

enCore Energy Corp.

TSX.V:EU

enCore Energy Corp.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014



April 20, 2016

Independent Auditor's Report

To the Shareholders of enCore Energy Corp.

We have audited the accompanying consolidated financial statements of enCore Energy Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss and comprehensive loss, cash flows and changes in 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 the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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



Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about enCore Energy Corp.'s ability to continue as a going concern.

(Signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

enCore Energy Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2015 and 2014
(Expressed in Canadian Dollars)

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Current			
Cash		\$ 277,506	\$ 425,500
Receivables and prepaid expenses		19,060	67,687
Marketable securities	5	<u>54,000</u>	<u>308,103</u>
		350,566	801,290
Mineral properties	7	<u>3,947,171</u>	<u>2,495,461</u>
		<u>\$ 4,297,737</u>	<u>\$ 3,296,751</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	8	<u>\$ 303,708</u>	<u>\$ 167,391</u>
		<u>303,708</u>	<u>167,391</u>
Shareholders' equity			
Share capital	9	21,239,438	20,811,938
Contributed surplus		779,123	749,237
Accumulated other comprehensive income		910,326	400,404
Deficit		<u>(18,934,858)</u>	<u>(18,832,219)</u>
		<u>3,994,029</u>	<u>3,129,360</u>
		<u>\$ 4,297,737</u>	<u>\$ 3,296,751</u>

Nature of operations and going concern (Note 1)

APPROVED BY THE BOARD OF DIRECTORS:

"William M. Sheriff" Director

"William B. Harris" Director

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

enCore Energy Corp.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

	Notes	December 31, 2015	December 31, 2014
Expenses			
Depreciation		\$ —	\$ 10,722
Office and administration	11	153,722	267,218
Professional fees		58,479	315,653
Promotion and shareholder communications		5,115	80,277
Staff costs	11	123,241	205,828
Stock Option Expense	9	29,886	18,826
		(370,443)	(898,524)
Other items			
Other Income		34,083	75,129
Foreign exchange loss		(5,393)	(16,175)
Realized gain on sale of marketable securities	5	239,114	163,090
Change in fair value of marketable securities	5	—	(93,750)
Change in fair value of embedded derivative		—	(20,931)
Write-down of mineral properties	7	—	(4,440,564)
Loss on sale of subsidiary	4	—	(322,734)
Loss for the year		\$ (102,639)	\$ (5,554,459)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		\$ 495,786	\$ 346,055
Reclassification of cumulative exchange differences on translating foreign operations on disposition of subsidiary		—	(235,708)
Reclassification of realized loss on sale of marketable securities	5	(239,114)	(163,090)
Unrealized gain on marketable securities	5	253,250	331,443
Other comprehensive income for the year		\$ 509,922	\$ 278,700
Comprehensive income (loss) for the year		\$ 407,283	\$ (5,275,759)
Basic and diluted income (loss) per common share		\$ 0.01	\$ (0.10)
Weighted average number of common shares outstanding		57,242,750	54,301,682

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

enCore Energy Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

	December 31, 2015	December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (102,639)	\$ (5,554,459)
Items not affecting cash:		
Depreciation	—	10,722
Stock option expense	29,886	18,826
Write down of mineral properties	—	4,440,564
Realized gain on sale of marketable securities	(239,114)	(163,090)
Change in fair value of marketable securities	—	93,750
Accretion of loan	—	(15,974)
Change in fair value of embedded derivative	—	20,931
Loss on sale of subsidiary	—	322,734
Gain on sale of equipment	—	(2,340)
Unrealized foreign exchange loss	6,490	12,743
	<u>(305,377)</u>	<u>(815,593)</u>
Changes in non-cash working capital items:		
Receivables and prepaids	48,627	(44,184)
Accounts payable and accrued liabilities	(64,969)	(169,552)
	<u>(321,719)</u>	<u>(1,029,329)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in mineral properties	(336,927)	(429,406)
Purchase of Marketable Securities	—	(102,806)
Proceeds from sale of equipment	—	8,500
Proceeds from sale of marketable securities	507,352	1,135,636
Loan to Timberline	—	(1,101,000)
Disposition of cash on sale of subsidiary	—	(3,878,414)
	<u>170,425</u>	<u>(4,367,490)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	—	622,500
Issuance costs	—	(3,112)
	<u>—</u>	<u>619,388</u>
Effect of exchange rate changes on cash	<u>3,300</u>	<u>—</u>
Change in cash during the year	<u>(147,994)</u>	<u>(4,777,431)</u>
Cash, beginning of the year	<u>425,500</u>	<u>5,202,931</u>
Cash, end of the year	<u>\$ 277,506</u>	<u>\$ 425,500</u>

