

FINANCIAL STATEMENTS OF

SGX RESOURCES INC.

December 31, 2014 and 2013

May 29, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SGX Resources Inc.:

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter

We draw attention to Note 1 in the financial statements which indicates that the Company incurred a net loss of \$7,572,422 during the year ended December 31, 2014 (2013 - \$6,239,044) and, as of that date, the Company's current liabilities exceed its current assets by \$1,941,974 (2013 - \$774,712) and the Company has a deficit of \$30,567,345 (2013 - \$26,801,910). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Scarrow & Donald LLP

Chartered Accountants
Winnipeg, Canada

SGX RESOURCES INC.

Statements of Financial Position

	As at December 31,	
	2014	2013
ASSETS		
Current assets		
Cash	\$ 644	\$ 144,152
GST/HST recoverable	32,506	65,481
Advances to related party (Note 10)	-	150,000
Prepaid expenses	11,494	36,289
	<u>44,644</u>	<u>395,922</u>
Mining claims (Note 4)	<u>147,239</u>	<u>6,177,720</u>
	<u>\$ 191,883</u>	<u>\$ 6,573,642</u>
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 305,600	\$ 61,532
Due to related parties (Note 10)	1,579,076	1,109,102
Promissory note payable (Note 10)	101,942	-
	<u>1,986,618</u>	<u>1,170,634</u>
(Deficiency) equity	<u>(1,794,735)</u>	<u>5,403,008</u>
	<u>\$ 191,883</u>	<u>\$ 6,573,642</u>

Approved by the Board:

"Dale Ginn" Director

"Michael Power" Director

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

SGX RESOURCES INC.

Statements of Loss and Comprehensive Loss

	Year ended December 31,	
	2014	2013
Exploration expenditures	\$ 136,695	\$ 5,571,789
General and administrative	1,273,335	1,459,514
Mining claims	6,160,481	43,000
Interest expense	1,942	-
	<hr/>	<hr/>
Loss before interest income and income tax	(7,572,453)	(7,074,303)
Interest income	31	23,098
	<hr/>	<hr/>
Loss before income tax	(7,572,422)	(7,051,205)
Future income tax benefit (Note 9)	-	812,161
	<hr/>	<hr/>
Loss and comprehensive loss	<u>\$ (7,572,422)</u>	<u>\$ (6,239,044)</u>
	<hr/>	<hr/>
Loss per share - basic and diluted (Note 8)	\$ (0.06)	\$ (0.05)
	<hr/>	<hr/>
Weighted average number of common shares outstanding - basic and diluted	131,849,827	127,000,144

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

SGX RESOURCES INC.

Statements of Changes in (Deficiency) Equity

	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Deficit</u>	<u>Total</u>
Balance December 31, 2012	\$ 27,115,807	\$ 5,508,194	\$ (21,067,892)	\$ 11,556,109
Issued for mining claims	100,310	-	-	100,310
Extension of warrant expiration	(9,264)	(495,762)	505,026	-
Share issue costs	(14,367)	-	-	(14,367)
Loss	-	-	(6,239,044)	(6,239,044)
Balance December 31, 2013	\$ 27,192,486	\$ 5,012,432	\$ (26,801,910)	\$ 5,403,008
Issued for mining claims	67,500	-	-	67,500
Private placement	317,550	-	-	317,550
Share issue costs	(10,371)	-	-	(10,371)
Warrants expired	-	(3,493,097)	3,493,097	-
Options expired	-	(313,890)	313,890	-
Loss	-	-	(7,572,422)	(7,572,422)
Balance December 31, 2014	<u>\$ 27,567,165</u>	<u>\$ 1,205,445</u>	<u>\$ (30,567,345)</u>	<u>\$ (1,794,735)</u>

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

SGX RESOURCES INC.

