Northern Superior Resources Inc.

Annual Financial Statements

(Expressed in Canadian dollars)

For the years ended December 31, 2014 and 2013

JAMES STAFFORD

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Independent Auditor's Report

To the Shareholders of Northern Superior Resources Inc.

We have audited the accompanying financial statements of Northern Superior Resources Inc., which comprise the statements of financial position as at 31 December 2014 and 2013, and the statements of loss and comprehensive loss, equity and cash flows for the years ended 31 December 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Superior Resources Inc. as at 31 December 2014 and 2013, and the results of its operations and its cash flows for the years ended 31 December 2014 and 2013 in accordance with International Financial Reporting Standards.

Chartered Accountants

Vancouver, Canada
15 April 2015

Northern Superior Resources Inc.
Financial Statements
(Expressed in Canadian dollars)

Statements of Financial Position

As at December 31,		**2014**		2013
Assets				
Current assets				
Cash and cash equivalents	**$**	**3,615,065**	$	5,390,544
Prepaids and receivables *note 4*		**513,491**		783,484
Available-for-sale investments *note 5*		**1,750**		-
	$	**4,130,306**		6,174,028
Non-current assets				
Receivables *note 4*		**49,796**		89,807
Equipment *note 6*		**21,321**		32,534
Exploration and evaluation properties *note 7*		**5,672,479**		13,955,174
		5,743,596		14,077,515
Total Assets	**$**	**9,873,902**	**$**	**20,251,543**
Liabilities				
Current				
Trade payables and accrued liabilities *note 8*	**$**	**189,880**	$	119,428
Total Liabilities	**$**	**189,880**	$	119,428
Equity				
Share capital *note 10*		**62,784,407**		62,704,407
Reserve - Stock options *notes 10(c) and 10(d)*		**4,600,764**		4,462,802
Accumulated other comprehensive income *note 5*		**(1,500)**		-
Deficit		**(57,699,649)**		(47,035,094)
Total Equity		**9,684,022**		20,132,115
Total Liabilities and Equity	**$**	**9,873,902**	**$**	**20,251,543**

Nature of operations *note 1*

Commitments *note 15*

Event subsequent to the end of the reporting period *note 18*

APPROVED AND AUTHORIZED FOR ISSUE BY THE BOARD ON APRIL 15, 2015

"Alan C. Moon" *"Arnold Klassen"*

Director Director

See accompanying notes to financial statements

Northern Superior Resources Inc.
Financial Statements
(Expressed in Canadian dollars)

Statements of Loss and Comprehensive Loss

Years ended December 31,	**2014**	2013
Expenses		
Consulting fees *note 10(d)*	**$ 108,154**	$ 231,071
Depreciation	**11,213**	25,100
Legal and accounting	**102,177**	84,686
Office expense *note 10(d)*	**653,321**	801,315
Shareholder information	**143,383**	215,945
Travel	**40,289**	48,839
Loss before the undernoted	**(1,058,537)**	(1,406,956)
Interest income	**51,272**	87,656
Ontario litigation costs *note 7 and 16*	**(286,230)**	(260,866)
Severance *note 18*	**(135,000)**	-
Write-off of trade payable	**-**	10,196
Writedown of exploration properties *note 7*	**(9,236,060)**	(15,005,125)
Net loss for the year	**$ (10,664,555)**	$(16,575,095)
Other comprehensive loss		
Change in available-for-sale investments *note 5*	**(1,500)**	-
Net loss and comprehensive loss for the year	**$ (10,666,055)**	$(16,575,095)
Net loss per share - basic and diluted		
Basic	**$ (0.06)**	$ (0.09)
Diluted	**$ (0.06)**	$ (0.09)
Weighted-average number of shares outstanding:		
Basic	**188,777,124**	188,562,581
Diluted	**188,777,124**	188,562,581

See accompanying notes to financial statements

Northern Superior Resources Inc.
Financial Statements
(Expressed in Canadian dollars)

Statements of Equity

	Share Capital		Reserves			
	Number of Shares	Amount	Stock options	Accumulated other comprehensive income	Deficit	Total Equity
Balance, December 31, 2012	**188,501,043**	**$ 62,664,407**	**$ 4,218,596**	**$ -**	**$ (30,459,999)**	**$ 36,423,004**
Common shares issued for exploration and evaluation property *notes 10(b) and 7*	153,846	40,000	-	-	-	40,000
Share-based payments *note 10(d)*	-	-	244,206	-	-	244,206
Net loss for the year	-	-	-	-	(16,575,095)	(16,575,095)
Balance, December 31, 2013	**188,654,889**	**$ 62,704,407**	**$ 4,462,802**	**$ -**	**$ (47,035,094)**	**$ 20,132,115**
Common shares issued for exploration and evaluation property *note 10(b) and 7*	307,694	80,000	-	-	-	80,000
Change in available-for-sale investments *note 5*	-	-	-	(1,500)		(1,500)
Share-based payments *note 10(d)*			137,962	-	-	137,962
Net loss for the year	-	-	-	-	(10,664,555)	(10,664,555)
Balance, December 31, 2014	**188,962,583**	**$ 62,784,407**	**$ 4,600,764**	**$ (1,500)**	**$ (57,699,649)**	**$ 9,684,022**

