LORNEX CAPITAL INC.

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

To the Shareholders of Lornex Capital Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board of Directors and the Audit Committee, and management to discuss their audit findings.

April 30, 2015

" Jordan Saprio "
Jordan Shapiro, CEO

" Nilda Rivera "
Nilda Rivera, CFO

Independent Auditors' Report – refers to each period presented in the financial statements

To the Shareholders of Lornex Capital Inc.:

We have audited the accompanying consolidated financial statements of Lornex Capital Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of loss and other comprehensive loss, changes in equity, and cash flows for the years then ended, and 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 consolidate 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.

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lornex Capital Inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance, the results of their operations, and their 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 of these financial statements, which states that Lornex Capital Inc. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Lornex Capital Inc. to continue as a going concern.

MNP LLP

Vancouver, BC
April 30, 2015

Chartered Professional Accountants

ACCOUNTING › CONSULTING › TAX
2300, 1055 DUNSMUIR STREET, PO BOX 49148; VANCOUVER BC; V7X 1J1
1-877-688-8408 P: 604-685-8408 F: 604-685-8594 www.MNP.ca

LORNEX CAPITAL INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2014	December 31, 2013
	$	$
Assets		
Current:		
Cash and cash equivalents	503,012	746,216
Amounts receivable	8,590	6,659
Prepaid expenses and deposits	2,000	7,000
	513,602	759,875
Equipment (Note 4)	1,508	2,113
	515,110	761,988
Liabilities		
Current:		
Accounts payable and accrued liabilities	20,193	13,124
Shareholders' equity		
Share capital (Note 6)	4,197,736	4,197,736
Reserves (Note 6)	114,441	117,368
Deficit	(3,817,260)	(3,566,240)
	494,917	748,864
	515,110	761,988

Nature of Operations (Note 1)

The consolidated financial statements were approved by the Board of Directors on April 30, 2015 and were signed on its behalf by:

____

Director

____

Director

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

LORNEX CAPITAL INC.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Years Ended December 31, 2014	2013
	$	$
Administrative Expenses:		
Bank charges	316	183
Consulting fees	56,500	-
Depreciation	605	855
Management fees (Note 7)	-	43,200
Office, rent and administration (Note 7)	137,920	103,165
Professional fees (Note 7)	26,791	14,694
Project evaluation	6,382	-
Regulatory fees	20,526	8,295
Share-based payments (Note 6)	29,635	1,396
Transfer agent	5,382	4,737
Travel, promotion and shareholder communication	2,986	9,627
	287,043	186,152
Loss before other items	(287,043)	(186,152)
Other items:		
Interest income	6,821	9,069
Impairment of exploration and evaluation asset (Note 5)	(3,360)	(3,360)
	3,461	5,709
Comprehensive loss for the year	(283,582)	(180,443)
Loss per common share – basic and diluted	(0.04)	(0.03)
Weighted average number of common shares outstanding – basic and diluted	7,190,662	7,190,662

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

LORNEX CAPITAL INC.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

		Share capital		Reserves	Deficit	Total
	Notes	Common shares	Amount	Stock options		shareholders' equity
		#	$	$	$	$
Balance, December 31, 2012		**7,090,662**	**4,197,736**	**167,349**	**(3,437,174)**	**927,911**
Comprehensive loss for the year		-	-	-	(180,443)	(180,443)
Share-based payments		-	-	1,396	-	1,396
Forfeited options		-	-	(51,377)	51,377	-
Balance, December 31, 2013		**7,090,662**	**4,197,736**	**117,368**	**(3,566,240)**	**748,864**
Comprehensive loss for the year		-	-	-	(283,582)	(283,582)
Share-based payments		-	-	29,635	-	29,635
Forfeited options		-	-	(32,562)	32,562	-
Balance, December 31, 2014		**7,190,662**	**4,197,736**	**114,441**	**(3,817,260)**	**494,917**

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

LORNEX CAPITAL INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended December 31, 2014	2013
	$	$
Operating activities:		
Loss for the year	(283,582)	(180,443)
Adjustments for non-cash items:		
Depreciation	605	855
Share-based payments	29,635	1,396
Changes in non-cash working capital items:		
Amounts receivable	(1,931)	3,477
Prepaid expenses and deposits	5,000	(4,745)
Accounts payable and accrued liabilities	7,069	(118)
Decrease in cash and cash equivalents	(243,204)	(179,578)
Cash and cash equivalents, beginning of year	746,216	925,794
Cash and cash equivalents, end of year	503,012	746,216

Cash and cash equivalents are comprised of the following:		
Cash	3,012	16,216
Guaranteed Investment Certificates	500,000	730,000
	503,012	746,216

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

1. Nature of Operations

The Company was incorporated on July 26, 2000 under the Canada Business Corporations Act and is engaged in the acquisition, exploration and development of mineral properties in Canada. The Company's common shares previously traded on the TSX Venture Exchange ("Exchange") under the symbol "LOM". The Company voluntarily delisted from the Exchange and started trading on the Canadian Securities Exchange ("CSE") effective June 27, 2014 under the symbol "LOM".