Supplemental cash flow information – Note 15

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

enCore Energy Corp.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

	Number of Share	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2013	49,897,750	\$ 20,102,950	\$ 730,411	\$ 121,704	\$ (7,481,931)	\$ 13,473,134
For cash pursuant to private placement	6,225,000	622,500	—	—	—	622,500
Less: cash issue costs	—	(3,112)	—	—	—	(3,112)
Pursuant to mineral property	1,120,000	89,600	—	—	—	89,600
Dividend shares of Timberline	—	—	—	—	(5,795,829)	(5,795,829)
Stock option expense	—	—	18,826	—	—	18,826
Loss and comprehensive income for the year	—	—	—	278,700	(5,554,459)	(5,275,759)
Balance, December 31, 2014	57,242,750	\$ 20,811,938	\$ 749,237	\$ 400,404	\$ (18,832,219)	\$ 3,129,360
Pursuant to mineral property	14,250,000	427,500	—	—	—	427,500
Stock option expense	—	—	29,886	—	—	29,886
Loss and comprehensive income for the year	—	—	—	509,922	(102,639)	407,283
Balance, December 31, 2015	71,492,750	\$ 21,239,438	\$ 779,123	\$ 910,326	\$ (18,934,858)	\$ 3,994,029

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

1. NATURE OF OPERATIONS AND GOING CONCERN

enCore Energy Corp. (formerly Wolfpack Gold Corp.) was incorporated on October 30, 2009 under the Laws of British Columbia. enCore Energy Corp., together with its subsidiary (collectively referred to as the “Company” or “enCore”), is principally engaged in the acquisition and exploration of resource properties in the United States. The Company’s common shares trade on the TSX Venture Exchange under the symbol “EU.V.”

The Company’s head office is located at #510 – 580 Hornby Street, Vancouver, BC.

The consolidated statements of financial position have been prepared assuming the Company will continue on a going-concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. For the year ended December 31, 2015, the Company reported a net loss of \$102,639 and as at that date had a net working capital balance of \$46,858 and an accumulated deficit of \$18,934,858. The Company has no source of operating cash flows and as such the Company’s ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional financing.

The ability of the Company to obtain additional financing is uncertain, casting significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved for issuance by the board of directors on April 20, 2016.

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for marketable securities which are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiary. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when an investor has existing rights that give it the ability to direct the activities that significantly affect the investee’s returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a Company’s share capital. All significant intercompany transactions and balances have been eliminated.

The consolidated financial statements include the financial statements of the Company and its significant subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity	Functional Currency
Tigris Uranium US Corp.	Nevada, USA	100%	Mineral Exploration	USD

Cash and cash equivalents

Cash is comprised of demand deposits. Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and have an original maturity of less than three months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equipment

Equipment is recorded at cost less accumulated depreciation and is depreciated on a straight line basis over three years.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in a provision due to the passage of time is recognized as finance expense. The Company has no environmental rehabilitation obligations at this time.

