TRUECLAIM
EXPLORATION

("an Exploration Stage Entity")

Consolidated Financial Statements

December 31, 2014

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A CHAN AND COMPANY LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
Trueclaim Exploration Inc.

We have audited the accompanying consolidated financial statements of Trueclaim Exploration Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of loss and comprehensive loss, cash flows and consolidated statements of changes in equity 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 auditors consider 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 the Company as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Matter of Emphasis
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"A Chan & Company LLP"

Vancouver, British Columbia
April 30, 2015

Trueclaim Exploration Inc. ("an Exploration Stage entity")

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at December 31, 2014 and December 31, 2013

	December 31, 2014	**December 31, 2013**
	$	**$**
Assets		
Current assets		
Cash and cash equivalents	58,107	4,007
Receivables	70,582	31,609
Prepaid expenses	-	14,701
	128,689	50,317
Non-current assets		
Intangible assets (Note 3)	5,806,385	5,653,516
Investments (Note 4)	1	1
Total Assets	5,935,075	5,703,834
Liabilities		
Current liabilities		
Trade payable and accrued liabilities (Note 11)	783,260	785,054
Total Liabilities	783,260	785,054
Shareholders' Equity		
Share capital (Note 5)	8,396,632	8,057,917
Contributed surplus (Note 6(c))	1,713,580	1,403,921
Warrants (Note 5)	306,424	393,798
Shares subscribed but not yet issued	25,000	-
Accumulated deficit	(5,289,821)	(4,936,856)
Total Shareholders' Equity	5,151,815	4,918,780
Total Liabilities and Shareholders' Equity	5,935,075	5,703,834

Going Concern (Note 1)
Commitment (Note 12)
Subsequent event (Note 14)
Contingent Liabilities (Note 15)

Approved by the Board of Directors

"Byron Coulthard"	"Troy Nikolai"
Director	Director

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

Trueclaim Exploration Inc. ("an Exploration Stage entity")

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

For the years ended December 31, 2014 and December 31, 2013

	2014	2013
Operating Expenses		
Administrative expenses	89,862	128,553
Management fees (Note 11)	124,500	130,819
Professional fees (Note 11)	125,926	137,068
Recovery of expenses	-	(15,547)
Travel	12,677	3,081
	352,965	383,974
Net loss and comprehensive loss for the year	(352,965)	(383,974)
Net loss per share (Note 2)		
Basic	(0.03)	(0.04)
Diluted	(0.03)	(0.04)
Weighted average number of basic and diluted common shares	11,195,012	10,060,219

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

Trueclaim Exploration Inc. ("an Exploration Stage entity")

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

For the years ended December 31, 2014 and December 31, 2013

	Share Capital	Contributed Surplus	Warrants	Shares Subscribed but Not Issued	Accumulated Deficit	Total
	$	$	$	$	$	$
Balance – January 1, 2014	8,057,917	1,403,921	393,798	-	(4,936,856)	4,918,780
Net loss and comprehensive loss for the year	-	-	-	-	(352,965)	(352,965)
Private placement	288,715	-	222,285	-	-	511,000
Expired warrants	-	309,659	(309,659)	-	-	-
Warrants exercised	-	-	-	-	-	-
Shares subscribed but not yet issued	-	-	-	25,000	-	25,000
Shares issued for mining properties	50,000	-	-	-	-	50,000
Balance – December 31, 2014	8,396,632	1,713,580	306,424	25,000	(5,289,821)	5,151,815
Balance – January 1, 2013	7,653,298	1,368,477	279,141	-	(4,552,882)	4,748,034
Net loss and comprehensive loss for the year	-	-	-	-	(383,974)	(383,974)
Private placement	346,665	-	153,055	-	-	499,720
Expired warrants	-	35,444	(35,444)	-	-	-
Warrants exercised	12,954	-	(2,954)	-	-	10,000
Shares issued for mining properties	45,000	-	-	-	-	45,000
Balance – December 31, 2013	8,057,917	1,403,921	393,798	-	(4,936,856)	4,918,780

