following the exercise of stock options at an exercise price of $ 0.085 per common share.

On November 25, 2014, the Company completed a private placement for $ 267,600 by issuing 3,345,000 units at a price of $ 0.08 per unit, each unit comprised of one (1) common share and one (1) common share purchase warrant of the Company. Each common share purchase warrant entitles its holder to purchase one (1) additional common share of the Company at a price of $ 0.12 per common share for a period of 24 months following the date of issuance. An amount of $ 77,637 related to the warrants issued has been recognized. Issuance costs of $ 10,495 were incurred.

On November 26, 2015, 16,500 shares were issued following the exercise warrants at an exercise price of $ 0.115 per common share.

Year ended September 30, 2015

On October 3, 2014, the Company completed a private placement of $ 49,814 by issuing 664,190 units at a price of $ 0.075 per unit, each unit consisting of one (1) common share of the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $ 0.115 per common share for a period of 24 months following the issue date of the voucher. An amount of $ 14,498 related to the warrants issued was recorded. There was no issuance cost.

15. EQUITY (cont'd)

On October 16, 2014, the Company completed the first tranche of a private placement for $ 660,735 by issuing 8,809,805 units at a price of $ 0.075 per unit, each unit consisting of one (1) common share the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $ 0.115 per common share for a period of 24 months following the issue date of the voucher. An amount of $ 188,782 related to the warrants issued was recorded. Issuance costs totaling $ 6,285 were incurred.

On November 13, 2014, the Company completed the second tranche of a private placement for $ 620,046 by issuing 8,267,282 units at a price of $ 0.075 per unit, each unit consisting of one (1) common share the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $ 0.115 per common share for a period of 24 months following the issue date of the voucher. An amount of $ 156,460 related to the warrants issued was recorded. Issuance costs totaling $ 43,643 were incurred.

On December 17, 2014, the Company completed the final tranche of a private placement for $ 293,688 by issuing 3,915,833 units at a price of $ 0.075 per unit, each unit consisting of one (1) common share the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $ 0.115 per common share for a period of 24 months following the issue date of the voucher. An amount of $ 71,571 related to the warrants issued was recorded. Issuance costs totaling $ 1,432 were incurred.

On January 8, 2015, the Company paid accrued interest totaling $ 23,516 through the issuance of 235,156 common shares at $ 0.10 per share. No gain or loss on debt settlement has been generated following this transaction

On February 11, 2015, 300,000 shares were issued following the exercise of stock options at an exercise price of $ 0.12 per common share.

On May 4, 2015, the Company completed the first tranche of a private placement for $ 551,235 by issuing 6,890,436 units at a price of $ 0.08 per unit, each unit consisting of one (1) share ordinary of the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $ 0.12 per common share for a period of 24 months following closing of the private placement. An amount of $ 101,247 related to the warrants issued was recorded. Issuance costs of $ 7,176 were incurred.

On May 19, 2015, the Company settled an amount due to a shareholder without interest or repayment terms by the issuance of 3,230,000 common shares at an exercise price of $ 0.10 per common share. The remaining debt balance of $ 73,785 was accounted for as a gain on extinguishment of debt to shareholder

On July 15, 2015, the Company completed the first tranche of a private placement totaling $ 202,500 by issuing 2,531,250 units at a price of $ 0.08, each unit consisting of one (1) common share the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $ 0.12 per common share for a period of 24 months following the issue date of the voucher. An amount of $ 18,409 related to the warrants issued was recorded. Issuance costs of $ 1,076 were incurred.

15. EQUITY (cont'd)

Common share purchase options

The Company adopted a stock option plan (the "Plan") wherein the Board of Directors may from time to time grant options to its directors, administrators, employees and consultants to acquire common shares. The conditions and the exercise price of each option are determined by the Board of Directors.