Mineral properties

Costs related to the acquisition of mineral property interests are capitalized. Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned, the property is written down to its recoverable amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

From time to time, the Company acquires or disposes of properties pursuant to the terms of property option agreements. Such payments are made entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of mineral property.

Impairment of non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and the value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that do not effect either accounting or taxable loss or those differences relating to investments in subsidiaries to the extent that they are not probable to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Foreign exchange

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is Canadian dollars. The functional currency of enCore Energy Corp. is the Canadian dollar and the functional currency of Tigris Uranium US Corp. is the US dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to the statement of (loss) income.

The balance sheet of each foreign subsidiary is translated into Canadian dollars using the exchange rate at the balance sheet date and the income statement is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive income.

Basic and diluted loss per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments

Financial assets

All financial assets are initially recorded at fair value and classified upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through income and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and classified upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss).

Share-based payments

The fair value of all stock options granted is recorded as a charge to operations and a credit to contributed surplus. The fair value of stock options granted to employees is measured at the grant date. The fair value of stock options which vest immediately is recorded at the grant date. For stock options which vest in the future, the fair value of stock options, as adjusted for the expected level of vesting of the stock options and the number of stock options which ultimately vest, is recognized over the vesting period. Warrants issued to brokers are measured at their fair value on the vesting date and are recognized as a deduction from equity and credited to contributed surplus. The fair value of stock options and warrants issued to brokers are estimated using the Black-Scholes option pricing model. Any consideration received on the exercise of stock options and/or warrants, together with the related portion of contributed surplus, is credited to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New accounting standards and interpretation

Effective (proposed) for annual periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments – Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

On January 13, 2016, the IASB issues IFRS 16, Leases ("IFRS 16"), according to which, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRS 16 on its financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Although management uses historical experience and its best knowledge of the expected amounts, events or actions to form the basis for estimates, actual results may differ from these estimates. Significant accounting estimates and judgments include the following:

Critical accounting estimates:

- a) **The assessment of the recoverable amount of mineral properties as a result of impairment indicators** - When indicators of impairment are identified, recoverable amount calculations are based either on discounted estimated future cash flows or on comparable recent transactions. The assumptions used are based on management's best estimates of what an independent market participant would consider appropriate. Changes in these assumptions may alter the results of impairment testing, the amount of the impairment charges recorded in the statement of income and the resulting carrying values of assets.

Critical accounting judgments:

- a) **The assessment of indicators of impairment for mineral properties** - The Company follows the guidance of IFRS 6 to determine when a mineral property asset is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the results of exploration and evaluation activities to date and the Company's future plans to explore and evaluate a mineral property.

4. SALE OF SUBSIDIARY

On August 15, 2014, the Company entered into an agreement with Timberline Resources Corporation ("Timberline") whereby Timberline acquired all of the outstanding shares of Wolfpack Gold (Nevada) Corp., a then wholly owned subsidiary of the Company (the "Timberline Transaction"). The assets of Wolfpack Gold (Nevada) Corp included a significant amount of cash. The Timberline Loan (Note 6) was deemed to be repaid on closing of the Timberline Transaction. Timberline issued 42,932,063 common shares to the Company for pro rata distribution to shareholders. Each enCore shareholder of record on August 15, 2014 received 0.75 of a Timberline share for each share of enCore held at closing. The distribution of Timberline shares was accounted for as a dividend, calculated as \$5,795,829 based on the prevailing Timberline share price of \$0.135 on the date of the distribution.

The Company used the August 15, 2014 closing price of \$0.135 per share to determine the fair value of the Timberline shares issued on August 15, 2014. The fair value of the Timberline shares issued on August 15, 2014 was determined to be \$5,795,829. Together with the deemed repayment of the Timberline Loan and accrued interest (\$1,104,703), the aggregate fair value of the consideration paid by Timberline was \$5,795,829. The consideration paid by Timberline for the shares of Wolfpack Gold (Nevada) Corp. was \$4,691,126.

