



**Copper North Mining Corp.**

**Consolidated Financial Statements  
For the years ended December 31, 2015 and 2014**

(Expressed in Canadian dollars)



**April 15, 2016**

**Independent Auditor's Report**

**To the Shareholders of Copper North Mining Corp.**

We have audited the accompanying consolidated financial statements of Copper North Mining Corp., which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity 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 our audits 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.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Copper North Mining Corp. 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Copper North Mining Corp. to continue as a going concern.

*signed "PricewaterhouseCoopers LLP"*

**Chartered Professional Accountants**

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**CONSOLIDATED BALANCE SHEETS**

		December 31, 2015 \$	December 31, 2014 \$
<b>ASSETS</b>			
Cash and cash equivalents	Note	461,792	478,357
Prepaid expenses		316,320	359,558
Accounts receivable		23,327	21,507
<b>CURRENT ASSETS</b>		<b>801,439</b>	<b>859,422</b>
Reclamation bonds	4	85,300	83,300
Exploration and evaluation assets	4	19,281,737	19,231,737
<b>ASSETS</b>		<b>20,168,476</b>	<b>20,174,459</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		344,560	712,643
Due to related parties	8d	444,563	388,535
<b>LIABILITIES</b>		<b>789,123</b>	<b>1,101,178</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	35,399,588	32,778,755
Contributed surplus		1,852,012	1,240,700
Deficit		(17,872,247)	(14,946,174)
<b>SHAREHOLDERS' EQUITY</b>		<b>19,379,353</b>	<b>19,073,281</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>20,168,476</b>	<b>20,174,459</b>
Nature of operations and going concern	1		
Commitments	10		
Subsequent event	15		

**Approved by the Board of Directors**

Bill LeClair (signed) Director

Dale Corman (signed) Director

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**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the year ended December 31,	Note	2015 \$	2014 \$
Exploration and evaluation expenses	4e	1,784,367	1,267,283
Filing and regulatory fees		42,777	40,785
General administrative costs		82,589	56,273
Professional fees		60,084	95,850
Rent and utilities		112,089	40,572
Share-based payments	7, 8c	69,312	100,758
Shareholder communication and travel		420,805	99,583
Wages and benefits	8b, 8c	458,077	294,791
<b>OPERATING EXPENSES</b>		<b>3,030,100</b>	<b>1,995,895</b>
Gain on debt settlement	5d	(113,200)	-
Interest expense	8a, 8b	9,173	25,771
<b>LOSS AND COMPREHENSIVE LOSS</b>		<b>2,926,073</b>	<b>2,021,666</b>
Basic and diluted loss per common share		0.02	0.03
Weighted average number of common shares outstanding		141,572,670	79,926,181

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the year ended December 31,		2015	2014
Cash flows provided by (used in)		\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss and comprehensive loss		(2,926,073)	(2,021,666)
Items not affecting cash			
Share-based payments		69,312	100,758
Change in non-cash working capital items	11	(100,837)	(269,230)
<b>OPERATING ACTIVITIES</b>		<b>(2,957,598)</b>	<b>(2,190,138)</b>
<b>FINANCING ACTIVITIES</b>			
Issuance of common shares and units	5b, 5c	2,849,759	2,338,232
Share and unit issuance costs	5b, 5c	(64,797)	(107,524)
Exercise of warrants	6a	210,000	490,000
Related party debt settlement	5d, 8a	-	(43,000)
Related party debt settlement costs	5d, 8a	(1,929)	(4,090)
<b>FINANCING ACTIVITIES</b>		<b>2,993,033</b>	<b>2,673,618</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of exploration and evaluation assets	4d	(50,000)	(38,412)
Purchase of reclamation bond		(2,000)	(3,000)
<b>INVESTING ACTIVITIES</b>		<b>(52,000)</b>	<b>(41,412)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(16,565)</b>	<b>442,068</b>
Cash and cash equivalents – Beginning		478,357	36,289
<b>CASH AND CASH EQUIVALENTS - ENDING</b>		<b>461,792</b>	<b>478,357</b>