The Plan states that the maximum number of common shares in the capital of the Company which may be reserved for issuance under the Plan is 10,748,106 common shares of the Company and the maximum number of common shares reserved for the granting of options to a single owner over a period of 12 months may not exceed 5% of the common shares outstanding at the date of the grant. Common shares reserved for consultants or eligible person responsible for investor relations may not exceed 2% of the common shares outstanding at the date of the grant. Options must be exercised no later than five years after the grant date. The number of shares reserved for potential option exercising must not exceed 10% of issued common shares. In addition, the granting of options in a 12 month period should not exceed 10% of the total common shares issued. The granted options are subject to a gradual vesting period of a sixth per quarter except for those granted to consultants providing services for investors relations who have a vesting period of twelve months or a maximum of ¼ per quarter.

The exercise price of each option is determined by the Board of Directors and cannot be lower than the market value of the common shares on the grant date.

A summary of changes in the Company's common shares purchase options is as follows:

	December 31, 2015		September 30, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	10,030,000	$ 0.134	6,900,000	$ 0.163
Granted	-	-	3,475,000	0.099
Exercised	(200,000)	(0.085)	(300,000)	(0.120)
Expired	(65,000)	(2.000)	(45,000)	(1.900)
Cancelled	(2,700,000)	(0.153)	-	-
Balance, end of year	7,065,000	0.111	10,030,000	0.134
Options exercisable at the end	6,319,167	$ 0.129	8,430,000	$ 0.144

During the previous year, the Company granted a total of 3,475,000 purchase options for common shares to directors, administrators, employees and consultant. Of the 3,475,000 purchase options, 3,275,000 have an exercise price of $ 0.10 per common share over an exercise period of 5 years. The remaining 200,000 purchase options have an exercise price of 0.085 per common share over an exercise period of 2 years.

15. EQUITY (cont'd)

Common share purchase options (cont'd)

Granted options and Exercisable options as at December 31, 2015:

Granted options	Exercisable options	Exercise price		Expiration date
200,000	150,000	0.085	$	April 2017
2,435,000	2,435,000	0.14	$	June 2017
100,000	100,000	0.10	$	April 2018
2,155,000	2,155,000	0.12	$	December 2018
2,175,000	1,479,167	0.10	$	January 2020
7,065,000	6,319,167			

Accounting for compensation plans

The average fair value of warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2015		September 30, 2015
Average share price at grant date	Nil	$	0.10
Risk-free interest rate	Nil	%	0.73
Expected volatility	Nil	%	110.84
Expected life	Nil		4,85 years
Expected dividend	Nil	%	0.00
Average exercise price at grant date	Nil	$	0.10
Fair value of options granted at market value	Nil	$	0.119

Stock-based compensation cost recognized in earnings amounts to $ 29,534 ($19,888 in 2014).

15. EQUITY (cont'd)

Warrants

Outstanding common share purchase warrants, entitling their holders to subscribe to an equivalent number of common shares, were as follows:

	December 31, 2015		
	Number of warrants	Weighted average exercise price	Fair value allocated
Balance as at October 1st, 2015	32,992,239	$ 0.119	$ 540,112
Granted	3,345,000	0.120	77,637
Exercised	(16,500)	(0.115)	(313)
Balance as at December 31, 2015	36,320,739	$ 0.119	$ 617,436

	September 30, 2015		
	Number of warrants	Weighted average exercise price	Fair value allocated
Balance as at October 1st, 2014	8,451,903	$ 0.122	$ 141,858
Granted	31,078,796	0.117	550,967
Exercised	(3,230,000)	(0,110)	(67,830)
Expired	(3,308,460)	(0.124)	(84,883)
Balance as at September 30, 2015	32,992,239	$ 0.119	$ 540,112

Warrants outstanding as at December 31, 2015 are as follows:

Number of warrants	Exercise price	Expiration date
1,208,936	$ 0.180	April 2016
704,507	$ 0.115	July 2016
664,190	$ 0.115	October 2016
8,809,805	$ 0.115	October 2016
8,250,782	$ 0.115	November 2016
3,915,833	$ 0.115	December 2016
6,890,436	$ 0.120	May 2017
2,531,250	$ 0.120	July 2017
3,345,000	$ 0.120	November 2017
36,320,739		

15. EQUITY (cont'd)

Warrants (cont'd)

The average fair value of warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2015	September 30, 2015
Average share price at grant date	$ 0.115	$ 0.08
Risk-free interest rate	0.63 %	% 0.87
Expected volatility	77.29 %	% 75.47
Expected life	24 months	24 months
Expected dividend	0.00 %	% 0.00
Average exercise price at grant date	$ 0.12	$ 0.12

16. CAPITAL MANAGEMENT

In terms of capital management, the objectives of the Company are to preserve its ability to continue its mining exploration and development of its thermal fragmentation mining method as well as its exploration program. If necessary, the Company raises funds by private placement of common shares, loans and debentures in order to sustain its development activities. The Company does not intend to pay dividend in the foreseeable future.

The Company's capital includes loans, long-term debts, debentures, share capital, contributed surplus, warrants and equity component of convertible debentures in the definition of capital for a total amount of $59,667,186 ($59,348,604 as at September 30, 2015).

The main property in which the Company has an interest is in the exploration stage and the use of the thermal fragmentation mining method by other mining companies is also in the development stage; as such, the Company is dependent on external financing to fund its activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the period ended December 31, 2015.

17. FINANCIAL INSTRUMENTS

The Company is exposed to various financial risks that result from both its operations and its investment activities. Financial risk management is carried out by the Company's management.

Credit risk
The credit risk is the risk associated with non-payment of financial obligations by the customers of the Company. The credit risks that faced the Company are principally attributable to collection of its accounts receivable. All accounts receivables from customer accounts and other accounts are shown net of a deduction for doubtful collections of $ 38,960 ($ 38,960 as at September 30, 2015). The collection is held by a Canadian bank in which the direction think the loss risk is considered negligible, but it is subject to credit risk concentration. The maximum credit risk is equivalent to the book value.

Liquidity risk
The liquidity risk is the risk that the Company experiences difficulty honouring commitments related to financial liabilities. The management approach concerning cash management is to ensure, as much as possible, that the Company has the necessary funds to meet its financial obligations at maturity. If considered necessary, management renegotiates extensions to maturity dates to balance the needs in cash and financings.

The Company intends to take measures in order to satisfy obligations under accounts payable and other liabilities, interest payment on convertible debentures and borrowings and repayment of the short-term part of long-term debts and convertible debentures. Management intends to continue, as was done in the past, to finance its activities by raising funds by private equity investments, loans or debentures. Even if it succeeded in financing its activities in the past, management can't pronounce on the success of its fundraising in the future and management estimate that the liquidity risk is high.

During the 3-month period ended on December 31st 2015, the Company concluded financing for a total amount of $267,600. However, more financing will be necessary to enable the Company to finance next year's operation expenditures.

The following table summarizes the Company's financial liabilities as at December 31st 2015:

	Less than a year	Between 1 year and 2 years	More than 2 years
Accounts payable	$ 3,272,091	$ -	$ -
Loans	20,557	-	-
Indemnity payable to subscribers	2,527,698	-	-
Long-term debts	1,500,000	-	-
Debentures	2,270,529	-	-
	$ 9,590,875	$ Nil	$ Nil

17. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

The interest rate risk is the risk that fair value future cash flows of a financial instrument fluctuate because of the variations in the market interest rates. The loans, funded debt and debentures issued by the Company bear fixed-rate interest and expose it to the risk of fair value variation resulting from fluctuation of rate interest.