Statements of Cash Flows

	Year ended December 31,	
	2014	2013
Cash flows from operating activities		
Interest income	\$ 31	\$ 23,098
Payments to suppliers	(708,192)	(6,265,838)
	(708,161)	(6,242,740)
Cash flows from financing activities		
Cash received from/(paid to) related parties	437,524	(150,000)
Proceeds from promissory note	100,000	-
Proceeds from private placement	100,000	300,000
Share issue costs	(10,371)	(14,367)
	627,153	135,633
Cash flows from investing activities		
Change in short-term investments	-	5,280,574
Payments for mining claims	(62,500)	(272,500)
	(62,500)	5,008,074
Change in cash	(143,508)	(1,099,033)
Cash, beginning of year	144,152	1,243,185
Cash, end of year	\$ 644	\$ 144,152

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

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

1. Corporate Information

SGX Resources Inc. (the "Company") was incorporated under the Canada Business Corporations Act on December 5, 2008. The Company acquires, explores, and develops mineral properties in the Timmins region of Ontario, Canada.

The Company's corporate head office is located 365 Bay Street, Suite 400, Toronto ON M5H 2V1. The registered office of the Company is Aikins, MacAulay & Thorvaldson LLP, 30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1. The Company's shares are listed on the TSX Venture Exchange and trade under the symbol "SXR".

For the year ended December 31, 2014, the Company had a loss of \$7,572,422 (2013 - \$6,239,044) and, as of that date, the Company's current liabilities exceeded its current assets by \$1,941,974 (2013 - \$774,712) and the Company had a deficit of \$30,567,345 (2013 - \$26,801,910). In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for exploration and development programs, general and administration costs. Although management may have been successful in the past in undertaking financing, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and statement of financial position classifications that might be necessary if the Company was unable to continue as a going concern. These adjustments could be material.

The financial statements of the Company for the year ended December 31, 2014 were approved and authorized for issue by the Board of Directors of the Company on May 29, 2015.

2. Summary of significant accounting policies

a) Basis of presentation:

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants Canada Handbook. These financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value. The Company has consistently applied the accounting policies used in preparation of these financial statements throughout all the periods presented. Critical accounting judgments and estimates used by management in the preparation of these financial statements are presented in Note 3.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency. All reference to dollars (\$) are to Canadian dollars unless otherwise noted.

b) Cash

Cash consists of funds on deposit.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

c) Financial instruments

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as at fair value through profit or loss, available for sale, held to maturity, loans and receivables, or financial liabilities measured at amortized cost. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of financial instruments at initial recognition. Transactions to purchase or sell financial assets are recorded on the settlement date.

Financial assets and financial liabilities classified at fair value through profit or loss are subsequently measured at fair value with gains and losses recognized in net loss. Loans and receivables and financial liabilities measured at amortized cost are subsequently measured at their amortized cost, using the effective interest method.

Derivative instruments are recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net loss, except for derivatives that are designated as cash flow hedges. The Company presently does not have any derivative financial instruments.

The Company has designated its accounts payable, due to related parties and promissory note payable as a financial liability measured at amortized cost, which is reflected on the statement of financial position as amortized cost using the effective interest method of measurement. The Company has designated cash and advances to related party as loans and receivables, which are reflected on the statement of financial position at amortized cost using the effective interest method of measurement.

Transaction costs are expensed as incurred for financial instruments classified or designated at fair value through profit or loss. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

The Company assesses impairment of all its financial assets, except those classified at fair value through profit or loss. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current net loss.

d) Fair Value

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market based inputs.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobserved inputs) (Level 3).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

e) Income taxes –

Current tax for each taxable entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax is recognized using the statement of financial position method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

Current and deferred taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entities or in different taxable entities, and, where there is the intent to settle the balance on a net basis.

Mining taxes

Income tax expense includes the mining taxes payable to governments that are calculated based on a percentage of taxable profit whereby taxable profit represents net income adjusted for certain items defined in the applicable legislation.

Flow-through shares

Expenditures related to exploration and development activities funded by flow-through shares are renounced to investors in accordance with income tax regulations. The proceeds on the issuance of flow-through shares are allocated to share capital and flow-through share premium liability. The flow-through share premium liability represents the difference between the proceeds received and the market price of the Company's shares on the date of the transaction. The flow-through share premium liability is recognized as income when the eligible expenditures are incurred and there is an intention to renounce.

f) Revenue recognition –

Interest income is recognized using the effective interest rate method.

g) Exploration expenditures and mining claims –

Exploration expenditures relate to activities that are directed towards less than proven and probable ore reserves and are expensed as incurred. The costs to acquire mining claims are capitalized.

h) Impairment of non-financial assets –

Mining claims are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the statement of loss and comprehensive loss.

i) Provisions

Provisions are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material, such as closure costs.

j) Share-based compensation plan and warrants –

The fair value based method of accounting is applied to all share-based compensation. The fair value of the share options granted is estimated on the date of grant using the Black-Scholes option-pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Any consideration paid by the directors on exercise of the share option is credited to share capital. Awards of options and warrants related to private placements or public offerings of shares are treated as share issue costs.

k) Net loss per share –

Basic net loss per share is calculated using the daily weighted average number of shares outstanding.