See accompanying notes to financial statements

Northern Superior Resources Inc.
Financial Statements
(Expressed in Canadian dollars)

Statements of Cash Flows

Years ended December 31,	**2014**	*2013*
Operating Activities		
Net loss for the year	**$(10,664,555)**	$ (16,575,095)
Items not involving cash:		
Depreciation *note 6*	**11,213**	25,100
Write-off of exploration properties *note 7*	**9,236,060**	15,005,125
Write-off trade payable	**-**	(10,196)
Share-based payments *note 10(d)*	**91,885**	230,346
Change in non-cash operating working capital items:		
Decrease in prepaids and receivables	**45,490**	170,690
(Increase) in trade payables and accrued liabilities	**87,734**	(123,235)
Cash used in operating activities	**(1,192,173)**	(1,277,265)
Investing Activities		
Exploration and evaluation expenditures	**(1,301,913)**	(2,430,382)
Recovery of exploration and evaluation expenditures	**718,607**	259,000
Cash used in investing activities	**(583,306)**	(2,171,382)
Decrease in cash during the year	**(1,775,479)**	(3,448,647)
Cash, beginning of year	**5,390,544**	8,839,191
Cash, end of year	**$ 3,615,065**	$ 5,390,544

Supplemental cash flow information *note 12*

See accompanying notes to financial statements

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Northern Superior Resources Inc. (“Northern Superior” or the “Company”) is an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of gold properties in Ontario and Québec. The Company has not determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and attaining future profitable production from the properties or proceeds from disposition.

The Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties. Management believes that financing is available and may be sourced in time to allow the Company to continue its current planned activities in the normal course.

The head office, principal address and registered and records office of the Company is 1351C Kelly Lake Road, Unit 7, Sudbury, Ontario, Canada, P3E 5P5.

2. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements have been prepared in accordance with International Accounting Standards (“IAS”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and effective for the year ended December 31, 2014.

b) Approval of Financial Statements

The audited financial statements of the Company for the year ended December 31, 2014 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 14, 2015.

c) Adoption of New and Revised Standards and Interpretations

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

The following standards have been published by the IASB, but have not yet been adopted by the Company:

IFRS 9 *Financial Instruments*

The IASB has undertaken a three-phase project to replace IAS 39 *'Financial Instruments: Recognition and Measurement'* with IFRS 9 *'Financial Instruments'*. In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. In July 2014, the IASB issued the final elements of IFRS 9. IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Financial assets meeting both a "business model" test and a "cash flow characteristics" test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss
- The concept of "embedded derivatives" does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the "business model" test and "cash flow characteristics" test.
- The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2018.

***Presentation of Financial Statements* (Amendments to IAS 1)**

Amends IAS 1 *Presentation of Financial Statements* to clarify certain aspects focused on three main areas:

- clarification of concept of materiality and aggregation of items in the financial statements
- the use and presentation of subtotals in the statement of loss and comprehensive loss
- providing of additional flexibility in the structure and disclosures of the financial statements to enhance understandibility

Applicable to annual periods beginning on or after January 1, 2016.

***Related Party Disclosures* (Amendments to IAS 24)**

Amends IAS 24 *Related Party Disclosures* to clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation.

Applicable to annual periods beginning on or after July 1, 2014.

***Operating Segments* (Amendments to IFRS 8)**

Amends IAS 8 *Operating Segments* to clarify aggregation criteria.

Applicable to annual periods beginning on or after July 1, 2014.

***Joint Arrangements* (Amendments to IFRS 11)**

Amends IFRS 11 to clarify accounting for acquisition of interest in a joint operation.

Applicable to annual periods beginning on or after January 1, 2016.

***Employee Benefits* (Amendments to IAS 19)**

Amends IAS 19 to clarify definition of discount rate.

Applicable to annual periods beginning on or after January 1, 2016.

***Intangible Assets* (Amendments to IAS 38)**

Amends IAS 38 to clarify acceptable methods of depreciation and amortization.

Applicable to annual periods beginning on or after January 1, 2016.