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**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
<b>DECEMBER 31, 2013</b>	<b>60,469,998</b>	<b>30,072,444</b>	<b>736,635</b>	<b>(12,924,508)</b>	<b>17,884,571</b>
Shares issued to acquire Thor property (note 4b and 4d)	1,000,000	50,000	-	-	50,000
Private placements (note 5c)					
Share and unit issuance	41,167,200	2,338,232	-	-	2,338,232
Share and unit issuance costs	-	(122,207)	21,333	-	(100,874)
Allocation of warrant value	-	(380,474)	380,474	-	-
Warrant exercise incentive program (note 6a)					
Unit issuance	7,000,000	490,000	-	-	490,000
Unit issuance costs	-	(6,650)	-	-	(6,650)
Allocation of warrant value	-	(115,500)	115,500	-	-
Transfer of warrant exercise value	-	114,000	(114,000)	-	-
Loan settlement (note 8a)	6,860,000	343,000	-	-	343,000
Loan settlement costs (note 8a)	-	(4,090)	-	-	(4,090)
Share-based payments	-	-	100,758	-	100,758
Loss and comprehensive loss	-	-	-	(2,021,666)	(2,021,666)
<b>DECEMBER 31, 2014</b>	<b>116,497,198</b>	<b>32,778,755</b>	<b>1,240,700</b>	<b>(14,946,174)</b>	<b>19,073,281</b>
Private placements (note 5b)					
Share and unit issuance	52,400,317	2,849,759	-	-	2,849,759
Share and unit issuance costs	650,001	(76,297)	11,500	-	(64,797)
Allocation of warrant value	-	(646,000)	646,000	-	-
Warrant exercise (note 6a)	3,500,000	210,000	-	-	210,000
Allocation of warrant exercise value	-	115,500	(115,500)	-	-
Shares for debt settlement (note 5d)					
Share issuance	5,660,000	169,800	-	-	169,800
Share issuance costs	-	(1,929)	-	-	(1,929)
Share-based payments	-	-	69,312	-	69,312
Loss and comprehensive loss	-	-	-	(2,926,073)	(2,926,073)
<b>DECEMBER 31, 2015</b>	<b>178,707,516</b>	<b>35,399,588</b>	<b>1,852,012</b>	<b>(17,872,247)</b>	<b>19,379,353</b>

## **Copper North Mining Corp.**

Notes to the Consolidated Financial Statements  
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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

#### **a) Nature of operations**

Copper North Mining Corp. (together with its subsidiaries, "Copper North" or the "Company") was incorporated in British Columbia, Canada on August 3, 2011 and is directly engaged in the exploration and development of mineral properties in Canada.

Copper North began trading on the TSX Venture Exchange on October 24, 2011. The Company's head office is located at 1120 – 1095 West Pender Street, Vancouver, BC.

#### **b) Going concern**

The nature of the Company's operations requires significant expenditures for the acquisition, exploration, and development of mineral properties. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage. The Company's operations have been primarily funded from equity financings. The Company will continue to require additional funding to maintain its ongoing exploration programs, permitting efforts, advance royalty and property maintenance payments, and operations.

While these consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in a material uncertainty casting significant doubt on the validity of this assumption. For the year ended December 31, 2015, the Company reported a loss of \$2,926,073 and as at that date had a working capital of \$12,316 and an accumulated deficit of \$17,872,247. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from equity transactions or through other arrangements. The Company has been successful in securing financing in the past, but there can be no assurance that it will be able to do so in the future. Further detail of the Company's financing transactions for the year ended December 31, 2015 is available in notes 5 and 6. Details of the financing transaction completed subsequent to December 31, 2015 are described in note 15.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumptions deemed to be inappropriate. These adjustments could be material.

### **2. BASIS OF PRESENTATION**

#### **a) Compliance with International Financial Reporting Standards**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention.

These financial statements were approved for issue by the Company's board of directors on April 15, 2016.



**Copper North Mining Corp.**

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**b) Significant accounting estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, environmental obligations, the valuation of share-based payments, and the allocation of financing proceeds. Actual results could differ from those estimates. Differences may be material.

The recoverability of the carrying value of exploration and evaluation assets is dependent upon a number of factors including the existence of economically recoverable reserves and the Company's ability to secure and maintain title and beneficial interest in the properties, to obtain the necessary financing to continue the exploration and future development of the properties, or to realize the carrying amount through a sale or partial disposal. Realization values may be substantially different from carrying values.

The fair value estimates used to assess recoverability of the Company's exploration and evaluation asset carrying values are developed using management's projections for long-term average commodity prices for copper, gold and silver; recoverable reserves and resources; operating costs; capital expenditures; reclamation costs; applicable foreign currency exchange rates; and potential sale proceeds. Management makes estimates relating to current and future market conditions. There are inherent uncertainties related to these factors and management's judgment when using them to assess the recoverability of exploration and evaluation assets.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, or title may be affected by undetected defects.

The Company believes that the estimates applied in the assessment of recoverability are reasonable; however such estimates are subject to significant uncertainties and judgments. Although management has made its best estimate of these factors based on current conditions, it is possible that the underlying assumptions can change significantly and impairment charges may be required in future periods. Such charges could be material.