The head office, principal address and records office of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's registered office address is Suite 700 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized for mineral properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the exploration and development of its resource properties, the discovery of economically recoverable reserves, the attainment of future profitable production or proceeds from disposition of the Company's resource properties. The outcome of these matters cannot be predicted at this time.

At December 31, 2014, the Company had not yet achieved profitable operations and has accumulated losses of $3,817,260 (December 31, 2013 -$3,566,240). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to achieve any of the foregoing and continue as a going concern. Any adjustment required to the amounts and reclassification of assets and liabilities may be significant.

Management has estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations during the year ending December 31, 2015. The Company will require additional financing as it determines to acquire additional properties or accelerate its work programs. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

2. Summary of Significant Accounting Policies

The financial statements were authorized for issue on April 30, 2015, by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Rosswoll Industries Inc., incorporated in British Columbia. All significant intercompany balances and transactions were eliminated on consolidation.

The consolidated financial statements of the Company were prepared on the historical cost basis.

2. Summary of Significant Accounting Policies (Continued)

(b) Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas requiring a significant degree of estimation and judgment relate to share-based payments, measurement of deferred tax assets and liabilities, and the assessment of the Company's ability to continue as a going concern. Actual results may differ from those estimates and judgments.

Key sources of estimation uncertainty

(i) Fair value measurement of stock-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them.

(ii) Measurement of deferred tax assets and liabilities

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Critical judgments

(i) Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2014 and 2013. Management prepares the consolidated financial statements on a going concern basis unless Management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment, Management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

2. Summary of Significant Accounting Policies (Continued)

(c) Functional and presentation of foreign currency

The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency, both the parent and subsidiary use the Canadian dollar as their functional currency.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, Guaranteed Investment Certificates (GICs), deposits in banks and highly liquid investments with an original maturity of three months or less. GICs have an original maturity term of more than three months and less than a year and can be withdrawn on demand.

(e) Equipment

Equipment is carried at acquisition cost less accumulated depreciation. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The annual rate used to compute depreciation is as follows:

Computer hardware	declining-balance basis	30%
Office equipment	declining-balance basis	20%

The depreciation method, useful life and residual values are assessed annually.

Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognised when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised as an expense as incurred.

(f) Exploration and evaluation assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage.

Once a right to explore a mineral property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that mineral property are reclassified to mining property and development assets within property, plant and equipment. Upon transfer to property, plant and equipment, the relevant costs will be analyzed for impairment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net earnings as exploration and evaluation expense.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective mineral properties.

2. Summary of Significant Accounting Policies (Continued)

(g) Decommissioning obligations

The liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning costs will be amortized to expense over the life of the related assets using the units-of-production method. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at December 31, 2014 and 2013, the Company determined that it did not have material decommissioning obligations.

(h) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(i) Share capital

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

(j) Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized 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 corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. 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 eventually vest. Amounts recorded for forfeited or expired unexercised options are transferred to deficit in the year of forfeiture or expiry.

2. Summary of Significant Accounting Policies (Continued)

(k) Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

Due to the losses for the years ended December 31, 2014 and 2013, basic loss per share was equal to dilutive loss per share for the years presented.

(l) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss, components of other comprehensive income are presented in the Consolidated Statements of Comprehensive Loss and the Consolidated Statements of Changes in Equity.

(m) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities at amortized cost.

(i) Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss are either ‘held-for-trading’ or classified at fair value through profit or loss. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

The Company does not have any financial assets and liabilities at fair value through profit and loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Company has classified its cash and cash equivalents and other receivable as loans and receivables.

2. Summary of Significant Accounting Policies (Continued)

(m) Financial instruments (Continued)

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost.

The Company does not hold any held-to-maturity investments.

(iv) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

The Company does not hold any available-for-sale assets.

(v) Financial liabilities at amortized cost

Non-derivative financial liabilities (excluding financial guarantees) are recorded at the date of obligation at fair value and are subsequently measured at amortized cost using the effective interest method.

The Company has classified its accounts payable and accrued liabilities as other liabilities.

The Company has no financial instruments that give rise to other comprehensive income. Instruments are classified as current if they are assumed to be settled within one year, otherwise, they are classified as non-current. The Company will assess at each reporting period whether there is any objective evidence that a financial asset, other than those measured at fair value, is impaired. When assessing impairment, the carrying value of financial assets carried at amortized cost is compared to the present value of estimated future cash flows, discounted using the instrument's original effective interest rate. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in income or loss.