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

Trueclaim Exploration Inc. ("an Exploration Stage entity")

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the years ended December 31, 2014 and December 31, 2013

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Cash provided by (used in):		
Operating activities		
Net loss and comprehensive loss for the year	(352,965)	(383,974)
Changes in items of non-cash working capital:		
Receivables	(38,973)	8,551
Prepaid expenses	14,701	10,952
Trade payables and accrued liabilities	(1,794)	137,128
	(379,031)	(227,343)
Investing activities		
Intangible assets	(102,869)	(281,389)
Financing activities		
Net proceeds on issuance of shares	511,000	499,720
Net issuance of warrants and options	-	10,000
Proceeds in advance of private placement	25,000	-
	536,000	509,720
Decrease in cash and cash equivalents	54,100	988
Cash and cash equivalents – Beginning of year	4,007	3,019
Cash and cash equivalents – End of year	58,107	4,007
Income taxes paid	-	-
Interest paid	-	-

See note 4 and note 5(b) for other non-cash items

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

1. Nature of Operations and Going Concern

Trueclaim Exploration Inc. (the "Company") is a Canadian company which is engaged in the acquisition, exploration and development of resource properties in Canada and the United States. The Company has not yet determined whether its mining properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mining properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to fund costs to complete the exploration and evaluation of its properties, and upon future profitable production or proceeds from the disposal of properties.

The consolidated financial statements of the Company have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classification that would be necessary were the going concern assumption inappropriate. These adjustments could be material. During the year ended December 31, 2014, the Company had a net loss of $352,965 (2013 – $383,974) and reported a deficit of $5,289,821 (2013 – $4,936,856) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate appropriateness of the use of reporting standards applicable to a going concern. Management has obtained financing through the issuance of new equity instruments from third parties for the Company to continue its operations and, while it has been successful in raising funds in the past, there can be no assurance that the Company will be able to do so in the future should additional funding be needed. Without such additional funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

Although management has taken steps to verify title to mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

The Company is a public company which is listed on the TSX Venture Exchange (the "Exchange"). The address of its registered office is #575 – 510 Burrard Street, Vancouver, BC V6C 3A8.

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the board of directors for issue on April 30, 2015.

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments classified as 'fair value through profit and loss' ("FVTPL") which have been measured at fair value. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

All amounts are expressed in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

Consolidation

The financial statements of the Company consolidate the accounts of Trueclaim Exploration Inc. and its wholly owned subsidiary, Trueclaim Resources Inc. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks.

Impairment

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' 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 then reduced by the amount of the impairment. The amount of the loss is 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.

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

Impairment

In relation to receivables, a provision for impairment is made and an impairment loss is recognized in income when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Intangible assets

The Company records its interests in mining properties and areas of geological interest at cost as intangible assets in the consolidated statements of financial position. Each individual mining property is defined as a cash generating unit. Exploration and evaluation costs relating to these interests and projects are capitalized until the properties to which they relate are placed into production, sold or allowed to lapse. During the year ended December 31, 2014, $152,869 (2013 – $326,389) of costs were incurred for exploration, evaluation and acquisitions of mining properties. Management reviews the carrying values of intangible assets on a regular basis to determine whether any write downs are necessary. These costs will be amortized over the estimated useful life of the mining properties following commencement of production, or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers at an agreed upon date.

The fair value of the tax benefit received by the subscriber is recorded as a liability which is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded. The difference between the liability and the value of the tax assets renounced is recorded as a deferred tax expense.

A deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures that are capitalized to exploration and evaluation assets and their tax basis. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by the recognition of a corresponding deferred tax asset.

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

Income tax

Current income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes

Deferred tax assets and liabilities represent income taxes expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company's consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax assets also represent income taxes expected to be recoverable on unclaimed losses carried forward.