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### **3. ACCOUNTING POLICIES**

#### **a) Summary of significant accounting policies**

The Company's principal accounting policies are outlined below:

i) Basis of consolidation

The Company consolidates an entity when it has power over that entity, is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The financial statements of other entities (e.g. subsidiaries) are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The consolidated financial statements of the Company include its wholly-owned subsidiaries: Carmacks Mining Corp. and Redbed Resources Corp.

ii) Presentation currency

The Company's presentation currency is the Canadian dollar ("C\$"). The functional currency of Copper North and its significant subsidiaries is the Canadian dollar.

iii) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities are translated using the period end foreign exchange rate. All gains and losses on translation of these foreign currency transactions are included in the statement of loss. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction.

iv) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The estimated fair value of stock options granted by the Company is treated as compensation costs in accordance with IFRS 2 Share-based payments. These costs are charged to the statement of loss over the stock option vesting period.

If stock options are exercised, the value attributable to those stock options is transferred to share capital.

v) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss.

Current tax expense is the expected tax 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 regard to the previous year.

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Deferred taxes are recorded using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (i.e. timing differences). Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

### vi) Loss per share

Basic loss per share is calculated by dividing the net loss for the reporting period by the weighted average number of common shares outstanding during the reporting period.

Diluted loss per share is calculated using the treasury share method whereby all "in the money" stock options and warrants are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. When effects of potential issuances of shares from the exercise of stock options or warrants would be anti-dilutive, basic loss and diluted loss per share are the same.

### vii) Long-lived assets

#### 1. Exploration and evaluation assets

All direct costs related to the acquisition of mineral properties held or controlled by the Company are capitalized on an individual property basis until the property is put into production, sold, abandoned, or determined to be impaired. All direct costs related to the exploration and evaluation of mineral properties are recognized in the statement of loss in the period in which the costs are incurred.

The Company classifies its mineral properties as exploration and evaluation assets until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. At this point, the exploration and evaluation assets are transferred to property and equipment. The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as the extent of established mineral reserves, the results of feasibility and technical evaluations, and the status of mining leases or permits.

#### 2. Impairment

The Company's assets are reviewed for indication of impairment at each balance sheet date. If any such indication exists, an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs of disposal ("FVLCD") and value in use ("VIU"). If the asset's carrying amount exceeds its recoverable amount then an impairment loss is recognized in the statement of loss.

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FVLCD is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects.

VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is normally assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

### 3. Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

#### viii) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

#### ix) Valuation of equity units issued as part of a financing

The Company has adopted a pro-rata basis method for the measurement of shares and warrants issued as units in financing arrangements. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of each component.

The fair value of the common shares is based on the closing price on the closing date of the transaction and the fair value of the warrants is determined on the closing date of the transaction using the Black-Scholes option pricing model.

The fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the value attributable to the warrants is transferred to share capital.

#### x) Financial instruments

##### 1. Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses using the effective interest rate method. Interest income is recognized by applying the effective interest rate.

The Company has classified cash and cash equivalents, reclamation bonds and accounts receivable as loans and receivables.

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### 2. Other financial liabilities

Other financial liabilities are initially measured at transaction value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method.

The Company has classified amounts due to related parties, and accounts payable and accrued liabilities as other financial liabilities.

### xi) Provisions

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 amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

## **b) Recent accounting pronouncements**

A number of new standards, amendments, and interpretations are effective for annual periods beginning on or after January 1, 2016 and have not been applied in preparing these consolidated financial statements. The Company is in the process of determining the impact that these changes will have on its financial statements.

- i) IFRS 16 – *Leases* specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.
- ii) IFRS 9 - *Financial instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB has previously issued versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication of IFRS 9 is the completed version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39 - *Financial Instruments: Recognition and Measurement*.

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IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

### **4. EXPLORATION AND EVALUATION ASSETS**

#### **a) Carmacks (Yukon, Canada)**

The Company owns 100% of the Carmacks Project, an oxide copper, gold, and silver deposit located in Yukon, Canada.

Any production from the Carmacks Project is subject to either a 15% net profits interest or a 3% net smelter return royalty, at Copper North's election. If Copper North elects to pay the net smelter return royalty, it has the right to purchase the royalty for \$2.5 million, less any advance royalty payments made to that date. At December 31, 2015, \$1.3 million has been paid in advance royalty payments. The Company is required to make an advance royalty payment of \$100,000 in any year in which the average daily copper price reported by the London Metal Exchange is US\$1.10 per pound or greater.

The Company holds a Guaranteed Investment Certificate in the amount of \$80,300 in safekeeping for the Yukon Government. This amount represents the estimated reclamation cost for the work performed to date on the property. The security will be released once the Company performs its obligations pursuant to its Quartz Mining License.

#### **b) Thor (British Columbia, Canada)**

The Thor property is located south of the Kemess South mine-mill complex in North Central British Columbia.

On July 8, 2014, Copper North entered into an acquisition agreement with Electrum Resource Corporation ("Electrum"). Pursuant to the acquisition agreement, the Company will earn 100% interest in the Thor property by making the following payments and incurring the following exploration expenditures. If the Company fails to make a scheduled payment of cash or common shares, it will retain no interest in the Thor property.

