MACDONALD MINES EXPLORATION LTD.

Unaudited Condensed Interim Financial Statements

March 31, 2016

(Expressed in Canadian Dollars)

Responsibility for these Unaudited Condensed Interim Financial Statements:

The accompanying unaudited condensed interim financial statements of MacDonald Mines Exploration Ltd. (the "Company") are the responsibility of the Board of Directors ("Board") and have been prepared by management, on behalf of the Board.

In management's opinion, these unaudited condensed interim financial statements are in full compliance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. Management has established internal controls over the financial reporting process which are designed to provide reasonable, but not absolute, assurance that relevant and reliable financial information is prepared.

The auditors of the Company have not performed a review of these unaudited condensed interim financial statements.

MacDonald Mines Exploration Ltd.
Statements of Financial Position
(Expressed in Canadian Dollars)

	March 31, 2016	**December 31, 2015**
Assets		
Current Assets		
Cash and cash equivalents (note 3)	**$ 34,900**	**$** 31,019
Accounts receivable and prepayments	**1,249**	-
Marketable securities (note 4)	**16,108**	14,466
	52,257	45,485
Non-Current Assets		
Equipment (note 6)	**7,484**	8,553
	$ **59,741**	$ 54,038
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 7 & 14)	$ **1,494,016**	$ 1,518,059
Short-term debt (note 7)	**50,000**	50,000
	1,544,016	1,568,059
Equity		
Capital stock (note 8)	**35,261,001**	35,261,001
Reserves (notes 9 & 10)	**20,133,257**	20,131,615
Deficit	**(56,878,533)**	(56,906,637)
	(1,484,275)	(1,514,021)
	$ **59,741**	$ 54,038

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

Exploration expenditures (note 5)

MacDonald Mines Exploration Ltd.

Statements of Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

For three months ended March 31,	2016	2015
Revenues	**$ -**	**$ -**
Expenses		
Consulting fees	**2,659**	-
Exploration expenditures (note 5)	**-**	357
General and administrative	**6,095**	8,086
Shareholder communication	**676**	1,723
Depreciation (note 6)	**1,069**	4,813
Provision for serverance	**40,000**	-
Total Expenses	**50,499**	14,979
Net loss from operations	**(50,499)**	(14,979)
Other income	**78,603**	-
Net income (loss) for the period	**28,104**	(14,979)
Other Comprehensive Loss		
Unrealized (loss) gain on marketable securities	**1,642**	(5,538)
Total comprehensive loss for the period	$ **29,746**	$ (20,517)
Basic and diluted loss per share (note 11)	$ **0.00**	$ 0.00

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

MacDonald Mines Exploration Ltd.

Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

For the three months ended March 31,	2016	2015
Operating Activities		
Net loss for the period	$ **28,104**	$ (14,979)
Items not requiring an outlay of cash:		
Investment loss on derivative warrant	**-**	4,608
Interest on short term loan	**625**	1,250
Depreciation	**1,069**	4,813
Change in accounts receivable and prepayments	**(1,249)**	2,524
Change in accounts payable and accrued liabilities	**(24,668)**	(15,748)
	3,881	(17,532)
Decrease in cash and cash equivalents	$ **3,881**	$ (17,532)
Cash and cash equivalents, beginning of period	**31,019**	140,447
Cash and cash equivalents, end of period	$ **34,900**	$ 122,915

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

MacDonald Mines Exploration Ltd.

Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Warrants	Accumulated Other Comprehensive Income	Deficit	Total
			----------------------Reserves----------------------				
Balance, January 1, 2015	302,743,080	$35,261,001	$18,864,647	$1,277,969	$(3,359)	$(55,803,547)	$(403,289)
Black-Scholes value attributed to expired warrants	-	-	131,913	(131,913)	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	13,392	(97,209)	(83,817)
Balance, March 31, 2015	302,743,080	35,261,001	18,996,560	1,146,056	10,033	(55,900,756)	(487,106)
Tax effect of expired broker warrants	-	-	-	-	-	-	-
Black-Scholes value attributed to expired warrants	-	-	1,146,056	(1,146,056)	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(21,034)	(1,005,881)	(1,026,915)
Balance, December 31, 2015	**302,743,080**	**$35,261,001**	**$20,142,616**	**$-**	**$(11,001)**	**$(56,906,637)**	**$(1,514,021)**
Net loss and comprehensive loss for the period	-	-	-	-	1,642	28,104	29,746
Balance, March 31, 2016	**302,743,080**	**$35,261,001**	**$20,142,616**	**$-**	**$(9,359)**	**$(56,878,533)**	**$(1,484,275)**