Diluted net loss per share is calculated using the daily weighted average number of shares that would have been outstanding during the year had all dilutive potential common shares been issued at the beginning of the year, or when the underlying options, warrants or convertible securities were granted or issued, if later. The treasury share method is employed to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of options or warrants to acquire shares.

l) Recent accounting pronouncements –

Effective January 1, 2014, the Company adopted IFRIC 21, "Levies" (IFRIC 21), sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The adoption of IFRIC 21 did not have an impact on the Company's financial statements.

IFRS 9 - replaces IAS 39 – Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The effective date of the new standard is January 1, 2018. The Company is currently evaluating the impact of this standard on its financial statements.

In May 2014, the IASB and the Financial Accounting Standards Board completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15 – Revenue from

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

Contracts with Customers. The standard establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The effective date of the standard is January 1, 2017. The Company is currently evaluating the impact of this standard on its financial statements.

3. Critical accounting estimates and judgments

The preparation of these financial statements requires management to use estimates and judgments that affect the reported amounts of assets and liabilities, as well as revenues and expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net loss in the period in which they become known.

The recoverability of deferred expenditures is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in the properties, the ability to obtain necessary financing to complete exploration, development and construction of processing facilities, obtaining certain government approvals and attaining profitable production.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax provision. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

4. Mining claims

Partner	Location	Agreement entered	December 31, 2014 Carrying Value	Commitment for option
Bristol-Carscallen Claims	Timmins, Ontario 15 claims	May 2008	\$nil (December 31, 2013 - \$845,300) 2% net smelter return with the right to buy back 1% for \$1,000,000	As at December 31, 2014 commitments were met.
Croxall, Kangas, Miller, Salo, Bryant Claims	Timmins Ontario 36 claims	May 2010	\$nil (December 31, 2013 - \$170,895) 2% net smelter return with the right to buy back 1% for \$1,000,000 multiplied by the percentage increase in the CPI from the month the property is transferred to the Company to the month the net smelter return is purchased	As at December 31, 2014 commitments were met.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

4. Mining claims (continued)

Partner	Location	Agreement entered	December 31, 2014 Carrying Value	Commitment for option
Shoreacres Claim	Timmins, Ontario 1 claim	May 2010	\$nil (December 31, 2013 - \$219,460) 2% net smelter return with the right to buy back 1% for \$1,500,000	As at December 31, 2014 commitments were met.
Canada Lithium	Timmins, Ontario 50% interest in 18 claims	September 2010	\$nil (December 31, 2013 - \$404,000)	The properties have a 5% net profits interest with Talisman Energy Inc., and a net profits interest acquisition agreement with Falconbridge Limited where Falconbridge Limited is entitled to a one-time cash payment of 0.1% of the gold price set forth in a feasibility study leading to production on the claims multiplied by the number of recoverable ounces of gold identified in the feasibility study due at the commencement of commercial production as defined by the agreement. Falconbridge Limited is also entitled to a 0.5% net smelter royalty on all ounces produced over and above those identified in the feasibility study.
2205730 Ontario Inc.	Timmins, Ontario 3 claims	September 2010	\$nil (December 31, 2013 - \$23,040) 1% net smelter return with the right to buy back 0.5% for \$1,000,000	There is no required work commitment from the Company pursuant to the agreement.
Creighton Claims	Timmins, Ontario 1 claim	September 2011	\$nil (December 31, 2013 - \$212,750) 2.2% net smelter return with the right to buy back 1% for \$1,000,000	There is an exploration commitment of \$330,000 before September 8, 2015.
Salo Claims	Cochrane, Ontario 5 claims	December 2011	\$nil (December 31, 2013 - \$38,000) 2% net smelter return with the right to buy back 1% for \$1,000,000	There is no required work commitment from the Company pursuant to the agreement.
Bremner Claims	Cochrane, Ontario 4 claims	December 2011	\$nil (December 31, 2013 - \$35,600) 2% net smelter return with the right to buy back 1% for \$1,000,000	There is no required work commitment from the Company pursuant to the agreement.
Verroneau Claims	Timmins, Ontario 3 claims	April 2012	\$nil (December 31, 2013 - \$7,645)	There is no required work commitment from the Company pursuant to the agreement.
Laurion Claims	Timmins, Ontario 25 claims	April 2012	\$147,239 (December 31, 2013 - \$4,030,000) 2% net smelter return	There is no required work commitment from the Company pursuant to the agreement.
Croxal Claims	Timmins, Ontario 7 claims	June 2012	\$nil (December 31, 2013 - \$21,700) 2% net smelter return with the right to buy back 1% for \$1,000,000 indexed to the CPI from the month in which the property is transferred to SGX	As at December 31, 2014 the commitments were not met.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