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Payment Date	Cash payment	Common shares	Exploration expenditures (cumulative)	Status
July 8, 2014	\$25,000	1,000,000	-	<i>Completed</i>
July 8, 2015	\$50,000	-	\$200,000	<i>Completed</i>
July 8, 2016	\$50,000	1,000,000	\$700,000	-
July 8, 2017	\$100,000	1,000,000	\$1,500,000	-
July 8, 2018	\$100,000	1,000,000	\$2,500,000	-
July 8, 2019	\$100,000	1,000,000	\$3,500,000	-
July 8, 2020	\$100,000	-	\$5,000,000	-
<b>TOTAL</b>	<b>\$525,000</b>	<b>5,000,000</b>	<b>\$5,000,000</b>	

In addition, Electrum will receive a 2% net smelter return royalty to a maximum of \$5 million. The Company agrees to pay an advanced royalty payment of \$1 million at each of the seventh, eighth, ninth, tenth and eleventh anniversaries of the acquisition agreement if commercial production is not attained in respect of the Thor Property before those dates. Advance royalty payments are deductible from the maximum amount payable pursuant to the net smelter return royalty.

A deposit of \$5,000 is held by the Government of British Columbia to cover reclamation costs for the work performed to date on the property.

**c) Redstone (Northwest Territories, Canada)**

Copper North owns 100% of the Redstone property. The Redstone property comprises mining leases and mineral claims in the western part of the Northwest Territories.

Should production be achieved on the mining leases, the mining leases are subject to a net smelter return royalty of between 3% and 4% depending on the monthly average of the final daily spot price of copper reported on the New York Commodities Exchange relating to each production month, as follows:

- 3% if the price is less than, or equal to US\$0.75 per pound;
- 3.5% if the price is greater than US\$0.75 per pound, but less than or equal to US\$1.00 per pound; and
- 4% if the price is greater than US\$1.00 per pound.

**d) Acquisition costs**

	Carmacks \$	Redstone \$	Thor \$	Total \$
DECEMBER 31, 2013	17,143,325	2,000,000	-	19,143,325
Acquisition costs	-	-	88,412	88,412
DECEMBER 31, 2014	17,143,325	2,000,000	88,412	19,231,737
Property option payment	-	-	50,000	50,000
<b>DECEMBER 31, 2015</b>	<b>17,143,325</b>	<b>2,000,000</b>	<b>138,412</b>	<b>19,281,737</b>

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**e) Exploration and evaluation expenditures**

For the year ended	Carmacks	Redstone	Thor	Total
	\$	\$	\$	\$
Advance royalty	100,000	-	-	100,000
Claims maintenance	15,485	33,704	4,443	53,632
Engineering studies	383,105	-	-	383,105
Exploration and camp support	1,109,089	969	10,154	1,120,212
Exploration tax credit	-	-	(49,725)	(49,725)
Permitting	17,143	-	-	17,143
Salary and wages	130,000	6,000	24,000	160,000
<b>DECEMBER 31, 2015</b>	<b>1,754,822</b>	<b>40,673</b>	<b>(11,128)</b>	<b>1,784,367</b>

  

For the year ended	Carmacks	Redstone	Thor	Total
	\$	\$	\$	\$
Advance royalty	100,000	-	-	100,000
Claims maintenance	19,635	(7,648)	2,125	14,112
Engineering studies	272,119	-	-	272,119
Exploration and camp support	494,590	(424)	215,008	709,174
Permitting	11,878	-	-	11,878
Salary and wages	160,000	-	-	160,000
<b>DECEMBER 31, 2014</b>	<b>1,058,222</b>	<b>(8,072)</b>	<b>217,133</b>	<b>1,267,283</b>

**5. SHARE CAPITAL****a) Authorized share capital**

Unlimited common shares without par value

**b) 2015 Financing**

- i) On December 29, 2015, Copper North issued 3,334,000 units at a price of \$0.045 per unit for gross proceeds of \$150,030. Each unit consisted of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.05 until December 29, 2020. The fair value assigned to the warrants was \$60,000.
- ii) On December 18, 2015, Copper North issued 3,333,333 flow-through units at a price of \$0.045 per flow-through unit for gross proceeds of \$150,000. Each flow-through unit consisted of one flow-through common share and one half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.05 until December 18, 2017. The fair value assigned to the warrants was \$23,000. The Company paid finders' fees of \$13,500 and issued 300,000 finders' warrants in relation with the private placement. The finders' warrants have the same terms as the subscriber warrants. The fair value assigned to the finders' warrants was \$3,900.
- iii) On December 8, 2015, Copper North issued 5,550,000 units at a price of \$0.045 per unit for gross proceeds of \$249,750. Each unit consisted of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.05 until December 8, 2020. The fair value assigned to the warrants was \$98,000.