Deferred taxes are calculated using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, with some exceptions described below. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Neither deferred tax liabilities, nor deferred tax assets, are recognized as a result of temporary differences that arise from the initial recognition of goodwill or a transaction, other than a business combination, that affects neither accounting profit nor taxable profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax asset and liabilities are measured using the enacted or substantively enacted tax rates as of the statement of financial position date that are expected to be in effect when the differences reverse or when unclaimed losses are utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for asset recognition, a deferred tax asset is recognized.

Deferred tax is recognized in the consolidated statements of loss and comprehensive loss, unless it relates to items recognized directly in equity, in which case the deferred tax related to those items is also recognized directly in equity.

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

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 period. 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 period, if dilutive. During the years ended December 31, 2014 and 2013, all of the outstanding stock options and warrants were antidilutive.

Share capital

Non-monetary consideration

Shares issued as purchase consideration in non-monetary transactions are recorded at the fair value of the consideration received by the Company.

Shares issued to non-employees are recorded at the fair value of the goods and services received by the Company.

Stock-based compensation

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of stock-based payment transactions, whereby they render services as consideration for equity instruments. These amounts are recorded at the fair value of the equity instrument granted.

Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital.

Significant accounting judgments and estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the consolidated financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The most significant estimates relate to determining the fair value of share based payments to non-employees and impairment testing of the Company's intangible assets, fixed assets and investments. The most significant estimates relate to determining impairment testing of the Company's intangible assets and investments.

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

Financial instruments

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

Financial assets classified as FVTPL are measured at fair value with gains and losses recognized through earnings. The Company's cash and cash equivalents are classified as FVTPL.

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including the transaction costs. They are subsequently measured at amortized costs using the effective interest rate method. The Company does not have any held-to-maturity investments.

Financial assets classified as available for sale are measured at fair value with gains and losses recognized through a reserve in other comprehensive income. The Company's investment in Northern Skye Resources would have been classified as available for sale if it has not been fully impaired and the fair value of these investments is readily determinable.

Financial assets classified as loans-and-receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a provision for impairment. The Company`s receivables are classified as loans and receivables.

The Company's financial liabilities consist of trade payables and accrued liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest rate method.

Accounting standards adopted

IAS 32 – "Financial Instruments: Presentation" was issued on December 2011 to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IAS 32 are effective for the Corporation on January 1, 2014 with required retrospective application and early adoption permitted. The adoption of this standard did not have a material impact on the Corporation's financial statements.

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

Accounting standards issued but not yet effective

- IFRS 9 – "Financial Instruments"

This new standard is a partial replacement of IAS 39 – "Financial Instruments: Recognition and Measurement". The IASB tentatively decided to defer the mandatory effective date until January 1, 2018 with earlier adoption still permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

3. Intangible Assets

	Mineral Properties
Cost	**$**
As at January 1, 2013	6,023,577
Additions	326,389
Disposals	-
As at December 31, 2013	6,349,966
Additions	152,869
Disposals	-
As at December 31, 2014	6,502,835
Impairment	
As at January 1, 2013	(696,450)
Impairment for the year	-
As at December 31, 2013	(696,450)
Impairment for the year	-
As at December 31, 2014	(696,450)
Net book value	
As at December 31, 2013	5,653,516
As at December 31, 2014	5,806,385

(Expressed in Canadian dollars)

3. Intangible Assets (Continued)

Mineral Properties	**December 31, 2014**	**December 31, 2013**
	$	**$**
Scadding area mining properties	4,745,806	4,728,366
Black diamond mining property	1,060,579	925,150
Linear mining property	-	-
Berry-Desboues Township mining property	-	-
Hebecourt Township mining property	-	-
Boston Township mining property	-	-
Cook/Guibord Townships property	-	-
	5,806,385	5,653,516

Scadding area mining properties

The Company has an in interest in leases and mineral property options which are contiguous in the area of Scadding, Ontario. These leases/claims were acquired for gold exploration purposes.