The following table provides details of the assets and liabilities disposed of:

Cash and cash equivalents	\$ 3,878,414
Receivables and prepaid expenses	24,557
Equipment	11,817
Reclamation bonds	379,608
Mineral properties	884,585
Accounts payable and accrued liabilities	<u>(8,206)</u>
Net assets sold	<u>5,170,775</u>
42,932,063 common shares of Timberline	5,795,829
Settlement of Timberline Loan (Note 6)	(1,083,300)
Settlement of Timberline Loan interest (Note 6)	<u>(21,403)</u>
Proceeds of disposition	<u>4,691,126</u>
Proceeds less net assets sold	(479,649)
Costs of disposal	(78,793)
Reclassifying cumulative exchange differences on translating foreign operations on sale of subsidiary	<u>235,708</u>
Loss on sale of subsidiary	<u>\$ (322,734)</u>

5. MARKETABLE SECURITIES

	Warrants	Shares	Total
Balance, December 31, 2013	\$ 93,750	\$ 1,009,490	\$ 1,103,240
Acquired by purchases	—	102,806	102,806
Disposal by sales	—	(1,135,636)	(1,135,636)
Realized gain on sales	—	163,090	163,090
Change in fair value	(93,750)	168,353	74,603
Balance, December 31, 2014	\$ —	\$ 308,103	\$ 308,103
Disposal by sales	—	(507,352)	(507,352)
Realized gain on sales	—	239,114	239,114
Change in fair value	—	14,135	14,135
Balance, December 31, 2015	\$ —	\$ 54,000	\$ 54,000

The Company has common shares of NexGen Energy Ltd. ("NexGen") and Timberline Resources Corp. ("Timberline").

During the year ended December 31, 2015, the Company sold 643,500 common shares of NexGen for aggregate gross proceeds of \$475,015 and recorded a gain on sale of marketable securities of \$256,225 (2014: \$171,053).

During the year ended December 31, 2015, the Company sold its remaining 50,103 common shares of Timberline for aggregate gross proceeds of \$32,337 and recorded a loss on sale of marketable securities of \$17,111 (2014: \$7,963).

On December 31, 2015, the NexGen common shares closed at \$0.72 per share (2014: \$0.38 per share).

6. TIMBERLINE LOAN

As part of the Timberline Transaction (Note 4), the Company agreed to provide Timberline with funding for their working capital needs during the period prior to the completion of the Timberline Transaction. On March 14, 2014, the Company entered into a promissory note with Timberline for up to US\$1,000,000 (the "Timberline Loan"). On March 17, 2014, Timberline drew an initial US\$500,000 (\$552,700), on April 17, 2014, Timberline drew an additional US\$250,000 (\$276,625), and on May 30, 2014, Timberline drew the final US\$250,000 (\$271,675). The Timberline Loan was settled on completion of the Timberline Transaction on August 15, 2014 (Note 4).

Derivative Component

The conversion feature of the Timberline Loan was an embedded derivative (the "Derivative Component") that was measured at fair value at recognition with changes in fair values included in income (loss). The Company measured the fair value of the Derivative Component using a valuation technique based on the Black-Scholes option pricing model and the expected probability that the conversion feature would become effective. During the year ended December 31, 2014, the Company recorded a loss related to the change in the fair value of the Derivative Component of \$20,931. The derivative was settled in conjunction with the settlement of the Timberline Loan on closing of the Timberline Transaction in fiscal 2014.