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- iv) On November 4, 2015, Copper North issued 3,100,000 units at a price of \$0.05 per unit for gross proceeds of \$155,000. Each unit consisted of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.05 until November 4, 2020. The fair value assigned to the warrants was \$62,000. The Company paid finders' fees of \$1,200 and issued 24,000 finders' warrants in connection with this portion of the placement. Each finders' warrant entitles the holder to purchase one common share at a price of \$0.05 until November 4, 2017. The fair value assigned to the finders' warrants was \$400.

On November 4, 2015, Copper North also issued 2,000,000 flow-through units at a price of \$0.05 per flow-through unit for gross proceeds of \$100,000. Each flow-through unit consisted of one flow-through common share and one half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.05 until November 4, 2017. The fair value assigned to the warrants was \$16,000. In connection with this portion of the placement, the Company paid finders' fees of \$5,200 and issued 40,000 finders' shares with a fair market value of \$1,600. The Company also issued 104,000 finders' warrants. Each finders' warrant entitles the holder to purchase one common share at a price of \$0.05 until November 4, 2017. The fair value assigned to the finders' warrants was \$1,800.

- v) On September 24, 2015, Copper North issued 6,000,000 units at a price of \$0.05 per unit for gross proceeds of \$300,000. Each unit consisted of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.05 until September 24, 2020. The fair value assigned to the warrants was \$121,000.
- vi) On June 25, 2015, Copper North issued 8,533,350 flow-through shares at a price of \$0.06 per share and 1,881,300 units at a price of \$0.06 per unit for total gross proceeds of \$624,879. Each unit consisted of one common share and one half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.09 until June 25, 2017. The fair value assigned to warrants was \$27,000. The Company also issued 500,001 shares as finders' fees with a fair market value of \$30,000.
- vii) On June 8, 2015, Copper North issued 833,334 flow-through shares at a price of \$0.06 per share and 7,785,000 units at a price of \$0.06 per unit for total gross proceeds of \$517,100. Each unit consisted of one common share and one half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.09 until June 8, 2017. The fair value assigned to the warrants was \$119,000. The Company also issued 110,000 shares as finders' fees with a fair market value of \$6,600.
- viii) On March 19, 2015, Copper North issued 5,300,000 units at a price of \$0.06 per unit for gross proceeds of \$318,000. Each unit consisted of one common share and one half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.09 until March 19, 2017. The fair value assigned to warrants was \$69,000. The Company issued 170,000 finders' warrants as finders' fees. The finders' warrants have the same terms as the subscriber warrants. The fair value assigned to the finders' warrants was \$5,400.
- ix) On February 3, 2015, Copper North issued 4,750,000 units at a price of \$0.06 per unit for gross proceeds of \$285,000. Each unit consists of one common share and one half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.09 until February 3, 2017. The fair value assigned to the warrants was \$51,000.

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The fair value assigned to the warrants noted above was calculated using the Black-Scholes option pricing model and was based on the following assumptions:

Inputs and assumptions	December 29, 2015	December 18, 2015	December 8, 2015	November 4, 2015	November 4, 2015
Warrants issued	3,334,000	1,666,667	5,550,000	3,100,000	1,000,000
Exercise price	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
Market price	\$0.03	\$0.03	\$0.035	\$0.04	\$0.04
Expected term, in years	5.0	2.0	5.0	5.0	2.0
Expected stock price volatility	97.8%	87.0%	98.0%	98.0%	94.6%
Average risk-free interest rate	0.75%	0.50%	0.92%	0.96%	0.62%
Expected dividend yield	-	-	-	-	-
<b>FAIR VALUE ASSIGNED</b>	<b>\$60,000</b>	<b>\$23,000</b>	<b>\$98,000</b>	<b>\$62,000</b>	<b>\$16,000</b>

Inputs and assumptions	September 24, 2015	June 25, 2015	June 8, 2015	March 19, 2015	February 3, 2015
Warrants issued	6,000,000	940,650	3,892,500	2,650,000	2,375,000
Exercise price	\$0.05	\$0.09	\$0.09	\$0.09	\$0.09
Market price	\$0.04	\$0.05	\$0.055	\$0.055	\$0.06
Expected term, in years	5.0	2.0	2.0	2.0	2.0
Expected stock price volatility	98.1%	168.6%	170%	135.2%	105.0%
Average risk-free interest rate	0.80%	0.62%	0.63%	0.48%	0.43%
Expected dividend yield	-	-	-	-	-
<b>FAIR VALUE ASSIGNED</b>	<b>\$121,000</b>	<b>\$27,000</b>	<b>\$119,000</b>	<b>\$69,000</b>	<b>\$51,000</b>

**c) 2014 Financing**

- i) On December 22, 2014, Copper North issued 9,639,666 flow-through shares at a price of \$0.06 per share for total gross proceeds of \$578,380. In connection with the private placement, the Company issued 687,483 finders' warrants. Each finders' warrant entitles the holder to purchase one additional common share at price of \$0.06 until December 22, 2016. The fair value assigned to the finders' warrants was \$19,250.
- ii) On November 5, 2014, Copper North issued 2,082,834 flow-through shares at a price of \$0.06 per share and 3,892,000 units at a price of \$0.06 per unit for total gross proceeds of \$358,490. Each unit consisted of one common share and one half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.09 until November 5, 2016. The fair value assigned to the warrants was \$38,800. The Company also issued 104,141 finders' warrants. The finders' warrants have the same terms as the subscriber warrants. The value assigned to the finders' warrants was \$2,083.