The leased property consists of an option to earn a 51% interest in certain provincial mining leases and mineral claims located in the district of Sudbury in the province of Ontario. The Scadding claims were acquired by management for gold exploration purposes, and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an aggregate of 200,000 common shares in installments of 50,000 shares every six months over a period of two years with the first issuance due February 13, 2010. The first two installments of the shares were issued during 2010, and the third and fourth installments were issued during the year ended December 31, 2011.

2. The Company must issue an aggregate of 30,000 common shares in installments of 15,000 shares over a period of three years with the first issuance due May 5, 2010 and the second issuance on or before May 5, 2012. The first installment of these shares was issued during 2010 and the second installment was issued during the year ended December 31, 2011.

3. The Company must incur an aggregate of $200,000 in cash exploration costs. This requirement was met during the year ended December 31, 2010.

The Company can increase its interest in the Scadding claims from 51% to 100% by paying $2,000,000 in cash on or before commencement of commercial production on the Scadding area mining properties. The Scadding claims are subject to a $1.00 per ton royalty covering ore removed from the property and a 3% net smelter return ("NSR") royalty. Included in the Scadding mining properties are several staked properties that have been registered with the Ontario Ministry of Natural Resources.

3. Intangible Assets (Continued)

Scadding area mining properties (Continued)

The Company issued 5,000 common shares and paid $12,500 for an option on approximately 4,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 30,000 common shares in the following installments: 10,000 common shares at or before January 16, 2011, which were issued during the year ended December 31, 2011 and 20,000 common shares at or before January 16, 2012, which were issued on February 9, 2012.

The Company issued 10,000 common shares for an option on approximately 17,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 70,000 common shares in the following installments: 20,000 common shares at or before July 23, 2011, 20,000 common shares at or before July 23, 2012 and 30,000 common shares at or before July 23, 2013. The first installment of shares was issued during the year ended December 31, 2011. The second and final installments of shares were issued during the year ended December 31, 2013.

2. The Company must make cash payments of $100,000 in the following installments: $20,000 on or before July 23, 2011, $30,000 on or before July 23, 2012 and $50,000 on or before July 23, 2013. Only the first installment of cash payment was made during the year ended December 31, 2011.

3. The Company determined that this option agreement was technically in default. The Company has obtained confirmation from the optioner that they will continue to keep the Company's optioned interest on the property in good standing until the Company has raised sufficient funds to continue with the exploration program of the property.

On March 31, 2014, the Company entered into a definitive joint venture agreement ("Joint Venture Agreement") with a private company, Shoreline Resource Management Inc. ("SRMI") to further the reprocessing of tailings on and at the Scadding tailings impoundment area ("Scading Tailings Project"). The agreement provides that SRMI will fund the development, process equipment, and operation of the project and the Company will be entitled to 40% of the net profit from the proceeds. The Scadding Tailings Project consists of all the tailings from the past producing Scadding Mine and the Norstar Mine located approximately 50 kilometers from Sudbury Ontario in Scadding Township. This Joint Venture Agreement is strictly limited to the reprocessing of tailings in the area. This agreement between SRMI and the Company will become null and void if financing for this Scadding Tailings Project is not obtained within 120 days and the schedule can only be extended with written consent from the Company.

3. Intangible Assets (Continued)

Black diamond mining property

The Company has an option to acquire 100% working interest in a mineral property option in the area of Gila County, Arizona. These claims were acquired for silver exploration purposes.

The Black Diamond property is subject to a 10% net smelter return royalty, which can be reduced to 1% subject to the Company completing a series of payment requirements to the claim holder. The Company issued 20,000 common shares and paid $25,000 for the options and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 60,000 common shares in the following installments: 20,000 on or before May 19, 2011, 20,000 on or before May 19, 2012 and 20,000 on or before May 19, 2013. The first installment of shares was issued during the year ended December 31, 2011. The second and final installments of shares were issued during the year ended December 31, 2013.