The Company has not early adopted these standards, amendments and interpretations; however, the Company is currently assessing the impact of these standards or amendments on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

The Company considers deposits that are highly liquid, readily convertible to known amounts of cash, redeemable on demand and have original maturities of less than three months from the date of purchase to be cash equivalents. Interest income is recorded as earned on the accrual basis at the stated rate of interest over the term of the investment.

b) Financial Assets

Financial assets are classified as loans and receivables, held-to-maturity, available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL"), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Held-to-maturity and Loans and receivables

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Interest receivable is classified as loans and receivables.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Available-for-sale assets include investment in equities of other entities. Transaction costs are included in the initial carrying amount of the asset.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

Financial assets at FVTPL

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Cash and cash equivalents are included in this category of financial assets. Transaction costs associated with financial assets at FVTPL are expensed as incurred.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

c) Impairment of Financial Assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

Held-to-maturity and Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

d) Financial Liabilities

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables are included in this category of financial liabilities.

e) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, are expensed or capitalized to exploration and evaluation properties as appropriate. The corresponding amount is recorded to the stock options reserve. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

f) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the assets to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is depreciated, using the straight-line method over their estimated useful lives. The significant classes of equipment and their estimated useful lives are as follows:

Office and other equipment	4 - 5 years
Computer equipment	2 - 3 years
Leasehold improvements	5 years

Where an item of equipment consists of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

g) Exploration and Evaluation Expenditures

Exploration and evaluation properties and related costs are recorded at cost on a property-by-property basis. The Company defers all exploration and evaluation costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties, until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made. Costs incurred for general exploration, including expenditures of a general reconnaissance nature, that are not project specific or do not result in the acquisition of exploration and evaluation properties are charged to operations.

All capitalized exploration and evaluation costs are reviewed for indications of impairment regularly to determine whether a write down of their carrying amount is required. Factors such as metal prices, the ability of the Company to finance the projects, and exploration results to date are considered in determining whether indicators of impairment exists.

h) Impairment

The Company’s tangible and intangible assets are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset’s recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's 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 depreciation, if no impairment loss had been recognized.

i) Income Taxes

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the statement of financial position date.

Tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

j) Asset Retirement Obligations

Asset retirement obligations consist of legal obligations associated with the retirement of tangible, long-lived assets that result from the acquisition, construction, development or operation of the assets. The retirement of a long-lived asset is its permanent removal from service, sale, abandonment or disposal.

Asset retirement obligations are recognized as they are incurred and recorded as liabilities at fair value.

The liability is accreted over time through periodic charges to income. Actual expenditures incurred are charged against the accumulated obligation. The asset retirement cost is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life.

Management has determined that it has no asset retirement obligations at this time.

k) Flow-through Shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

l) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that (i) net earnings (loss) attributable to common shareholders are adjusted for fair value gains or losses of warrants (if dilutive) and (ii) the weighted average number of common shares outstanding is adjusted for the number of shares that are potentially issuable in connection with stock options and warrants (if dilutive) using the treasury stock method. Under this method, the Company assumes that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common stock at the average market price during the reporting periods.

m) Use of Estimates and Judgements

The preparation of 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 date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates where management's judgment is applied include asset valuation, asset retirement obligations, income taxes, share-based payments and ability to continue as a going concern. Actual results may differ from those estimates and judgements.

n) Comparative Figures

Certain comparative figures have been reclassified in accordance with the current year's presentation.

o) Changes in Accounting Policies

The Company adopted amendments to IFRS 2, *'Share-based Payments'* – effective July 1, 2014, which is an amendment that clarifies the definition of vesting conditions and separately define a performance condition and a service condition. The adoption of IFRS 2 did not result in a significant impact on the Company's financial statements.

The Company adopted amendments to IAS 36, *'Impairment of Assets*' – effective January 1, 2014, which was amended to require disclosure of the recoverable amount of impaired assets and requires additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate, when a present value technique is used to measure the recoverable amount. The adoption of IFRS 36 did not result in a significant impact on the Company's financial statements.

The Company adopted IAS 32 (Amendment), *'Financial Instruments: Presentation'* - effective January 1, 2014, which revises certain aspects of the requirements on offsetting. The adoption of IAS 32 did not result in a significant impact on the Company's financial statements.

The Company adopted IFRIC 21, *'Levies'* – effective January 1, 2014, which provides guidance on the accounting for levies within the scope of IAS 37 provisions, contingent liabilities and contingent assets. The main feature of IFRIC 21 is that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation, and the liability to pay a levy is recognized progressively if the obligation event occurs over a period of time. The adoption of IFRIC 21 did not result in a significant impact on the Company's financial statements.

The Company adopted amendments to IFRS 10 '*Consolidated Financial Statements'*, IFRS 12 *'Disclosure of Interests in Other Entities'*, and IAS 27 '*Separate Financial Statements* – effective January 1, 2014, which provides "investment entities" (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 '*Financial Instruments'* or IAS 39 '*Financial Instruments: Recognition and Measurement.'* The amendments also require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries and requires an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). The adoption of amendments to IFRS 10, IAS 27 and IAS 27 did not result in a significant impact on the Company's financial statements.