enCore Energy Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES

	Crownpoint and Hosta Butte	Adelaide and Tuscarora	Castle Black Rock	Four Mile Basin	Other properties acquired from GPE	Other properties acquired from Seabridge	Other properties	Marquez and Nose Rock, New Mexico	Moonshine Springs, Arizona	Total
Balance, December 31, 2013	\$ 2,263,613	\$ 1,419,221	\$ 566,805	\$ -	\$ 1,858,893	\$ 809,751	\$ 33,041	\$ -	\$ -	\$ 6,951,324
Acquisition costs										
Shares	-	-	89,600	-	-	-	-	-	-	89,600
Exploration costs										
Assays and drilling	-	5,308	-	54,762	-	-	-	-	-	60,070
Camp	-	279	21	1,425	1,787	-	-	-	-	3,512
Maintenance fees	-	-	19,881	5,778	44,351	15,293	-	-	-	85,303
Other	20,545	83	99	965	13	422	-	-	-	22,127
Permitting	-	13,091	199	112	7,323	-	-	-	-	20,725
Advance royalties and option payments	-	-	49,334	13,156	45,496	-	-	-	-	107,986
Salaries, contractors and labour	-	49,900	15,119	14,248	29,925	5,804	1,086	-	-	116,082
Travel and accommodation	-	3,252	1,647	4,240	3,527	387	548	-	-	13,601
	20,545	71,913	86,300	94,686	132,422	21,906	1,634	-	-	429,406
Write down of mineral properties	-	(1,492,088)	(30,717)	(92,078)	(1,991,511)	(832,728)	(1,442)	-	-	(4,440,564)
Currency translation adjustment	211,303	954	132,968	(2,608)	196	1,071	6,401	-	-	350,285
Disposition on sale of subsidiary	-	-	(844,956)	-	-	-	(39,634)	-	-	(884,590)
	211,303	(1,491,134)	(742,705)	(94,686)	(1,991,315)	(831,657)	(34,675)	-	-	(4,974,869)
Balance, December 31, 2014	\$ 2,495,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,495,461
Acquisition costs										
Cash acquisition costs	-	-	-	-	-	-	49,950	143,605	56,193	249,748
Share based acquisition costs	-	-	-	-	-	-	85,500	245,812	96,188	427,500
Acquisition costs included in accounts payable	-	-	-	-	-	-	39,826	114,498	44,804	199,128
	-	-	-	-	-	-	175,276	503,915	197,185	876,376
Exploration costs										
Maintenance fees	72,423	-	-	-	-	-	-	-	-	72,423
Permitting and staking	14,756	-	-	-	-	-	-	-	-	14,756
	87,179	-	-	-	-	-	-	-	-	87,179
Currency translation adjustment	488,155	-	-	-	-	-	-	-	-	488,155
Balance, December 31, 2015	\$ 3,070,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,276	\$ 503,915	\$ 197,185	\$ 3,947,171

7. **MINERAL PROPERTIES (CONT'D)**

Energy Fuels Agreement

During the year ended December 31, 2015, the Company entered into a comprehensive asset purchase agreement ("Agreement") with Energy Fuels Inc. and its subsidiaries ("Energy Fuels") to acquire a Toll Milling processing right and 100% interest in the Marquez and Nose Rock projects in New Mexico, the Moonshine Springs project in Arizona, and four projects in the White Canyon District of Utah. Terms of the Agreement include the payment of USD\$179,960 (\$249,748) in cash at closing (paid) to Energy Fuels along with the issuance of 14.25 million of the Company's Class A common shares (issued at a fair value of \$427,500). A final payment of USD\$150,000 is due on June 4, 2016.

Toll Milling Agreement

The Toll Milling provision of the Agreement allows the Company to process conventional uranium ore from the acquired projects at Energy Fuel's White Mesa mill in Blanding, Utah. The agreement is for an initial period of two years with renewal provisions and contains industry-standard provisions.

Marquez, New Mexico

The Marquez project is located in McKinley and Sandoval countries of New Mexico, USA.

Nose Rock, New Mexico

The Nose Rock Project is located in McKinley County New Mexico, USA on the northern edge of the Grants Uranium District. The Nose Rock property consists of 42 unpatented lode mining claims.

Moonshine Springs, Arizona

The Moonshine Springs project is located in Mohave County, Arizona, USA. The project comprises 23 owned unpatented lode mining claims along with 7 unpatented lode mining claims under lease.