2. The Company must make additional cash payment of $825,000 USD in the following installments; $25,000 USD is due on or before May 19, 2011, $100,000 USD is due on or before November 19, 2011, $200,000 USD on or before May 19, 2012 and $500,000 USD on or before May 19, 2013. The first two installments were made for a total of $125,000 USD during the year ended December 31, 2011. During the year ended December 31, 2012, $56,000 USD cash payments was made while a further $99,000 USD and $22,500 CAD cash payments were made during the year ended December 31, 2013.

3. The Company must incur an aggregate of $1,500,000 USD in cash exploration costs; $1,000,000 USD of which must be incurred on or before May 19, 2012 and a further $500,000 must be incurred on or before May 19, 2013. As at December 31, 2013, the Company has incurred exploration costs of $536,589.

4. As of December 31, 2013, the Company was in default of this option agreement. On January 24, 2014, the Company entered into an addendum to option agreement to waive the default and to confirm that the provisions of the option agreement remains in full force and effect by issuing 100,000 common shares of the Company to the optionor (See Note 15). The addendum also extends the deadline for certain payments and the incurrence of certain exploration expenditures under the option agreement to May 19, 2015.

Linear, Berry-Desboures, Hebecourt, Boston and Cook/Guibord mining properties

The Company entered into an agreement with Northern Skye Resources Inc. ("Northern Skye") dated January 26, 2012 whereby Northern Skye has assumed all obligations and payments under the Linear, Berry-Desboues, Hebecourt, Boston, and Cook-Guibord Option agreements.

3. Intangible Assets (Continued)

Linear, Berry-Desboures, Hebecourt, Boston and Cook/Guibord mining properties (Continued)

As consideration for assigning the Option Agreements to Northern Skye, Northern Skye has agreed:

1. To issue to the Company three million (300,000) common shares in the capital of Northern Skye (see Note 5);

2. To pay in cash such amounts representing the actual cash expenditures already paid by the Company in respect of the acquisition of its option rights in and to each of the Optioned Properties;

3. The Company retains a ten percent (10%) carried working interest (the "Retained Interest") in each of the Optioned Properties;

4. Northern Skye shall have the right, but not the obligation, to purchase at any time and from time-to-time increments of not less than one percent (1%) up to the entire Retained Interest in any or all of the Optioned Properties for consideration of one million dollars ($1,000,000) per one percent (1%) interest.

4. Investments

On February 9, 2012, as part of an assignment agreement, the Company received 3,000,000 shares in Northern Skye Resources, a Canadian private company, which shares has no readily market for trading and thus no other reliable measure to determine its fair value. As a non-monetary transaction, the investment was initially recognized at a fair value equal to the consideration of assets given up, or the remainder of expenditures spent by the Company that was not reimbursed by Northern Skye, as a more reliable measure of fair value received. The investment was thus initially valued at $39,985; but as at December 31, 2012, the management determined that there was a permanent impairment on these investments and wrote down the investments to a nominal value of $1. As at December 31, 2014, management believes that the impairment remains accurate.

(Expressed in Canadian dollars)

5. Capital Stock

Authorized

Unlimited number of common shares

Issued

		December 31, 2014		December 31, 2013	
Common Shares	**Note**	**Number**	**Amount ($)**	**Number**	**Amount ($)**
Beginning of year		10,485,587	8,057,917	9,551,920	7,653,298
Options and warrants exercised	5c	-	-	10,000	12,954
Share issuance costs	5a	-	-	-	(480)
Private placement	5e	-	-	833,667	347,145
Shares issued as consideration	5b	100,000	50,000	90,000	45,000
Private placement	5e	10,220,000	288,715	-	-
Balance		**20,805,587**	**8,396,632**	**10,485,587**	**8,057,917**

		December 31, 2014		December 31, 2013	
Warrants	**Note**	**Number**	**Amount ($)**	**Number**	**Amount ($)**
Beginning of year		1,648,742	393,798	1,051,546	279,141
Warrants expired	5d	(1,188,742)	(309,659)	(226,471)	(35,444)
Private placement	5e	-	-	833,667	153,055
Exercised warrants	5c	-	-	(10,000)	(2,954)
Private placement	5e	10,220,000	222,285	-	-
Balance		**10,680,000**	**306,424**	**1,648,742**	**393,798**

Notes

a) Share issuance costs

Share issuance costs in conjunction with the April 8, 2013 private placement amounted to $480.