4. Mining claims (continued)

Partner	Location	Agreement entered	December 31, 2014 Carrying Value	Commitment for option
Salo, Tremblay, Robert Claims	Timmins, Ontario 8 claims	July 2012	\$nil (December 31, 2013 - \$35,330) 2% net smelter return with the right to buy back 1% for \$1,000,000	As at December 31, 2014, the commitments were not met.
Shoreacres, 2090720 Ontario Inc., 2229667 Ontario Inc. Claims	Timmins, Ontario 8 claims	August 2012	\$nil (December 31, 2013 - \$84,000) 1% net smelter return, with a further 2% net smelter return with the right to buy back 1% for \$1,000,000. Should a technical report prepared in accordance with National Instrument 43-101 <i>Standards of Disclosure for Mineral Projects</i> demonstrate an aggregate minimum of 1,000,000 ounces of gold, or polymetallics of equivalent market value in the measured and indicated mineral resources, the Company is subject to make a pre-royalty lump sum payment of \$1,000,000 representing an advance against future royalties	150,000 shares of the Company on or before August 21, 2015 and \$62,500 and 250,000 shares of the Company on or before August 21, 2016.
Clayton Larche	Timmins, Ontario 1 claim	June 2013	\$nil (December 31, 2013 - \$10,000) 2% net smelter return with the right to buy back 1% for \$1,000,000	There is no required work commitment from the Company pursuant to the agreement.
Doug Lalonde	Timmins, Ontario 8 claims	October 2013	\$nil (December 31, 2013 - \$40,000) 2% net smelter return with the right to buy back 1% for \$1,000,000	As at December 31, 2014, the commitments were not met.
Total			\$147,239 (December 31, 2013 - \$6,177,720)	

The Company agreed to enter into a right of first refusal agreement with San Gold Corporation. Pursuant to the agreement, the Company granted to San Gold Corporation a right of first refusal with respect to the sale by the Company of any of the Company's interest in the option agreements, the properties or any mineral property or any interest in any mineral property held by the Company. The agreement required that until December 4, 2014, the Company must first offer to San Gold Corporation the Company's interest in the option agreements, the properties or any mineral property or interest in any mineral property held by the Company that the Company desires to sell before selling to a third party, on terms and conditions that are the same as those contained in the offer to San Gold Corporation.

During the year ended December 31, 2014, the Company recorded an impairment of \$6,160,481 (December 31, 2013 - \$43,000) upon completion of its periodic assessment of the mining claims. Substantive expenditure on further exploration for and evaluation of mineral claims is neither budgeted nor planned.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

5. Share capital

Authorized:

Unlimited number of common shares

	December 31, 2014		December 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Share capital, beginning of year	127,493,169	\$ 27,192,486	126,459,169	\$ 27,115,807
Issued for mining claims	1,350,000	67,500	1,034,000	100,310
Private placement	6,351,000	317,550	-	-
Extension of warrant expiration	-	-	-	(9,264)
Share issue costs	-	(10,371)	-	(14,367)
Share capital, end of year	135,194,169	\$ 27,567,165	127,493,169	\$ 27,192,486

6. Share options

The Company may grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding shares exercisable for a period of up to 10 years. The maximum number of shares that may be issued to any officer, director or employee shall not exceed 5% of the total number of issued and outstanding shares. The maximum number of shares that may be issued to technical consultants, including investor relation consultants, shall not exceed 2% of the total number of issued and outstanding shares.