Other Properties

The White Canyon District, Utah property package include the Geitus, Blue Jay, Marcy Look, and Cedar Mountain project, which are located 40-65 miles to the northwest of the White Mesa Mill at Blanding, Utah.

Crownpoint and Hosta Butte Properties

In June 2012, the Company filed a National Instrument ("NI") 43-101 Technical Report containing an updated resource estimate covering the Company's Crownpoint and Hosta Butte Project (the "Project") located in the Grants Uranium District of McKinley County, New Mexico, USA. The Company owns a 100% mineral interest in the region comprised of the approximately 113,000 acre McKinley Properties and adjacent 3,020 acre Crownpoint and Hosta Butte resource area.

The Crownpoint and nearby Hosta Butte resources occupy subparallel mineral trends within an approximate 3,020 acre (1,222 ha) property package controlled by the Company. At Crownpoint, the Company holds a 60% interest in a 140 acre portion of section 24. With the exception of the shared interest in section 24, enCore Energy holds a 100% mineral interest in the rest of the Crownpoint and Hosta Butte project area (2,880 acres) subject only to a 3% gross profits royalty on uranium produced.

8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are as follows:

	December 31, 2015	December 31, 2014
Trade payables	\$ 104,580	\$ 134,041
Payable for asset purchase agreement (Note 7)	199,128	—
Due to related parties (Note 11)	—	33,350
Total	\$ 303,708	\$ 167,391

9. SHARE CAPITAL AND RESERVES**Authorized share capital**

Unlimited common and preferred shares without par value.

Stock options

The Company has adopted a stock option plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire common shares of the Company. The number of shares reserved for issuance under the plan shall not exceed 10% of the outstanding common shares at the time of the grant. The options can be granted for a maximum of five years and vest as determined by the board of directors.

The Company's stock options outstanding as at December 31, 2015 and December 31, 2014, and the changes for the periods then ended, are as follows:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Life (years)
Balance, December 31, 2013	3,808,336	\$ 0.46	2.64
Granted	3,495,000	0.05	
Forfeited/expired	(1,924,170)	0.45	
Balance, December 31, 2014	5,379,166	\$ 0.46	3.76
Forfeited/expired	(909,999)	0.32	
Balance, December 31, 2015	4,469,167	\$ 0.17	3.18
Exercisable, December 31, 2015	2,721,667		

As at December 31, 2015, incentive stock options were outstanding as follows:

Outstanding Options	Exercise Price	Expiry Date
90,000	0.75	January 17, 2016*
390,000	0.40	November 3, 2016*
294,167	0.75	February 17, 2017*
350,000	0.40	March 15, 2017*
25,000	0.45	December 7, 2017
50,000	0.45	December 10, 2017*
2,795,000	0.05	December 19, 2019
475,000	0.05	December 31, 2019
4,469,167		

*Subsequently forfeited/expired unexercised

9. SHARE CAPITAL AND RESERVES (CONT'D)**Stock options (Cont'd)**

Subsequent to the year ended December 31, 2015, 1,174,167 options were forfeited and the Company granted 950,000 options with an exercise price of \$0.05.

During the year ended December 31, 2015, the Company recognized stock option expense of \$29,886 (2014: \$18,826) based on the vesting of previously granted options, all of which was recorded in the statement of loss and comprehensive loss.