5. Capital Stock (Continued)

Notes (Continued)

b) Shares issued for consideration of property

On September 13, 2013, the Company issued 90,000 common shares as part of a Black Diamond and a Scadding area mining properties contracts. These shares were valued at $45,000 on the date of issuance.

On January 24, 2014, the Company issued a further 100,000 common shares as part of a Black Diamond Mining Property contract. These shares were valued at $50,000 on the date of issuance.

c) Options and warrants exercised

During the year ended December 31, 2013, there were 10,000 warrants exercised for 10,000 common shares of the Company at a price of $1.00 per share for total proceeds of $10,000. In addition, $2,954 was transferred from warrants to common shares as a result of the transaction.

During the year ended December 31, 2014, there were no options or warrants exercised.

d) Expired warrants

During the year ended December 31, 2013, 226,471 warrants expired. The value of the expired warrants $35,444 has been transferred to contributed surplus.

During the year ended December 31, 2014, 1,188,742 warrants expired. The value of the expired warrants $309,659 has been transferred to contributed surplus.

e) Private placement

On April 8, 2013, 373,667 units were issued for total proceeds of $224,200. Of this amount, $155,284 was attributable to common shares and $68,916 was attributable to warrants using the Black-Scholes pricing model. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of $1.00 per share until April 8, 2014. The following assumptions were used in the Black-Scholes pricing model: Risk-free interest rate: 1.01%; Expected dividend yield: 0%; Expected price volatility: 143%; and Expected life: 1 year. Volatility is calculated based on the changes in historical prices over the expected life of the warrants.

On July 24, 2013, 460,000 units were issued for total proceeds of $276,000. Of this amount, $191,861 was attributable to common shares and $84,139 was attributable to warrants using the Black-Scholes pricing model. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the

5. Capital Stock (Continued)

Notes (Continued)

e) Private placement (Continued)

holder to acquire one common share of the Company at an exercise price of $1.00 per share until July 24, 2015. The following assumptions were used in the Black-Scholes pricing model: Risk-free interest rate: 1.17%; Expected dividend yield: 0%; Expected price volatility: 132%; and Expected life: 2 year. Volatility is calculated based on the changes in historical prices over the expected life of the warrants.

On December 9, 2014, 10,220,000 units were issued for total proceeds of $511,000. Of this amount, $288,715 was attributable to common shares and $222,285 was attributable to warrants using the Black-Scholes pricing model. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of $0.10 per share until December 9, 2016. The following assumptions were used in the Black-Scholes pricing model: Risk-free interest rate: 1.02%; Expected dividend yield: 0%; Expected price volatility: 198%; and Expected life: 2 year. Volatility is calculated based on the changes in historical prices over the expected life of the warrants.

f) Share consolidation

On May 2, 2014, the Company received approval from the TSX-V to amend its share structure by consolidating the fully paid and issued common shares of the Company on the basis of one (1) post-consolidation share for each ten (10) pre-consolidation shares issued and outstanding. As a result of the consolidation, all references to common shares, stock options, and warrants in these consolidated financial statements reflect the share consolidation.

6. Stock Options

a) Stock option plan

The Company has a stock option plan, which allows the Company to issue options to certain directors, officers, employees and consultants of the Company. Options issued under the plan shall not exceed 10% of shares issued and outstanding at the time of granting of the options. Options granted under the plan may have a maximum term of five years. The exercise price of options granted under the plan will not be less than the market price of the shares (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date), less the applicable discount permitted by the rules of the Exchange.