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- iii) On August 20, 2014, Copper North issued 6,700,000 flow-through shares at a price of \$0.06 per share and 5,672,700 units of the Company at a price of \$0.06 per unit for total gross proceeds of \$742,362. Each unit consisted of one common share of the Company and one half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.08 until August 20, 2015 and \$0.09 from August 21, 2015 to expiry. The warrants expire on August 20, 2016. The fair value assigned to the warrants was \$126,674.
- iv) On April 24, 2014, Copper North issued 13,180,000 units at a price of \$0.05 per unit for gross proceeds of \$659,000. Each unit consisted of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.07 until April 24, 2016. The fair value assigned to the warrants was \$215,000.

The fair value assigned to the warrants noted above was calculated using the Black-Scholes option pricing model and was based on the following assumptions:

Inputs and assumptions	December 22, 2014	November 5, 2014	August 20, 2014	April 24, 2014
Warrants issued	687,483	1,946,000	2,836,350	13,180,000
Exercise price	\$0.06	\$0.09	\$0.08	\$0.07
Market price	\$0.055	\$0.05	\$0.06	\$0.06
Expected term, in years	2.0	2.0	2.0	2.0
Expected stock price volatility	102.3%	103.8%	164.7%	132.8%
Average risk-free interest rate	1.05%	1.00%	1.09%	1.07%
Expected dividend yield	-	-	-	-
<b>FAIR VALUE ASSIGNED</b>	<b>\$19,250</b>	<b>\$38,800</b>	<b>\$126,674</b>	<b>\$215,000</b>

### d) Shares for debt

On December 29, 2015, Copper North issued 5,660,000 common shares at a deemed price of \$0.05 per common share in settlement of \$283,000 payable to certain vendors. The fair market value of these shares on the date of issue was \$169,800. As a result, the Company recorded a gain on debt settlement of \$113,200 in the statement of loss and comprehensive loss for the year ended December 31, 2015.

## 6. WARRANTS AND STOCK OPTIONS

### a) Warrants

In November 2014, Copper North announced a warrant exercise incentive program to encourage the early exercise of warrants issued as part of the April 24, 2014 private placement. As part of the program, the Company amended the terms of the warrants issued in April 2014, such that each holder who exercised such warrants by November 24, 2014 would receive an additional one half of a warrant.

The Company completed the warrant exercise incentive program on November 25, 2014. 7,000,000 of the 13,180,000 warrants issued in April 2014 were exercised for gross proceeds of \$490,000. Each warrant issued on November 25, 2014 entitles the holder to acquire one common share at an exercise price of \$0.06 until November 25, 2016.

Warrants issued in April 2014 not exercised by November 24, 2014 continue to be exercisable for only common shares of the Company on the original terms.

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The fair value assigned to the newly issued warrants was \$115,500. The fair value was calculated using the Black-Scholes option pricing model and was based on the following assumptions:

Expected stock price volatility	103.9%
Expected term, in years	2.0
Average risk-free interest rate	1.01%
Expected dividend yield	-

A summary of the Company's warrants outstanding, including changes for the periods then ended, is presented below.

	Number of Warrants	Weighted average exercise price \$
DECEMBER 31, 2013	3,384,500	0.14
Issued	22,253,974	0.07
Exercised	(7,000,000)	0.07
Expired	(819,500)	0.20
DECEMBER 31, 2014	17,818,974	0.08
Issued	31,106,816	0.06
Exercised	(3,500,000)	0.06
Expired	(1,765,000)	0.05
<b>DECEMBER 31, 2015</b>	<b>43,660,790</b>	<b>0.07</b>

Warrants outstanding are as follows:

Warrants outstanding, by exercise price	Number of warrants	Average remaining contractual life in years
\$0.05 – 0.06	21,766,149	4.33
\$0.07 – 0.09	21,094,641	0.88
\$0.28	800,000	0.88
<b>DECEMBER 31, 2015</b>	<b>43,660,790</b>	<b>2.60</b>

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**b) Stock options**

The Company has a stock option plan that permits the grant of stock options for the purchase of up to 10% of the issued and outstanding common shares of the Company to directors, officers, employees, and consultants. Terms and pricing of stock options are determined in accordance with the stock option plan.