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

1. Nature of Operations of the Company

MacDonald Mines Exploration Ltd. (the "Company") is a publicly traded company actively engaged in the acquisition, exploration and development of mineral properties. The Company's registered office is Suite 520, 141 Adelaide Street West, Toronto, Ontario, Canada, M5H 3L5. Since November 1, 2011, the Company is continued under the Canadian Business Corporations Act. Prior to November 1, 2011 the Company was continued under the Quebec Business Corporations Act (formerly, Part 1A of the Companies Act (Quebec)). The Company's Class A common shares are listed on the TSX Venture Exchange ("TSX-V") under the ticker symbol "BMK". The Company's functional and presentation currency is Canadian Dollars.

The Company is currently in the exploration stage and has not commenced commercial operations. As at March 31, 2016, the Company had a working capital deficiency of $1,491,761 including a flow through provision of $1,400,000, an accumulated deficit of $56,878,535 and was not yet generating operating cash flows. As such, there is significant doubt regarding the Company's ability to continue as a going concern.
In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

2. Significant Accounting Policies

These unaudited condensed interim financial statements have been prepared in accordance with, and are in full compliance of, International Accounting Standard 34 - Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed financial statements do not include all of the information required for annual financial statements and therefore should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015. The accounting policies inherent within these unaudited condensed interim financial statements are consistent with those noted within the audited financial statements for the year ended December 31, 2015 and those that the Company expects to adopt for its audited financial statements for the year ending December 31, 2016.

Basis of Presentation
These financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.
The financial statements were approved by the Board of Directors on May 25, 2016.

Significant accounting judgments and estimates
The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the year. On an ongoing basis, management evaluates its judgments and estimates. Management uses experience and other factors it believes to be reasonable as the basis for its judgments and estimates. Actual results could differ from those estimates. These financial statements include estimates which, by their nature, are uncertain, the impacts of which are pervasive and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods if it affects both current and future periods. Significant estimates and judgments include, but are not limited to, the provision for tax and penalties related to flow through expenditures previously renounced. (see note 14). The provision requires management to make judgments and estimates of the likelihood and amount of penalties to be paid.

(Expressed in Canadian Dollars)

Significant accounting judgments and estimates - continued

- *Taxes.* Taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of taxes become certain only when filed and accepted by the relevant authorities.

- *Valuation of warrants and stock options.* Management makes certain estimates when determining the fair value of warrants and stock options awards, and the number of warrants and stock options that are expected to vest. For warrants issued, these estimates affect their amounts recognized either within assets or equity. For stock option awards, these estimates affect the amounts recognized in the statement of comprehensive loss.

3. Cash and Cash Equivalents

As of March 31, 2016, the Company held $34,900 (December 31, 2015: $31,019) in cash and cash equivalents and estimates that its fair value approximates the carrying value.

4. Marketable Securities

Marketable securities consist of available-for-sale equity securities over which the Company does not have significant influence or control. Unrealized gains or losses, other than permanent losses, are recorded as other comprehensive income or loss.

The following is a summary of the Company's marketable securities:

	March 31 2016	December 31, 2015
Equity securities	**12,263**	10,621
Share purchase warrants	**3,845**	3,845
	16,108	14,466

5. Exploration Expenditures

The following summarizes the amount spent and expensed for each of mineral properties and deferred exploration costs by location:

	March 31 2016	December 31, 2015
McFaulds Lake and area properties, James Bay Lowlands, Ontario, Canada	$ **32,159,881**	$ 32,159,881
Bob Lake Property, Saskatchewan, Canada	**1,563,968**	1,563,968
Balance, at end of period	$ **33,723,849**	$ 33,723,849

(Expressed in Canadian Dollars)

5. Exploration Expenditures - continued

McFaulds Lake and Area Properties, James Bay Lowlands, Ontario, Canada
The Company has held property in this region of northern Ontario since 2004 and currently owns 100% of its ground subject to net smelter royalties ("NSR") on certain claims.