4. PREPAIDS AND RECEIVABLES

For the years ended December 31,	**2014**	2013
Quebec government refundable tax credits	**$ 424,475**	$ 642,940
Sales tax receivable - net	**22,556**	30,528
Prepaid expenses	**27,848**	42,033
Interest receivable	**36,299**	58,431
Other receivables	**2,313**	9,552
Total Current Prepaids and Receivables	**$ 513,491**	$ 783,484
Receivables (non-current):		
Quebec Government refundable tax credits	**49,796**	89,807
Total	**$ 563,287**	$ 873,291

5. AVAILABLE-FOR-SALE ("AFS") INVESTMENTS

At December 31, 2014, the Company held the following AFS investments:

As at	**December 31, 2014**			December 31, 2013		
	Number of Shares	**Cost**	**Fair Value**	Number of Shares	Cost	Fair Value
Bold Ventures Inc.	**50,000**	**$ 3,250**	**$1,750**	-	$ -	$ -

6. EQUIPMENT

A summary of the changes in the Company's equipment for the year ended December 31, 2014 is as follows:

	Office and other equipment	Leasehold Improvements	Computer equipment	Total
Cost				
At December 31, 2013 - carried forward	$ 41,618	$ 27,817	$ 96,479	$ 165,914
Additions	-	-	-	-
Disposals	-	-	-	-
At December 31, 2014	**$ 41,618**	**$ 27,817**	**$ 96,479**	**$ 165,914**
Depreciation				
At December 31, 2013	$ 38,730	$ 6,954	$ 87,696	$ 133,380
Change for the year	1,050	5,563	4,600	11,213
At December 31, 2014	**$ 39,780**	**$ 12,517**	**$ 92,296**	**$ 144,593**
Net book value				
At December 31, 2013	$ 2,888	$ 20,863	$ 8,783	$ 32,534
At December 31, 2014	**$ 1,838**	**$ 15,300**	**$ 4,183**	**$ 21,321**

A summary of the changes in the Company's equipment for the year ended December 31, 2013 is as follows:

	Office and other equipment	Leasehold Improvements	Computer equipment	Total
Cost				
At December 31, 2012	$ 41,618	$ 27,817	$ 96,479	$ 165,914
Additions	-	-	-	-
Disposals	-	-	-	-
At December 31, 2013	**$ 41,618**	**$ 27,817**	**$ 96,479**	**$ 165,914**
Depreciation				
At December 31, 2012	$ 37,680	$ 1,391	$ 69,209	$ 108,280
Change for the year	1,050	5,563	18,487	25,100
At December 31, 2013	**$ 38,730**	**$ 6,954**	**$ 87,696**	**$ 133,380**
Net book value				
At December 31, 2012	$ 3,938	$ 26,426	$ 27,270	$ 57,634
At December 31, 2013	**$ 2,888**	**$ 20,863**	**$ 8,783**	**$ 32,534**

7. EXPLORATION AND EVALUATION PROPERTIES

For the year ended December 31, 2014	Ti-pa-haa-kaa-ning	Croteau Est	Waconichi	Grizzly	Lac Surprise	Total
Balance, January 1, 2014	**$ 6,178,434**	**$ 5,832,840**	**$ 754,087**	**$ 41,897**	**$ 1,147,916**	**$ 13,955,174**
Acquisition, assessment and maintenance	**1,137**	**170,169**	**980**	**42,294**	**6,986**	**221,566**
Analytical	**-**	**51,354**	**8,023**	**-**	**-**	**59,377**
Geology	**69,099**	**424,876**	**31,644**	**28,524**	**22,744**	**576,887**
Drilling	**-**	**347,354**	**32,510**	**-**	**-**	**379,864**
Research	**53,870**	**466**	**-**	**-**	**-**	**54,336**
Project administration	**1,584**	**49,414**	**1,257**	**5,650**	**11,161**	**69,066**
Cost recoveries	**-**	**(2,000)**	**-**	**-**	**(20,774)**	**(22,774)**
Refundable tax credits and adjustments	**-**	**(335,317)**	**(29,410)**	**(13,312)**	**(6,918)**	**(384,957)**
Write-off exploration and evaluation properties	**(4,050,000)**	**(4,621,735)**	**(564,325)**	**-**	**-**	**(9,236,060)**
Net increase (decrease) for the year	**(3,924,310)**	**(3,915,419)**	**(519,321)**	**63,156**	**13,199**	**(8,282,695)**
Balance, December 31, 2014	**$ 2,254,124**	**$ 1,917,421**	**$ 234,766**	**$ 105,053**	**$ 1,161,115**	**$ 5,672,479**