Sensitivity analysis of interest rate

A 1% change in the interest rate would not have a significant impact on the results and on the Company's cash flow.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in South African rand. Consequently, certain financial assets are exposed to currency fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The financial assets denominated in South African rand, translated into Canadian dollars at the closing rate, which expose the Company to currency risk are:

	December 31, 2015	September 30, 2015
Accounts receivable and other receivables	$ 88,095	$ 65,477
Total exposition	$ 88,095	$ 65,477

Fair value

The carrying value and fair value of financial instruments presented in the consolidated statement of financial position are as follows:

	December 31, 2015		September 30, 2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets (loans and receivables)				
Cash & cash equivalents	$ 84,043	$ 84,043	$ 83,918	$ 83,918
Accounts receivable and other receivables	99,542	99,542	79,699	79,699
	$ 183,585	$ 183,585	$ 163,617	$ 163,617

17. FINANCIAL INSTRUMENTS (cont'd)

	December 31, 2015		September 30, 2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Financial liabilities at amortized cost				
Accounts payable	$ 3,272,091	$ 3,272,091	$ 2,461,538	$ 2,461,538
Loans	20,557	20,557	20,833	20,833
Indemnities payable to subscribers	2,527,698	2,527,698	2,527,698	2,527,698
Convertible debentures	1,733,029	1,733,029	1,730,202	1,730,202
	$ 7,553,375	$ 7,553,375	$ 6,740,271	$ 6,740,271
Financial liabilities at fair value through profit or loss				
Debts- Loans with nominal value of $1,134,906 and $365,094	1,500,000	1,500,000	1,500,000	1,500,000
Other debentures	537,500	537,500	537,500	537,500
	2,037,500	2,037,500	2,037,500	2,037,500
	$ 9,590,875	$ 9,590,875	$ 8,777,771	$ 8,777,771

In determining fair value, the Company uses observable data based on different levels which are defined as follows:

- First level includes quoted prices (unadjusted) in an active market of identical assets or liabilities.
- Second level includes data that are not based on observable inputs other than quoted prices included in the first level.
- The third level includes data that are not based on observable market data.

The carrying value of cash, accounts receivable and other receivables, accounts payable, loans, indemnities payable to subscribers and due to a shareholder are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments (Level 1).

The carrying value of debts and debentures is considered to be a reasonable approximation of fair value. The fair value is evaluated using analysis of discounted cash flows based on current borrowings rates which apply to similar borrowings (Level 2).

The carrying value of loans with nominal value of $1,134,906 and $365,094, and other debentures is evaluated using the net present value of future cash flows based on market rates for similar securities (Level 2).

18. RELATED PARTIES

The related parties include key management, key management's companies and the joint operation described below.

During the 3-month period ended on December 31st 2015, the Company and one of its joint operations have completed a contract in which the Company has drawn 25% of the profits. The profits from this agreement for the quarter amounted to $ 20,180. In addition, the Company has sold equipment to the same joint operation in the amount of $ 4,062. The balance receivable to the joint operation as at December 31, 2015 is $ 88,095.

Key management personnel includes the directors and officers of the Company.

The key management compensation includes:

	3-month period ended on December 31st	
	2015	2014
Salaries and fringe benefits	$ 47,222	$ 81,067
Capitalized to exploration and evaluation assets	(4,120)	(10,300)
	43,102	70,767
Stock-based compensation	16,477	12,775
Professional fees	18,000	18,000
Total	$ 77,579	$ 101,542

An amount of $ 295,598 ($ 339,742 in 2014) due to the Company's management is included within the accounts payables.