A summary of the status of the Company's outstanding options as at December 31, 2014 and 2013 and changes during the years then ended are as follows:

	December 31, 2014	Average Price	December 31, 2013	Average Price
Options, beginning of the period	8,600,000	\$ 0.27	8,600,000	\$ 0.27
Options expired	(1,800,000)	0.27	-	-
Options outstanding and vested, end of period	6,800,000	\$ 0.27	8,600,000	\$ 0.27
Weighted average remaining life (years)	1.63		2.62	

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

6. Share options (continued)

The share options outstanding as at December 31, 2014 are as follows:

Exercise price	Number outstanding and vested	Remaining outstanding contractual life (years)
\$ 0.25	2,200,000	0.42
0.27	1,750,000	1.55
0.28	2,850,000	2.61
\$ 0.27	<u>6,800,000</u>	1.63

7. Warrants

During the year ended December 31, 2013, the fair value of each warrant grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: dividend yield of 0%, expected volatility of 89% to 91%, risk free interest rate of 0.98% to 1.15% and expected life of 365 to 380 days.

During the year ended December, 2013, the Company received approval to extend the expiry date of 1,500,000 warrants with an exercise price of \$0.35 to April 27, 2014 and 3,817,845 warrants with an exercise price of \$0.45 to July 31, 2014.

A summary of the status of the Company's outstanding warrants as of December 31, 2014 and 2013 and changes during the periods then ended are as follows:

	December 31, 2014	Average Price	December 31, 2013	Average Price
Warrants, beginning of the period	23,964,970	\$ 0.53	23,964,970	\$ 0.53
Warrants expired	(23,964,970)	0.53	-	-
Warrants outstanding and vested, end of period	<u>-</u>	<u>\$ -</u>	<u>23,964,970</u>	<u>\$ 0.53</u>
Weighted average remaining life (years)	<u>-</u>		<u>0.51</u>	

8. Net loss per share

The weighted average basic and diluted common shares outstanding for the year ended December 31, 2014 is 131,849,827 (2013 – 127,000,144) respectively. Loss available to common shareholders for the year ended December 31, 2014 is \$7,572,422 (2013 – net loss \$6,239,044). There are no dilutive instruments.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

9. Income taxes

The provision for income taxes reflects an effective rate that differs from the combined federal and provincial tax rates for the following reasons:

	Year ended December 31,	
	2014	2013
Net loss before income tax	\$ (7,572,442)	\$ (6,239,044)
Combined statutory rate	<u>26.50%</u>	<u>26.50%</u>
Income tax recovery based on statutory rate	(2,006,700)	(1,653,300)
Tax benefit on flow-through renounced	-	812,161
Other	42,400	(319,300)
Valuation Allowance	<u>1,964,300</u>	<u>1,972,600</u>
Future tax recovery	<u>\$ -</u>	<u>\$ 812,161</u>

Significant components of the Company's deferred income tax asset (liability) are as follows:

	December 31,	December 31,
	2014	2013
Non-capital loss carryforward	\$ 2,049,100	\$ 1,648,700
Canadian exploration and development expense pools	2,763,200	2,692,600
Share issue costs	172,700	277,500
Mining claims	<u>(39,000)</u>	<u>(1,637,100)</u>
Deferred income tax asset	4,946,000	2,981,700
Valuation allowance	<u>(4,946,000)</u>	<u>(2,981,700)</u>
Deferred income tax asset, end of period	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital loss carry forward amounts available for income tax purposes of \$7,731,000 that expire \$9,000 in 2028, \$116,000 in 2029, \$593,000 in 2030, \$1,890,000 in 2031, \$1,909,000 in 2032, \$1,549,000 in 2033 and \$1,665,000 in 2034. The Company has \$10,427,000 (December 31, 2013 - \$10,160,500) of unused cumulative Canadian exploration and development costs available to offset future taxable income. The tax benefits pertaining to these expenses are available for carry forward indefinitely.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

10. Advances to related party, due to related parties and related party transactions

Advances to related party are to Wynne Drilling Ltd., a company controlled by a director. The advances are non-interest bearing, unsecured and have no set terms of repayment. During the year the advances were repaid.