For year ended December 31, 2013	Meston Lake	Rapson Bay	Thorne Lake	Ti-pa-haa-kaa-ning	Croteau Est	Waconichi	Grizzly	Lac Surprise	Total
Balance, beginning of year	$ 1,642,394	$ 3,299,608	$ 1,058,794	$ 14,883,150	$ 5,019,694	$ 236,884	$ -	$ 1,147,584	$ 27,288,108
Acquisition, assessment and maintenance	-	-	-	4,013	99,069	236,782	-	-	339,864
Analytical	-	-	-	-	102,136	55,384	3,517	-	161,037
Geophysics	-			-	3,306	6,395	-	-	9,701
Geology	3,437	535	357	192,851	488,661	221,588	62,805	555	970,789
Drilling	-	-	-	1,788	580,250	183,713	-	-	765,751
Research	-	-	-	89,392	9,258	-	-	-	98,650
Project administration	-	-	-	7,240	9,116	1,984	2,236	-	20,576
Refundable tax credits and adjustments	-	-	-	-	(478,650)	(188,643)	(26,661)	(223)	(694,177)
Write-off exploration and evaluation properties	(1,645,831)	(3,300,143)	(1,059,151)	(9,000,000)	-	-	-	-	(15,005,125)
Net increase (decrease) for the year	(1,642,394)	(3,299,608)	(1,058,794)	(8,704,716)	813,146	517,203	41,897	332	(13,332,934)
Balance, December 31, 2013	**$ -**	**$ -**	**$ -**	**$ 6,178,434**	**$ 5,832,840**	**$ 754,087**	**$ 41,897**	**$ 1,147,916**	**$ 13,955,174**

Ti-pa-haa-kaa-ning ("TPK") property

The Company owns a 100% interest in the TPK project. The Company incurred expenditures of $125,690 (2013 - $295,284) on the property during the year ended December 31, 2014 and since acquisition has recorded total cumulative expenditures of $16,904,124 on the property.

On December 31, 2014, the Company recorded a write-down of $4,050,000 (2013 - $9,000,000) with respect to the TPK property. The write-down was based on a number of impairment review factors, including, but not limited to, the Company's assesment of indicated market value, and the Company's market capitalization.

Under an agreement with Lake Shore Gold Corp. ("Lake Shore") dated May 27, 2010, the Company granted Lake Shore an assignable (subject to a right of first refusal in favor of the Company) 2% Net Smelter Royalty ("NSR") on all minerals produced from TPK, with the Company having the right to purchase back one quarter of the NSR (0.5%) for $1,000,000. On 5 of the TPK claims, there is also a 2% NSR on all commodities in favour of Vale S.A., and on 7 of the TPK claims there is a 2% NSR for diamonds only in favour of Vale S.A.

The agreement also provided that: (i) the Company with be responsible for all expenditures on TPK from January 1, 2010 onward: (ii) for a period of 5 years and so long as Lake Shore maintains at least a 10% ownership interest, it will be offered the right to participate in any future equity financings pro rata in order to maintain its ownership interest: and (iii) for so long as Lake Shore maintains at least a 19.9% ownership interest it will be entitled to nominate at least two directors to serve on the Company's board, and should its holdings drop below 19.9% but remain above 10% it shall be entitled to nominated one director.

Croteau Est property

On August 24, 2011, the Company entered into an option agreement with the owners (the "Optionors") of the Croteau Est gold property in Québec who granted the Company an option to acquire 100% of the property. To exercise the option, the Company is required to spend $1.7 million on exploration on the property over four years from the date of the agreement (note 15): $200,000 in year 1, $300,000 in year 2, $400,000 in year 3 and $800,000 in year 4, all of which has already been incurred. The Company must also make cash payments to the Optionors totaling $350,000: $35,000 upon signing the letter of intent (paid), $35,000 by the end of year 1 (paid), $40,000 by the end of year 2 (paid), $80,000 by the end of year 3 (paid) and $160,000 by the end of year 4. In addition, the Company must issue to the Optionors, $280,000 worth of common shares of the Company: $40,000 at the end of year 2 (issued), $80,000 by the end of year 3 (issued) and $160,000 by the end of year 4. The number of common shares issuable shall be based on the greater of the market price of the Company's shares at the time of issuance and $0.26 per share. Upon exercise of the option, the Optionors shall retain a 1.0% net smelter royalty ("NSR") on any commercial production with the Company having the right to buyback 0.5% of the NSR for $1.5 million, at any time.

The Company incurred net expenditures of $706,316 (2013 - $813,146) on the property during the year ended December 31, 2014 and since acquisition has recorded total cumulative expenditures of $6,539,156 on the property.

On December 31, 2014, the Company recorded a write-down of $4,621,735 (2013 - $Nil) with respect to the Croteau Est property. The write-down was based on a number of impairment review factors, including, but not limited to, indicated market value, and the Company's market capitalization.

Waconichi property

Under an agreement signed in May 2013 , the Company acquired a 100% interest in the Waconichi property Quebec by making a one-time cash payment of $225,000 and granting a 1% NSR royalty on a majority of the Waconichi claims.