(n) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. Summary of Significant Accounting Policies (Continued)

(n) Income taxes (continued)

Deferred tax is recognized 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. Deferred tax is not recognized for the following temporary difference: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor tax-able profit or loss, the differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(Expressed in Canadian Dollars)

3. New Accounting Pronouncements

The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein.

(a) IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, "*Financial Instruments*" ("**IFRS 9**"), which will replace IAS 39, "*Financial Instruments: Recognition and Measurement*" ("**IAS 39**"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has tentatively been set for January 1, 2018; however, early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the consolidated financial statements as the classification and measurement of the Company's consolidated financial instruments is not expected to change given the nature of the Company's operations and the types of financial instruments that it currently holds.

4. Property, Plant and Equipment

	Computer hardware	Office equipment	Total
	$	$	$
Costs:			
Balance, December 31, 2012, 2013 and 2014	5,775	490	6,265
Depreciation:			
Balance, December 31, 2012	3,160	137	3,297
Charge for the year	784	71	855
Balance, December 31, 2013	3,944	208	4,152
Charge for the year	549	56	605
Balance, December 31, 2014	4,493	264	4,757
Carrying amounts:			
December 31, 2014	1,282	226	1,508
December 31, 2013	1,831	282	2,113

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

Cumulative expenditures incurred by the Company on its property are summarized as follows:

	$
Balance, December 31, 2012	-
Exploration:	
Property maintenance costs	3,360
Impairment	(3,360)
Balance, December 31, 2013	-
Exploration:	
Property maintenance costs	3,360
Impairment	(3,360)
Balance, December 31, 2014	-

The Company acquired a 100% interest in the AMI claims by staking and purchase by way of the issuance of 300,000 common shares of the Company valued at $75,000 and a cash payment of $77,030. The property is subject to a 1% NSR royalty.

On September 10, 2012, certain claims have lapsed and as a result, during the year ended December 31, 2014, the Company recognized an impairment of $3,360 (2013 - $3,360) on the property.

6. Share Capital and Reserves

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued share capital

As at December 31, 2014, there were 7,190,622 issued and fully paid common shares (December 31, 2013 - 7,190,622).

(c) Warrants

The continuity of share purchase warrants issued and outstanding is as follows:

	Warrants	Weighted Average Exercise Price
	#	$
Balance, December 31, 2012	1,196,875	0.25
Expired	(1,146,875)	0.25
Balance, December 31, 2013	50,000	0.25
Expired	(50,000)	0.25
Balance, December 31, 2014	-	-

(Expressed in Canadian Dollars)

6. Share Capital and Reserves (Continued)

(d) Stock options

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the plan have a term not to exceed 10 years and vesting periods that range from zero to 18 months.

The continuity of stock options issued and outstanding is as follows:

	Options Outstanding	Weighted Average Exercise Price
	#	$
Balance, December 31, 2012	656,334	0.10
Forfeited	(132,333) [1]	0.10
Balance, December 31, 2013	524,001	0.10
Forfeited	(171,667) [2]	0.10
Granted	195,000	0.10
Balance, December 31, 2014	547,334	0.10

(1) During the year ended December 31, 2013, the fair value of 132,333 forfeited options of $51,377 was reclassified from reserves to deficit.

(2) During the year ended December 31, 2014, the fair value of 171,667 forfeited options of $32,562 was reclassified from reserves to deficit.

The weighted average of remaining life of outstanding options as of December 31, 2013 is 7.24 years (2013 - 3.64 years).

Stock options outstanding at December 31, 2014 are as follows:

Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
$	#		#
0.10 [1]	71,667	April 17, 2019	71,667
0.10 [1]	31,667	June 14, 2020	31,667
0.10 [1]	184,000	October 5, 2021 [2]	184,000
0.10 [1]	75,000	January 5, 2022 [2]	75,000
0.10	185,000	March 20, 2024	185,000
	547,334		547,334

(1) During the year ended December 31, 2014, the exercise price of these stock options was amended to $0.10 per share. The repricing of insiders' options is subject to disinterested shareholder approval.

(2) During the year ended December 31, 2014, the expiry date of these options was extended for an additional five years.

(Expressed in Canadian Dollars)

6. Share Capital and Reserves (Continued)

(d) Stock options (Continued)

During the year ended December 31, 2014, the Company amended the terms of an aggregate of 387,332 stock options previously granted to employees, directors and consultants of the Company. These options had original exercise prices ranging from $0.21 to $0.245 per share and were re-priced to have an exercise price of $0.10 per share. In addition, the expiry date of an aggregate of 284,000 options was extended for an additional five years.