The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	<u>2015</u>	<u>2014</u>
Risk-free interest rate	-	1.35%
Expected life of option	-	5.00 years
Expected dividend yield	-	0%
Expected stock price volatility	-	140.00%

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2015	2014
Loss for the year	\$ (102,403)	\$ (5,554,459)
Expected income tax (recovery)	(31,000)	(1,444,000)
Change in statutory foreign tax, foreign exchange rates and other	4,000	(456,000)
Permanent differences	(23,000)	(20,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	44,000	-
Change in unrecognized deductible temporary differences	6,000	1,920,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2015	Expiry Date Range	2014	Expiry Date Range
Temporary Differences				
Property and equipment	\$ 22,000	No expiry date	\$ 123,000	No expiry date
Canadian Eligible capital	88,000	No expiry date	-	
Share issue costs	241,000	2036 to 2037	46,000	2035 to 2037
Non-capital losses available for future period	4,090,000	2030 to 2035	2,760,000	2030 to 2034

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, the Company incurred \$77,035 in staff costs for the Chief Executive Officer and \$12,500 in general and administrative fees for the Chief Financial Officer.

These services were incurred in the normal course of operations for general corporate matters, attendance at committee and board meetings, as well as evaluating business opportunities. All services were made on terms substantially equivalent to those that prevail with arm's length transactions.

Key management includes Directors and Officers of the Company. The compensation paid or payable to key management for services during the year ended December 31, 2015 and 2014 is as follows:

	2015	2014
Staff costs	\$ 77,035	\$ 98,063
Office and administration fees	12,500	-
Stock option expense	25,327	2,950
Total key management compensation	\$ 114,862	\$ 101,103

12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its mineral properties and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk.

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

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's project in relation to these markets, and its ability to compete for investor support of its project.

There were no changes in the Company's approach to capital management during the year ended December 31, 2015. The Company is not subject to any capital requirements imposed by a regulator.

13. FINANCIAL INSTRUMENTS

Classification of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities and accounts payable and accrued liabilities. The Company classified its cash and cash equivalents and receivables as loans and receivables, which are measured at amortized cost. Marketable securities (shares of NexGen) are classified as available-for-sale, which are measured at fair value through other comprehensive income (loss). Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Fair Value of Financial Instruments

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

Level 1 - Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Values based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Values based on prices or valuation techniques that are not based on observable market data.

The values of the marketable securities (shares of NexGen) have been classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign Exchange Risk

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company monitors this exposure, but has no hedge positions.

At December 31, 2015, a 5% change in the value to the US dollar as compared to the Canadian dollar would result in an immaterial change in net loss and shareholders' equity.

Credit Risk

Credit risk arises from cash held with banks and financial institutions and receivables. The maximum exposure to credit risk is equal to the carrying value of these financial assets. The Company's cash is primarily held with a major Canadian bank and a major US bank.

Market Risk

The Company is in the exploration stage and commodity prices are not reflected in operating financial results. However, fluctuations in commodity prices may influence financial markets and may indirectly affect the Company's ability to raise capital to fund exploration.

13. FINANCIAL INSTRUMENTS (CONT'D)

Interest Rate Risk

Interest rate risk mainly arises from the Company's cash and cash equivalents, which receive interest based on market interest rates. Fluctuations in interest cash flows due to changes in market interest rates are negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The majority of the Company's accounts payable and accrued liabilities are payable in less than 90 days. The Company prepares annual exploration and administrative budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs is dependent on the Company's ability to obtain additional financing through various means, including equity financing. The Company currently has sufficient liquidity to meet its near term requirements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable (see Note 1).

14. SEGMENTED INFORMATION

The Company operates in a single segment: the acquisition, exploration and development of mineral properties in the United States. The Company's mineral properties and equipment are located in the United States.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2015 include the following:

- a) The Company issued 14,250,000 common shares with a fair value of \$427,500 for the acquisition of mineral properties.
- b) Included in mineral properties is \$199,728 which relates to accounts payable and accrued liabilities.

Significant non-cash transactions for the year ended December 31, 2014 include the following:

- a) The Company acquired 42,931,063 common shares of Timberline with a fair value of \$5,795,829 for the sale of subsidiary. The shares were then distributed to the shareholders of the Company.
- b) The Company issued 1,120,000 common shares with a fair value of \$89,600 for the acquisition of mineral properties.