On September 11, 2007, the Company signed an agreement with Temex Resources Inc. and Canadian Orebodies Inc. ("Orebodies"), to acquire 25% of the "Adelaide" and "Wellington" properties. During 2010, Orebodies' interests were transferred to Noble Mineral Exploration Inc. ("Noble"). On July 23, 2012, the Company purchased the remaining previously unowned 75% interest Noble's interest to this property and other properties it held in this region were purchased by the Company by paying $150,000, issuing 3,000,000 common shares valued at $300,000 and a total of 3,000,000 now expired common share purchase warrants. Temex's interest in this property was acquired by the Company by issuing 40,000 common shares valued at $4,000 and 20,000 now expired common share purchase warrants.

Bob Lake Property, Saskatchewan, Canada
To acquire the property, the Company paid $75,000, issued 2,850,000 common shares valued at $194,000 and 300,000 now expired share purchase warrants.

6. Equipment

	Exploration Equipment	Furniture	Computer Equipment	Vehicles	Total
As at March 31, 2016:					
Cost	$ 83,738	$ 74,412	$ 33,369	$ 69,328	$ 260,847
Accumulated depreciation	(76,255)	(74,412)	(33,369)	(69,328)	(253,364)
March 31, 2016, net book value	**$ 7,483**	$ -	$ -	$ -	**$ 7,483**

	Exploration Equipment	Furniture	Computer Equipment	Vehicles	Total
As at December 31, 2015:					
Cost	$ 83,739	$ 74,412	$ 33,369	$ 69,328	$ 260,848
Accumulated depreciation	(75,186)	(74,412)	(33,369)	(69,328)	(252,295)
December 31, 2015, net book value	$ 8,553	$ -	$ -	$ -	$ 8,553

During the year ended December 31, 2015, the Company wrote down $45,210 of fixed assets. The write down was due to the equipment no longer being in use, and thus the Company's recoverable amount was less than cost.

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(Expressed in Canadian Dollars)

7. Related Party Transactions and Balances

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior management. Parties are also related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. They were no related party transactions during the three months ended March 31, 2016.

Included in accounts payable and accrued liabilities is $47,000 (2015: $47,000) related to rent payable and a provision for $40,000 relating to severance payments on termination of employment of the former CEO

A loan owing to Energizer Resources Inc. (TSX: EGZ), a company related by common management, aggregating $50,000 in a form of a short term loan. The loan is interest bearing at a rate of 5%, unsecured and due on demand. No amounts have been paid back as at March 31, 2016.

8. Capital Stock

Capital stock consists of an unlimited number of Class "A" common shares without par value.

Capital Stock Activity
There were no private placements completed during the three months ended March 31, 2016 and the year ended December 31, 2015.

9. Stock Purchase Option Incentive Plan

The Company has a stock purchase option incentive plan (the "Plan") under which the directors may grant stock options to qualified directors, officers, consultants and affiliates. The maximum aggregate number of Class A Common Shares under option at any time cannot exceed 10% of the total issued number of shares. The exercise price of stock options is the greater of $0.10 and the closing price of the Company's shares on the trading day preceding the date of the option grant. Options vest immediately for a term not greater than five years.

The following is a continuity schedule for each series of stock options outstanding at March 31, 2016:

Expiry Date	Exercise Price ($)	Outstanding at December 31, 2015	Granted	Exercised	Expired/ Cancelled	Outstanding at March 31, 2016	Fair Value($)
February 16, 2016	0.15	9,835,000	-	-	(9,835,000)	-	-
March 17, 2016	0.16	605,000	-	-	(605,000)	-	-
July 19, 2016	0.15	1,750,000	-	-	-	1,750,000	225,050
March 19, 2017	0.12	495,000	-	-	-	495,000	50,490
April 3, 2017	0.17	3,525,000	-	-	-	3,525,000	512,535
February 20, 2018	0.10	4,495,000	-	-	-	4,495,000	227,899
July 9, 2018	0.10	600,000	-	-	-	600,000	11,340
		21,305,000	**-**	**-**	**(10,440,000)**	**10,865,000**	$**1,027,314**

There were no stock options issued during the three months ended March 31, 2016 and for the year ended December 31, 2015.