The 1% NSR royalty covers all except 7 claims (comprising approximately 287 hectares) which were already subject to a prior 2% NSR royalty in favor of the prospector who originally staked the claims. The Company have the right to repurchase half of the 1% NSR royalty (reducing it to a 0.5% NSR royalty) at any time for $1,000,000. Similarly, the Company has the right to repurchase half of the Charbonneau 2% NSR royalty (reducing it to a 1% NSR royalty) at any time, for $1,000,000. In either case, should the Company exercise its buy-back right, it will then have a right of first refusal with respect to the remaining NSR royalty.

The Waconichi property consists of 306 claims covering an area of approximately 17,588 hectares and the largest cluster of claims are adjacent to the Company's Croteau Est gold property located to the south.

The Company incurred net expenditures of $45,004 (2013 - $517,203) on the property during the year ended December 31, 2014 and since acquisition has recorded total cumulative expenditures of $799,092 on the property.

On December 31, 2014, the Company recorded a write-down of $564,325 (2013 - $Nil) with respect to the Waconichi property. The write-down was based on a number of impairment review factors, including, but not limited to, indicated market value, and the Company's market capitalization.

Grizzly Property

In July 2013, the Company entered into an option agreement to acquire the Grizzly property in Québec. For the Company to earn a 100% in the property, the Company must:

a) Spend an aggregate of $1.7 million on exploration on the property over five years, as follows:
   (i) $75,000 in year 1 (incurred);
   (ii) $100,000 in year 2;
   (iii) $300,000 in year 3;
   (iv) $400,000 in year 4; and
   (v) $825,000 in year 5;
b) Make cash payments to the Optionors totaling $315,000 over five years, as follows:
   (i) $35,000 in year 1 (paid);
   (ii) $40,000 in year 2;
   (iii) $80,000 in year 3;
   (iv) $80,000 in year 4 and
   (v) $80,000 in year 5;
c) Issue 1,000,000 shares of the Company to the Optionors during the last 4 years of the option, as follows:
   (i) 200,000 shares in year 2;
   (ii) 200,000 shares in year 3;
   (iii) 300,000 shares in year 4; and
   (iv) 300,000 shares in year 5.

The Company has the right to accelerate its exercise of the option.

Upon exercise of the option, the optionors shall retain a 1.0% NSR on any commercial production with the Company having the right to buyback 0.5% of the NSR for $1.5 million, at any time. The parties have agreed that any further claims staked within 1.5 km of the property, shall form part of the option and any production therefrom shall be subject to the NSR.

The Company incurred net expenditures of $63,156 (2013 – $41,897) on the property during the year ended December 31, 2014 and since acquisition, has recorded total cumulative expenditures of $105,053 on the property.

Option Earn-in Agreement on Lac Surprise Property

In April 2014, the Company signed an option agreement with Bold Ventures Inc. ("Bold") whereby Bold can earn a 50% working interest in the Lac Surprise property by spending an aggregate of $2,000,000 on exploration of the property and issuing to the Company a total of 350,000 common shares of Bold, all over a three year period, 50,000 shares of which were issued upon signing the agreement. Bold is obligated to spend a minimum of $500,000 on exploration of the property in the first year, at the end of which a further 50,000 common shares of Bold are issuable. The second year optional commitment is 100,000 common shares of Bold and $500,000 in exploration work. The third year optional commitment calls for $1,000,000 in exploration work on the property and the issuance of 150,000 common shares of Bold. Bold will also hold the option to earn an additional 10% in the project by delivering a positive feasibility study within five years from the date of execution of the formal option agreement. If Bold takes up all parts of the option it will have earned a 60% interest in the property. Upon Bold earning either 50% or 60% interest in the property, the Company and Bold shall form a joint venture to hold the property and conduct further exploration activities.

Write-off of Meston Lake, Rapson Bay and Thorne Lake Properties and Related Ontario Litigation Costs

In the year ended December 31, 2013, the Company recorded a write-off of $6,005,125, representing the unamortized balance of its deferred exploration costs incurred in connection with its exploration of the Meston Lake, Rapson Bay and Thorne Lake properties (the "Properties"). The decision to write-off the Properties was based on the Company's determination that it lost the ability to access to the Properties, as well as its ability to realize the benefits of any value created from its exploration expenditures to date, due to the actions of third parties. On October 24, 2013, the Company filed a civil lawsuit against the Government of Ontario seeking among other things, damages of $110 million and consisting mainly of amounts expended to date as well as for lost value of the Properties, as a result of lost access to the Properties. A trial date of June 1, 2015 has been set by the Ontario Superior Court. In the year ended December 31, 2014 the Company incurred costs of $286,230 (2013 - $260,866) in respect to the litigation of its claim (note 16).