Due to related parties includes \$870,552 (December 31, 2013 - \$1,088,102) due to San Gold Corporation for exploration expenditures incurred on behalf of the Company. During the year ended December 31, 2014, San Gold Corporation also advanced a \$100,000 promissory note to the Company. The promissory note bears interest at 5% and is due on demand. The promissory note is secured against the Companies 50% interest in certain mining claims. The promissory note payable includes \$1,942 of accrued interest due to San Gold Corporation. San Gold Corporation owns approximately 32% (December 31, 2013 - 29%) of the common shares of the Company and exerts significant influence over the Company.

Included in due to related parties includes \$20,000 (December 31, 2013 - \$nil) due to Wynnex Ltd. for advances to the Company that are unsecured, non-interest bearing and have no set terms of repayment. Wynnex is related as the owner is a director of the Company. Also, included in due to related parties is \$21,000 (December 31, 2013 - \$21,000) payable to a director for director's fees and \$7,380 (December 31, 2013 - \$nil) payable to directors for expenses incurred on behalf of the Company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, include any director (whether executive or otherwise) of the Company. Total salaries and other short-term compensation expense for the year ended December 31, 2014 is \$417,003 (December 31, 2013 - \$555,499) and severance for the year ended December 31, 2014 is \$400,000 (December 31, 2013 - \$nil). Included in due to related parties are amounts owed to key management personnel for \$660,144 (December 31, 2013 - \$nil).

The Company paid \$27,740 to a spouse of a member of key management for services during the year ended December 31, 2014 (December 31, 2013 - \$67,445).

The Company purchased \$5,259 of promotional merchandise from IceTime Sports Inc. during the year ended December 31, 2014 (December 31, 2013 - \$4,779). IceTime Sports Inc. is a related party as a director of the Company exerts significant influence over IceTime Sports Inc.

The Company paid \$nil to W.S. Ferreira Ltd. for geological consulting services during the year ended December 31, 2014 (December 31, 2013 - \$3,000). W.S. Ferreira Ltd. is a related party as a director of the Company controls W.S. Ferreira Ltd.

11. Commitments

The Company has entered into lease commitments for premises with minimum lease payments as follows:

2015	\$ 19,600
------	-----------

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

12. Capital management

The Company's total capital of \$(1,794,735) (December 31, 2013 - \$5,403,008) consists of \$27,567,165 (December 31, 2013 - \$27,192,486) of share capital, \$1,205,445 (December 31, 2013 - \$5,012,432) of contributed surplus and an offsetting deficit of \$30,567,345 (December 31, 2013 - \$26,801,910).

The Company's objectives when managing capital, which consists of shareholders' equity, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the 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 adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

13. Risk management and fair values

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. The risks and the actions taken to manage them include the following:

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Company's financial obligations associated with financial liabilities. The Company's current liabilities exceed its current assets by \$1,941,974 (December 31, 2013 - \$774,712).

Accounts payable, due to related parties and promissory note payable are due within one year.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

13. Risk management and fair values (continued)

Credit risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for doubtful accounts receivable.

Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company only enters into transactions in Canadian dollars and is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining a promissory note with a fixed interest rate minimizes cash flow risk.

Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. Mineral prices are affected by numerous factors such as the sale or purchase by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

Fair values

The fair values of the Company's financial assets and liabilities consisting of cash, advances to related party, accounts payable, due to related parties and promissory note payable approximate their recorded values as at December 31, 2014 and 2013 due to their short-term nature.

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at the end of the periods may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

SGX RESOURCES INC.

Notes to the Financial Statements
December 31, 2014 and 2013

14. Subsequent event

On April 21, 2015, the Company sold its 31.5% interest in its Davidson Tisdale property and its 100% interest in its North Tisdale Property to Lexam VG Gold Inc. ("Lexam"). The Davidson Tisdale Property and the North Tisdale Property are located in the Timmins gold district. The aggregate consideration paid to the Company for these claims consisted of a cash payment of \$130,000 and the forgiveness of \$17,239 owed by the Company to Lexam for development work on such properties.