A summary of the Company's stock options outstanding, including the changes for the periods then ended, is presented below:

	Number of Stock options	Weighted average exercise price \$
DECEMBER 31, 2013	3,653,334	0.22
Granted	3,650,000	0.06
Cancelled/Forfeited	(850,000)	0.24
Expired	(167,500)	0.06
DECEMBER 31, 2014	6,285,834	0.13
Granted	4,150,000	0.05
Expired	(318,334)	0.10
<b>DECEMBER 31, 2015</b>	<b>10,117,500</b>	<b>0.10</b>

Stock options outstanding are as follows:

Stock options outstanding, by exercise price	Number of Stock options	Weighted average exercise price \$	Average remaining contractual life years
\$0.05 – 0.08	7,800,000	0.06	4.34
\$0.10 – 0.24	1,300,000	0.18	1.21
\$0.27 – 0.32	1,017,500	0.31	0.77
<b>DECEMBER 31, 2015</b>	<b>10,117,500</b>	<b>0.10</b>	<b>3.58</b>

Of the total stock options outstanding, 6,434,157 were vested and exercisable at December 31, 2015. The weighted average exercise price of vested stock options is \$0.12 and the average remaining contractual life is 2.98 years.

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**7. SHARE-BASED PAYMENTS**

The following is a summary of the most recent stock options granted by the Company and the fair value assigned to each grant. The fair value was calculated using the Black-Scholes option pricing model and the following inputs and assumptions:

Inputs and assumptions	December 30, 2015	January 7, 2015	August 26, 2014	March 1, 2014
Stock options granted	4,000,000	150,000	3,450,000	200,000
Exercise price	\$0.05	\$0.07	\$0.06	\$0.08
Market price	\$0.03	\$0.07	\$0.06	\$0.08
Expected option term (years)	3.0	3.0	3.0	3.0
Expected stock price volatility	98.0%	159.8%	101%	121%
Average risk-free interest rate	0.50%	1.00%	1.13%	1.18%
Expected forfeiture rate	-	-	-	-
Expected dividend yield	-	-	-	-
<b>FAIR VALUE ASSIGNED</b>	<b>\$60,000</b>	<b>\$9,000</b>	<b>\$138,000</b>	<b>\$12,000</b>

**8. RELATED PARTY TRANSACTIONS****a) Related party loan**

On June 23, 2014, the Company paid \$43,000 in cash and issued 6,860,000 common shares to Dale Corman, Copper North's Chairman, to settle amounts owing under the terms of a loan agreement to secure funds of \$300,000. The value of the common shares was recorded at \$0.05 per common share, the shares' fair value on the settlement date. Costs to settle the loan totaled \$4,090.

**b) Deferred salary**

Certain current and former officers and directors have agreed to defer some, or all, of their salary. The Company has accrued these wages in the statement of loss. During the year ended December 31, 2015, the Company accrued \$166,026 (2014 - \$16,653) in wages to officers and \$36,000 in director fees (2014 - \$36,000).

During the year ended December 31, 2015, the Company repaid \$54,798 due to Julien François, Chief Financial Officer, in cash. Of this amount, \$3,965 was interest. Also during the year ended December 31, 2015, Copper North repaid \$100,000 due to Sally Eyre, the Company's previous Chief Executive Officer by making a cash payment of \$27,000 and issuing 1,460,000 common shares with a deemed value of \$0.05 per common share. Effective December 31, 2015, amounts due to Ms. Eyre no longer accrue interest.

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**c) Management compensation**

The Company's related parties include its directors and officers, who are the key management of the Company. The remuneration of directors and officers during the years presented was as follows:

For the year ended December 31,	2015	2014
	\$	\$
Salaries and director fees	476,000	386,000
Share-based payments	53,630	98,478
<b>DIRECTOR AND OFFICER REMUNERATION</b>	<b>529,630</b>	<b>484,478</b>

Share-based payments represent the fair value of stock options previously granted to directors and officers that was recognized during the years presented above.

**d) Due to related parties**

As at December 31,	2015	2014
	\$	\$
Wages and salary	295,346	280,153
Interest	23,217	18,382
Director fees	126,000	90,000
<b>DUE TO RELATED PARTIES</b>	<b>444,563</b>	<b>388,535</b>

As at December 31, 2015, amounts due to related parties are non-interest bearing and payable on demand.

**9. SEGMENTED INFORMATION**

The Company's operations are primarily directed towards the acquisition, exploration, and future development of resource properties in Canada. All assets are held in Canada.

**10. COMMITMENTS**

The Company has an agreement to sub-lease its head office space until May 31, 2017. The total amount of payments remaining during the course of the agreement as at December 31, 2015 is \$161,000. Of this amount, \$114,000 is due within the next twelve months. The Company has the option to terminate the sub-lease without penalty by providing the sub-lessor 90 days' notice.