Stock options granted under the plan vest immediately subject to vesting terms, which may be imposed at the discretion of the directors.

(Expressed in Canadian dollars)

6. Stock Options (Continued)

a) Stock option plan (Continued)

Stock option transactions during the year ended December 31, 2014 and year ended December 31, 2013, were as follows:

	December 31, 2014		December 31, 2013	
	Number of options	Weighted average exercise price **$**	Number of options	Weighted average exercise price **$**
Beginning of year	-	-	472,500	1.50
Issued	-	-	-	-
Exercised	-	-	-	-
Expired/Cancelled	-	-	(472,500)	1.50
Balance	-	-	-	-

During the year ended December 31, 2013, all of 472,500 remaining share purchase options were cancelled.

During the year ended December 31, 2014, no stock options were issued.

b) Finder's option transactions:

Finder's fee transactions for the year ended December 31, 2014 and the year ended December 31, 2013, were as follows:

	December 31, 2014		December 31, 2013	
	Number of options	Weighted average exercise price **$**	Number of options	Weighted average exercise price **$**
Beginning of year	-	-	45,294	1.70
Issued	-	-	-	-
Exercised	-	-	-	-
Expired/Cancelled	-	-	(45,294)	1.70
Balance	-	-	-	-

No finder's options were issued for the year ended December 31, 2014.

(Expressed in Canadian dollars)

6. Stock Options (Continued)

c) Contributed surplus

The fair value of stock options that vest immediately are recorded as an increase to contributed surplus upon issuance of the options. The fair value of stock options that do not vest immediately are recorded as an increase to contributed surplus over the vesting period. On exercise of a stock option, the fair value previously recorded in contributed surplus is removed and recorded as share capital.

The following is the change in contributed surplus for the year ended December 31, 2014 and the year ended December 31, 2013:

	2014	2013
	$	$
Opening balance, January 1	**1,403,921**	1,368,477
Issuance of stock options	**-**	-
Issuance of finder's options	**-**	-
Exercised finder's options	**-**	-
Exercised stock options	**-**	-
Expired warrants	**309,659**	35,444
Ending balance	**1,713,580**	1,403,921

7. Financial Instruments

Fair values

The fair values of financial assets and liabilities included in the statements of financial position are as follows:

	2014	2013
	$	$
Cash and cash equivalents (Level 1)	**58,107**	4,007
Receivables	**70,582**	31,609
Trade payables and accrued liabilities	**(783,260)**	(785,054)

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the observable inputs used to value the instrument:

- Level 1 – inputs to the valuation methodology are quoted prices unadjusted for identical assets or liabilities in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset of liability either directly (as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs to the valuation model are not based on observable market data.

7. Financial Instruments (Continued)

Fair values (Continued)

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment considering factors specific to an asset or liability and may affect placement within the fair value hierarchy.

The carrying value of cash and cash equivalents, receivables, and trade payable and accrued liabilities approximate fair value, due to their short-term nature. The Company does not have any non-recurring fair value measurements.

8. Financial Risk Factors

Foreign exchange risk

The Company had no revenue, operating expenses, monetary assets or liabilities that were denominated in a foreign currency. Certain expenditures in respect of the Black Diamond mining property are incurred in US dollars.

Credit risk

The Company did not have any commercial customers during the periods presented and is exposed to minimal credit risk through its bank.

Interest rate risk

The Company is exposed to minimal market interest rate fluctuations with respect to its cash and cash equivalents on hand.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company had current assets of $128,689 (2013 - $50,317) and current liabilities of $783,260 (2013 - $785,054). The Company is currently exploring opportunities to raise additional capital.