(Expressed in Canadian Dollars)

10. Warrants

There were no warrants outstanding as at March 31, 2016 and December 31, 2015.

11. Loss Per Share

For the three months ended March 31,	2016	2015
Numerator: Net loss attributable to common shareholders - basic and diluted	$ **28,104**	$ (97,212)
Denominator: Weighted average number of common shares outstanding - basic and diluted	**302,743,080**	302,743,080
Basic and diluted loss per share	$ **0.00**	$ 0.00

Stock options and warrants totaling 10,865,000 (March 31, 2015: 28,983,947) were excluded from the computation of basic and diluted loss per share as the potential effect was anti-dilutive.

12. Capital Management

The Company's capital is composed of share capital, reserves and deficit. The Company manages its capital within the following objectives:

(a) to ensure that there is sufficient financial flexibility to achieve the ongoing business objectives including ensuring that there is sufficient funds available, in order to support the acquisition, exploration and development of mineral properties; and

(b) to maximize shareholder return through enhancing shareholder value.

The Company's current properties are all at the exploration stage of development. The Company is dependent on external financing to fund its capital requirements. In order to carry out planned exploration and pay administrative costs, the Company will raise additional amounts as needed.

The Board does not establish quantitative return on capital criteria for management, rather it relies on the expertise of the Company's management to sustain future development. Management periodically reviews its capital management approach and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management for the three months ended March 30, 2016. The Company is not subject to externally imposed capital requirements.

13. Financial Risk Management

The Company's financial risk exposures and the impact on the Company's financial instruments are as follows:

(a) Credit risk:
The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. The Company has no significant concentration of credit risk arising from financial instruments.

(b) Liquidity risk:
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2016, the Company has a working capital deficiency of $1,491,761. The Company has a cash balance of $34,900 (December 31, 2015: $31,019) and is insufficient to settle current financial liabilities of $1,544,018 (December 31, 2015: $1,568,059). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms except for short term debt..

(c) Market risk:
Market risk is made up of interest rate risk, price risk and equity price risk.
Interest rate risk: The Company has cash balances and non interest bearing debt. The Company's current policy is to invest excess cash and cash equivalents in short term money market investments issued by highly rated entities. The Company monitors the investments it makes and is satisfied with the credit ratings.

Price Risk: The Company is indirectly exposed to this risk through the price of base metals. The Company monitors commodity prices to determine the appropriate course of action to be taken with respect to its mineral properties.

Equity Price Risk: This is defined as the potential adverse impact on the Company's earnings due to movements in individual equity movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action.

(d) Sensitivity Analysis:
Based on management's knowledge and experience of the financial markets, the Company believes that it is "reasonably possible" for the Company's marketable securities to move plus or minus 50%. If this were to happen, comprehensive income (loss) would be affected by approximately $8,054.

14. Flow Through Provision

During the year ended December 31, 2015, the Company underwent an audit conducted by the Canada Revenue Agency ("CRA") for the calendar years 2010 to 2013. As a result of the audit, CRA has proposed an adjustment to the amount of qualifying expenditures that were renounced to the Subscribers aggregating approximately $2,500,000. In addition, CRA has assessed additional Part XII.6 tax of approximately $250,000 to the Company in connection with the shortfall.
Included in accounts payable and accrued liabilities as at March 31, 2016 is a provision of $1,400,000 representing the maximum amount of tax and penalties related to the 2013 shortfall in flow through eligible exploration expenditures. The Company does not intend to appeal the penalty and taxes imposed by CRA. The Company is evaluating the repayment terms.

15. Contingency

On December 15, 2015, the Company received a statement of claim for wrongful dismissal of a former Chief Financial Officer of the Company. The claim is for approximately $250,000 plus an award of stock options and damages. The likelihood and amount of any loss as a result of this action cannot be determined.