The Company must spend \$150,000 on qualifying Canadian exploration expenditures by December 31, 2017. Otherwise, it will be required to pay the investors who purchased flow-through shares the difference between the amount of tax benefit that they would have realized had the Company incurred all expenditures and the amount that the investors actually realized.

Other commitments related to exploration and evaluation assets are described in note 4.

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**11. SUPPLEMENTAL CASH FLOW INFORMATION**

The changes in the Company's non-cash working capital items relating to operating activities for the periods indicated below are as follows:

For the year ended December 31,	2015	2014
	\$	\$
Due to related parties	99,828	31,685
Prepaid expenses	43,238	(348,345)
Accounts receivable	(1,820)	(15,454)
Accounts payable and accrued liabilities	(242,083)	62,884
<b>CHANGE IN NON-CASH WORKING CAPITAL</b>	<b>(100,837)</b>	<b>(269,230)</b>

**12. INCOME TAXES****a) Rate reconciliation**

The income tax expense or recovery reported by the Company differs from the amounts obtained by applying statutory rates to the loss before income tax. A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is provided below:

For the year ended December 31,	2015	2014
Statutory income tax rate	26.00%	26.00%
	\$	\$
Loss before tax	2,926,073	2,021,666
Income tax recovery at statutory rate	760,779	525,633
Non-deductible expenditures for tax	(19,099)	(26,855)
Canadian Exploration and Development Expenditures	(705,926)	(352,480)
Amounts expensed for tax purposes	8,038	8,159
Other	16,269	203
Unrecognized tax benefits	(60,061)	(154,660)
<b>INCOME TAX</b>	<b>-</b>	<b>-</b>



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**b) Unrecognized deferred income tax asset**

Future potential tax deductions that are not used to offset deferred income tax liabilities are considered to be unrecognized deferred income tax assets. The significant components of the Company's unrecognized deferred income tax asset are as follows:

As at December 31,	2015	2014
	\$	\$
Unused cumulative exploration and development costs	1,070,722	1,081,081
Operating losses carried forward	1,072,296	933,325
Other items	20,128	28,166
<b>UNRECOGNIZED DEFERRED INCOME TAX ASSET</b>	<b>2,163,146</b>	<b>2,042,572</b>

The Company estimates that the realization of income tax benefits related to these deferred income tax assets is uncertain and cannot be considered to be more likely than not. Accordingly, no deferred income tax asset has been recorded.

**c) Non-capital losses**

The Company has incurred non-capital losses that may be carried forward and used to reduce taxable income in future years. These losses totaled \$3,911,592 as at December 31, 2015 (2014 - \$3,469,498) and will expire between 2031 and 2035.

The Company has approximately \$11.3 million in Canadian Exploration and Development Expenditures ("CEDE") available to reduce future taxable income. CEDE do not expire.

**13. CAPITAL MANAGEMENT**

Copper North is a mineral exploration and development company focusing on advancing the Carmacks Project, the Thor property and the Redstone property. Its principal source of funds is the issuance of common shares. The Company considers capital to be equity attributable to common shareholders, comprised of share capital, contributed surplus, and deficit. It is the Company's objective to safeguard its ability to continue as a going concern so that it can continue to explore and develop its projects. As at December 31, 2015, certain conditions and events cast significant doubt upon the Company's ability to continue as a going concern. Refer to note 1(b) and note 15 for more information.

Copper North manages its capital structure based on the funds available for its operations and makes adjustments for changes in economic conditions, capital markets and the risk characteristics of the underlying assets. To maintain its objectives, the Company may attempt to issue new shares, seek debt financing, acquire or dispose of assets or change the timing of its planned exploration and development projects. There is no assurance that these initiatives will be successful.

Copper North monitors its cash position on a regular basis to determine whether sufficient funds are available to meet its short-term and long-term corporate objectives.

There has been no change in the Company's capital management practices during the period. Copper North does not pay dividends. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

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**14. FINANCIAL INSTRUMENT RISK**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to liquidity and credit risks from the use of financial instruments. Financial instruments consist of cash and cash equivalents, accounts receivable, reclamation bond, amounts due to related parties, and accounts payable and accrued liabilities.

**a) Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. Certain conditions cast significant doubt on the Company's ability to meet its financial obligations. Refer to note 1(b) for more information regarding the Company's liquidity risk.

**b) Credit risk**

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents. These financial instruments are at risk to the extent that the institutions issuing or holding them cannot redeem amounts when they are due or requested. To limit its credit risk, the Company deposits cash and cash equivalents in Canadian chartered banks.

**15. SUBSEQUENT EVENT**

On April 1, 2016, Copper North issued 4,541,667 units at a price of \$0.03 for gross proceeds of \$136,250. Each unit consisted of one common share of the Company and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.05 until April 1, 2018.