8. TRADE PAYABLES AND ACCRUED LIABILITIES

As at December 31,		**2014**		2013
Trade payables	**$**	**32,846**	$	19,485
Amounts due to related parties *note 11*		**2,931**		12,708
Accrued liabilities - general		**19,103**		87,235
Accrued liabilities - severance *note 18*		**135,000**		-
	$	**189,880**	$	119,428

9. INCOME TAXES

The provision for income taxes in the statement of loss and deficit represents an effective rate different than would be computed by applying the combined Canadian statutory federal and provincial income tax rates to the loss before income taxes due to the following:

For the years ended December 31,		**2014**		2013
Loss before income taxes	**$**	**(10,664,555)**	$	(16,575,095)
Canadian statutory income tax rates		**26.50%**		26.50%
Recovery of income taxes at Canadian statutory rates		**2,826,107**		4,392,400
Permanent differences		**(24,689)**		(64,715)
Changes in tax rates		**-**		37,983
Change in prior year provision to actual		**(2,146)**		163,319
Change in valuation allowance		**(2,799,272)**		(4,528,987)
Deferred tax recovery	**$**	**-**	$	-

The tax effect of temporary differences that gives rise to the Company's net future income tax assets is as follows:

As at December 31,		**2014**		2013
Deferred tax assets (liabilities)				
Operating losses carried forward	**$**	**3,804,336**	$	3,360,830
Capital loss carried forward		**1,260,056**		1,260,056
Resource properties		**5,959,052**		3,531,578
Share issue costs		**73,788**		148,878
Other		**55,900**		52,518
	$	**11,153,132**	$	8,353,860
Less: Valuation allowance		**(11,153,132)**		(8,353,860)
Total deferred tax assets	**$**	**-**	$	-

At December 31, 2014, the Company had capital losses for tax purposes in Canada totaling $9,509,856 that may be carried forward indefinitely, cumulative exploration and development expenses of $28,159,465, and a non-capital loss carry forward of $14,355,984 available for tax purposes in Canada which expire as follows:

Tax Operating Losses	Year of Expiry
$ 379,827	2014
314,918	2015
479,151	2026
872,751	2027
1,263,477	2028
1,518,538	2029
1,512,554	2030
2,435,542	2031
2,233,682	2032
1,670,556	2033
1,674,988	2034
$14,355,984	

10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) Issued Capital

In August 2014, the Company issued 307,694 shares of the Company at a deemed aggregate share cost of $80,000 in connection with an option agreement to acquire a 100% interest in the Croteau Est property in Québec (note 7).

In August 2013, the Company issued 153,846 shares of the Company at a deemed aggregate share cost of $40,000 in connection with an option agreement to acquire a 100% interest in the Croteau Est property in Québec (note 7).

c) Stock Options

As at December 31, 2014, the Company had 11,160,000 stock options outstanding of which 6,043,334 were exercisable under the Company's stock option plan. The terms of all options cannot exceed ten years and the minimum exercise price cannot be less than the closing price of the Company's common shares on the TSX Venture Exchange on the last trading day preceding the grant of the option. All of the outstanding options of the Company were issued with an expiry date of 5 years from the date of issue. The Board of Directors determines the vesting terms of the options, with a typical vesting schedule of 1/3 of the options under the grant vesting on each anniversary over a three year period after the date of grant.

A summary of the changes in the Company's stock option plan for the years ended December 31, 2014 and 2013 is as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Number of options	**Weighted-average exercise price**	Number of options	Weighted-average exercise price
Outstanding, beginning of year	**12,194,567**	**$0.21**	11,411,234	$0.25
Granted	**2,675,000**	**0.05**	2,475,000	0.10
Expired	**(2,154,567)**	**0.12**	(50,000)	0.17
Forfeited	**(1,555,000)**	**0.28**	(1,641,667)	0.26
Outstanding, end of year	**11,160,000**	**$0.19**	12,194,567	$0.21
Exercisable, end of year	**6,043,334**	**$0.28**	6,964,565	$0.28

The weighted average grant-date fair value for options granted during the year ended December 31, 2014 was $0.03 (2013 - $0.02), which was determined using the Black-Scholes Option Pricing Model and the following assumptions: no dividends to be paid; volatility of 121.50% (2013 - 143.1%); risk-free interest rate 1.43% (2013 - 1.51%); and expected life of 5 years (2013 - 5 years).

The following table summarizes information regarding stock options outstanding and exercisable at December 31, 2014:

Exercise Price Range	Number of Options Outstanding	Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number of Options Exercisable	Remaining Vested Contractual Life (in years)	Weighted Average Vested Excercise Price
$0.05 - $0.19	7,525,000	3.95	$0.08	2,408,334	3.28	$0.10
$0.20 - $0.39	1,835,000	1.84	0.24	1,835,000	1.84	0.24
$0.40 - $0.59	1,750,000	0.85	0.55	1,750,000	0.85	0.55
$0.60 - $0.79	50,000	1.33	$0.70	50,000	1.33	0.70
	11,160,000	3.11	$0.19	6,043,334	1.88	$0.28

d) Share-Based Payments

Share-based payments recognized in the year are capitalized to exploration and evaluation properties or expensed as consulting fees and office expense.