19. COMMITMENTS AND CONTINGENCIES

i) The Company's operations are regulated by governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether it is the result level, the impact or its deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. As at December 31, 2015, a provision of $ 2,060 ($2,060 as at September 30, 2015) for restoration of the premises is included in the accounts payable and other liabilities. The actual amount might differ from this estimate.

ii) The Company is partly financed by issuance of flow-through common shares for which the Company commits itself to incur admissible Canadian exploration expenses. However, there are no guarantees that the funds spent by the Company will qualify as Canadian explorations expenses, even if the Company has taken all the necessary measures to meet its commitment. The refusal of some expenses by the tax authorities would have a negative fiscal impact on investors and the Company and these consequences will only be determinable when such expenses will be denied by tax authorities and when the subscribers of the said shares sue the Company. As of December 31, 2015, other than the lawsuit mentioned at Note 12 c), the Company has no knowledge of lawsuits in progress.

iii) As part of its flow through share financing carried out during the years 2009, 2010 and 2011, the Company committed itself to incur admissible Canadian exploration expenses. The Company did not incur all the admissible Canadian exploration expenses relatively to its flow through share financing (see Note 12). Only provisions for the indemnities related to subscriptions containing a specific compensation clause were maintained as at December 31, 2015. The Company could be subject to claims from the other subscribers. Management is not able to determine the amount because they are unable to determine the number of subscribers who have been the subject to tax assessments relatively to these flow through share financing.

20. CASH FLOWS

	Period of 3 months ended December 31, 2015	Period of 3 months ended December 31, 2014
Supplemental cash flows information:		
Net changes in working capital items:		
Accounts receivable and other receivables	$ (19,843)	$ (9,891)
Sales tax receivable	7,458	(13,330)
Prepaid expenses	17,870	(27,500)
Security deposits	-	948
Liabilities	80,891	(704,374)
Subscription received in advance	-	(85,623)
	$ 86,376	$ (839,770)
Non-cash investing and financing activities		
Stock options exercised	$ 4,600	$ -
Warrants exercised	$ 313	$ -

21. SUBSEQUENT EVENTS

On February 10, 2016 the organization realized a first tranche of private placement without intermediary intervention. This tranche of $ 150,850 was collected by issuing 1,676,111 units of Nippon, at $ 0.09 per unit, each containing one (1) ordinary common share and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $ 0.135 per common share for a period of 24 months following the issue date of the voucher. An amount of $ 29,631 related to the warrants issued was recorded.

On February 17, 2016, 200,000 shares were issued following the exercise of stock options at an exercise price of $0.10 per common share.

On February 19, 2016, the Company announced that the Board of Directors approved a project of settlement of debt in shares (the "settlement of debt in shares") with certain subscribers of flow-through shares (the "applicants") who concluded flow-through subscription agreements with the Company within a private placement of flow-through shares of the Company realized in 2009.

The settlement of debt in shares takes place following legal proceedings (the "proceedings") which were filed by the applicants in the Superior Court of Québec of the Montreal district against the Company and its directors (collectively, the "directors") on or around February 13, 2012, for an amount of $1,300,103.42 on top of applicable interest and the additional indemnity intended by law. The Company and its directors have contested the allegations included in the lawsuit. On or around May 6, 2015, the applicants and the directors settled the applicants' claim towards them.

The Company and the applicants proposed to settle the lawsuit for a global amount of $795,000 (the "settlement amount"), with no admission of responsibility for the only purpose of buying peace and avoid legal fees, by issuing a number of common shares from the Company's equity (the "shares issued for debt settlement").

Subject to approval of the disinterested shareholders (a vote is scheduled during the annual shareholders meeting on March 17, 2016) and the final approval of the TSX Venture Exchange (the "TSXV"), the shares issued to settle the debt will be issued at a price per share (the "price of the shares issued to settle the debt") that is the higher of: (i) the last closing price of the Company's registered shares (the "common shares") on February 19, 2016, net of the maximum discount of 25% (the "discounted price") allowed by the TSXV's policies, a price of $0.06 per share issued to settle the debt, and (ii) the closing price of the common shares at the meeting's date (March 17, 2016) net of the discounted price. The price of the shares issued for the debt settlement will allow the determination of the number of shares issued to settle the debt at the closing date.

22. COMPARATIVE FIGURES

Certain figures from the prior period have been reclassified for presentation adjusments in accordance with the unaudited condensed interim consolidated financial statements for period ended December 31, 2015.