The modification to stock options resulted in the recognition of additional share-based payments of $14,950 during the year ended December 31, 2014. The fair values of the modified stock options were estimated using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 97.71%; risk-free interest rate – 1.28%; expected life – 4.06 years; and fair value per option - $0.04.

During the year ended December 31, 2014, the Company recorded share-based payments of $14,685 (2014 - $1,396) for stock options granted during the period.

The fair values of the stock options granted were estimated on the respective grant dates using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2014	2013
Risk free interest rate	1.67%	-
Expected dividend yield	0%	-
Expected stock price volatility	105.57%	-
Expected life	5.56 years	-

The weighted average fair value of options granted during the year ended December 31, 2014 was $0.08 (2013 - $nil) per option.

7. Related Party Balances and Transactions

(a) Related party transactions

The Company incurred the following transactions with companies having directors in common:

	2014	2013
	$	$
Office, rent and administration(1)	111,825	78,100
Legal fees	611	1,707
	112,436	79,807

(1) Of these fees, $30,000 (2013 - $27,000) includes management fee paid to the CFO of the Company.

(b) Compensation of key management personnel

	2014	2013
	$	$
Short-term benefits - management fees	30,000	70,200
Share-based compensation	14,989	1,320
	44,989	71,520

(Expressed in Canadian Dollars)

7. Related Party Balances and Transactions (Continued)

(b) Compensation of key management personnel (Continued)

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and consist of its Directors, Chief Executive Officer and Chief Financial Officer.

(c) Related party balances

The following related party amounts are included in prepaid expenses and deposits:

	2014	2013
	$	$
Company having directors and officers in common	2,000	2,000

8. Financial Instruments and Risk Management

(a) Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities. Cash and cash equivalents and other receivables are classified as loans and receivables and are carried at their amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at their amortized cost.

The carrying values of the Company's financial assets and liabilities approximate their fair values due to the relatively short periods to maturity of these instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used estimate the fair values. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

	Carrying value	2014	2013	Fair value hierarchy
Financial assets				
Loans and receivables:				
Cash and cash equivalents	Amortized cost	503,012	746,216	N/A
Other receivables	Amortized cost	8,590	6,659	N/A
		511,602	752,785	
Financial liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities	Amortized cost	20,193	13,124	N/A

8. Financial Instruments and Risk Management (Continued)

(b) Financial instruments risk

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes:

(i) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances and short-term bank guaranteed investment certificates at the bank and amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Other receivables consist of interest receivables of $3,049.

(ii) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at December 31, 2014, the Company had a cash balance of $503,012 to settle accounts payable and accrued liabilities of $20,193 that are considered short term and settled within 30 days. Management expects that the Company has sufficient liquidity and additional financing will be available to meet its requirements for fiscal 2015.

(iii) Market risk

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's cash attract interest at floating rates and have maturities of 90 days or less. The Company's short-term investments are invested in GICs with greater than 90 day terms but not greater than one year. These GICs have a fixed interest rate for the term of the deposit. The interest on cash and GICs is typical of Canadian banking rates, which are low at present and the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

9. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares or debt or sell assets to settle liabilities.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company has no debt and is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended December 31, 2014.

(Expressed in Canadian Dollars)

10. Income Taxes

The following table reconciles the expected income tax expenses (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2014 and December 31, 2013:

	2014	2013
	$	$
Profit (loss) before income taxes	(283,582)	(180,443)
Canadian statutory tax rate	26.00%	25.75%
Expected income tax expense (recovery)	(73,731)	(46,464)
Differences resulting from:		
Non-deductible items	7,891	658
Change in estimates		(8,948)
Change in tax rate		(32,372)
Foreign Tax Rate Difference		-
Change in deferred tax asset not recognized	65,840	87,126
Provision for income taxes	-	-

Deferred tax reflects the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes, and amounts used for tax purposes. Deferred tax assets (liabilities) at December 31, 2014 and December 31, 2013 are comprised of the following:

	2014	2013
	$	$
Deferred tax assets - Canada		
Non-capital loss carry forwards	580,880	511,374
Property and Equipment	8,914	8,914
Exploration and evaluation assets	352,002	352,002
Financing costs	398	4,064
	942,194	876,354
Deferred tax asset not recognized	942,194	876,354
Net deferred tax asset		-

(Expressed in Canadian Dollars)

10. Income Taxes (Continued)

The Company has non-capital loss carryforwards of approximately $2,234,157(2013 – $1,966,824) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	$
2015	159,744
2026	126,327
2027	45,664
2028	199,093
2029	214,600
2030	281,576
2031	363,624
2032	242,173
2033	188,141
2034	413,215
Total	2,234,157