The following table summarizes the share-based payment expense for stock option grants that the Company recorded for the years ended December 31, 2014 and 2013:

For the years ended December 31,		**2014**		2013
Consulting fees	**$**	**6,655**	$	126,071
Office expense		**85,230**		104,275
		91,885		230,346
Exploration and evaluation properties		**46,077**		13,860
Total share-based payments	**$**	**137,962**	$	244,206

Share-based payments of $46,077 (2013 - $13,860) related to exploration and evaluation properties are capitalized to exploration and evaluation properties and share-based payments of $91,885 (2013 - $230,346) related to consulting fees and office expense were expensed for the years ended December 31, 2014 (note 7).

e) Basic and Diluted Loss per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

Potentially dilutive items not included in the calculation of diluted loss per share for the years ended December 31, 2014 were 11,160,000 (December 31, 2013 - 12,194,567) stock options that were anti-dilutive.

11. RELATED PARTY TRANSACTIONS

For the years ended December 31,		**2014**		2013
Management fees	**$**	**107,896**	$	111,395
Directors' fees		**113,000**		143,750
Salaries and wages		**407,000**		419,950
Share-based payments		**82,885**		227,661
	$	**710,781**	$	902,756

The Company paid Morfopoulos Consulting Associates Ltd., a company controlled by the Chief Financial Officer, $72,000 for accounting and management and administration services during the year ended December 31, 2014 (2013 - $72,000), which amounts are included in management and other fees above.

All related party transactions are in the normal course of operations and measured at the exchange amount agreed to between the related parties. For the purposes of disclosure, related parties are defined as the officers and directors of the Company and companies controlled by the officers and directors.

Included in trades payables at December 31, 2014 is $2,931 due to related parties (December 31, 2013 - $12,708) (Note 8).

12. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31		**2014**		2013
Non-cash investing and financing activities				
Common shares issued pursuant to property agreements *(notes 7 and 10)*	**$**	**80,000**	$	40,000
Changes in working capital related to exploration properties		**198,870**		501,715
Interest received	**$**	**70,869**	$	119,596
Interest paid		**-**		-
Taxes paid		**-**		-

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Instruments

The carrying value of financial assets and liabilities are as follows as of the dates shown:

As at December 31,		**2014**		2013
Financial Assets				
Fair value through profit or loss, measured at fair value				
Cash and cash equivalents	**$**	**3,615,065**	$	5,390,544
Loans and receivables, measured at amortized cost				
Receivables - interest		**36,299**		58,431
Financial Liabilities				
Other liabilities, measured at amortized cost				
Trade payables and due to related parties	**$**	**189,880**	$	32,193

The fair value hierarchy of financial instruments measured at fair value on the statement of financial position is as follows:

As at December 31,		**2014**		2013
		Level 1		Level 1
Cash and cash equivalents	**$**	**3,615,065**	$	5,390,544

Management of Financial Risks

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

i. Credit Risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote. The Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

ii. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company had cash and cash equivalents of $3,615,065 (December 31, 2013 - $5,390,544) to settle trade payables and accrued liabilities totaling $189,880 (December 31, 2013 - $119,428).

iii. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash balances. A 1% change in short term rates would change the interest income and net loss of the Company, assuming that all other variables remained constant, by approximately $36,875 for the year ended December 31, 2014.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency or commodity risk arising from financial instruments.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it to effectively support the acquisition, exploration and development of mineral properties. In the definition of capital, the Company includes, as disclosed on its statement of financial position: share capital, deficit, equity reserves and cash and cash equivalents.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will be using its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so (Note 7).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2014. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

15. COMMITMENTS

	1 - 5 years	Total
Operating lease - office lease	$ 116,600	**$ 116,600**

The Company has future commitments under exploration and evaluation property option agreements to issue shares, make cash payments and incur exploration expenditures (note 7).

16. CONTINGENCIES

On October 24, 2013, the Company filed a civil lawsuit against the Government of Ontario seeking among other things, damages of $110 million and consisting mainly of amounts expended to date as well as for lost value of the Properties, as a result of lost access to the Properties. A trial date of June 1, 2015 has been set by the Ontario Superior Court. In the year ended December 31, 2014, the Company incurred costs of $286,230 (2013 - $260,866) in respect to the litigation of its claim (note 7).

17. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment being the mining business in Canada. All resource properties and equipment are situated in Canada.

18. EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Severance Agreement

Subsequent to the end of the year, the Company finalized a severance agreement with a former Vice-President of the Operations of the Company for an aggregate amount of $135,000 (2013 - $nil).