(Expressed in Canadian dollars)

9. Income Taxes

The income taxes shown in the statements of loss and comprehensive loss differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	2014	2013
	26%	26%
Loss before income taxes for the year	**(352,965)**	(383,974)
Expected income tax recovery	**(91,771)**	(99,833)
Items not deductible and deductible for income tax purposes	**9,797**	(89,449)
Effect of change in tax rate	**-**	29,311
Current and prior tax attributes not recognized	**81,974**	159,971
Deferred income tax recovery	**-**	-

Details of deferred tax assets are as follows:

	2014	2013
Non-capital loss carry-forwards	**1,494,220**	1,383,675
Share issuance cost	**23,383**	38,304
Mining properties	**(810,432)**	(796,782)
Equipment and others	**33,812**	33,812
Unrecognized deferred tax assets	**(740,983)**	(499,037)
	-	-

As at December 31, 2014, the Company had approximately $5,747,000 of non-capital losses available, which begin to expire in 2014 through to 2034 and may be applied against future taxable income. The Company also had approximately $2,689,000 of exploration and development costs which are available for deduction against future income for tax purposes.

At December 31, 2014, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

10. Segment Reporting

The Company is only involved in the exploration of minerals. Segment information is provided on the basis of geographic segments as the company manages its business through two geographic regions – Canada and the United States.

The entire loss incurred during the year ended December 31, 2014 was incurred in Canada.

(Expressed in Canadian dollars)

10. Segment Reporting (Continued)

Total assets by geography:

	December 31, 2014		
	Canada	**USA**	**Total**
	$	**$**	**$**
Total assets	4,874,496	1,060,579	5,935,075

	December 31, 2013		
	Canada	**USA**	**Total**
	$	**$**	**$**
Total assets	4,778,684	925,150	5,703,834

11. Related Party Transactions

During the year ended December 31, 2014, the Company incurred key management compensation expenses in the amount of $102,000 (2013 - $122,000). The Company also incurred accounting fees of $31,206 (2013 - $16,528) to an accounting firm of which one of the principals is also an officer and a director of the Company.

The above related party transactions were conducted in the normal course of business and were measured at the agreed to amounts which were agreed by the related parties.

As at December 31, 2014, the Company's trade payable and accrued payable balances included $119,650 (2013 - $159,198) payable to the above related parties.

12. Commitment

Issuance of flow-through shares

The Company is partially financed through the issuance of flow-through shares, requiring that the Company spend the proceeds for qualified mining exploration expenses. Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work, subject to penalties if the conditions are not respected. Although the Company is committed to taking all the necessary measures, refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

During the year ended December 31, 2011, the Company received $770,000 following an issuance of flow-through units and renounced $769,547 of its tax deductions relating to flow-through expenditures. The Company had until December 31, 2012 to make the qualified mining exploration expenses totaling $769,547. As at December 31, 2012, the Company had incurred $240,796 of qualifying expenditures.

13. Capital Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, through short-form prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. As at December 31, 2014, the Company is not subject to externally imposed capital requirements.

14. Subsequent Event

On March 3, 2015, the Company closed its second (and final) tranche of its non-brokered private placement of 500,000 units at $0.05 per unit for gross proceeds of $25,000. Each unit consists of one common share of the Company at an exercise price of $0.10 per share for a period of 24 months after the date of closing of the private placement.

15. Contingent Liabilities

At December 31, 2014 the Company was involved the following litigations, which arose in the normal course of business as follows:

As a result of recent audit by Canada Revenue Agency ("CRA"), certain Imputed Tax Credits ("ITC") claimed by the Company on GST/HST paid during the year from 2010 to 2012 were disallowed and CRA has reassessed a total amount of $200,586. The Company filed appeal to object the assessment. The management believes that the Company is entitled to the ITC disallowed and cannot determine the eventual amount of final assessment to be settled by the Company, which will be charged to the statement of operation in the year when it is settled with CRA.

During fiscal 2013, a vendor filed a claim against the Company for breach of contract relating to drilling activities in Ontario in the amount of $121,040 (2013: $121,040). The Company is defending this claim and has since filed a countersuit against the vendor. As this matter is currently under review, the Company has included the full amount of the claim in accounts payable at December 31, 2014.