
EUROPEAN METALS CORP.

(Formerly Gondwana Oil Corp.)

(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2014 AND DECEMBER 31, 2013

(EXPRESSED IN CANADIAN DOLLARS)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of European Metals Corp. have been prepared by, and are the responsibility of the Company's management.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgments based on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore, can provide only reasonable assurance as to financial statement reliability and the safeguarding of assets.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval. The Audit Committee also reviews the quarterly financial statements and recommends them for approval to the Board of Directors, reviews with management the Company's systems of internal control, and approves the scope of the external auditors' audit and non-audit work. The Audit Committee is composed entirely of directors not involved in the daily operations of the Company who are thus considered to be free from any relationship that could interfere with their exercise of independent judgment as a Committee member.

The consolidated financial statements have been audited by Stern & Lovrics LLP, Chartered Accountants and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

Signed by

"Vicki Rosenthal"

Vicki Rosenthal

Chief Executive Officer

April 29th, 2015

Stern & Lovrics LLP
Chartered Accountants

Samuel V. Stern, BA, CPA, CA
George G. Lovrics, BComm, CPA, CA
CPA (Illinois)

Nazli Dewji, BA, CPA, CMA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of European Metals Corp.

We have audited the accompanying consolidated financial statements of European Metals Corp. (the Company), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has cumulative losses of \$20 million as of December 31, 2014, and a net loss of \$16.8 million for the year ended December 3, 2014. 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.

Toronto, Ontario
April 29, 2015

Stern & Lovrics LLP

Chartered Accountants
Licensed Public Accountants

(AN EXPLORATION STAGE COMPANY)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	December 31 2014 \$	December 31 2013 \$
ASSETS			
Current assets:			
Cash and cash equivalents	5	10,903	468,577
Marketable securities	5	8,774	-
Loan Receivable		-	100,000
Prepaid and sundry receivables	6	64,059	2,010
Total current assets		83,736	570,587
Non-current assets:			
Equipment	7	3,817	-
Total non-current assets		3,817	-
Total assets		87,553	570,587
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		712,622	74,550
		712,622	74,550
Equity:			
Share Capital	9	17,666,271	2,001
Proceeds received in advance for special warrant to be issued		-	2,533,400
Shares to be issued		50,000	-
Warrant reserve	9	1,078,197	-
Contributed surplus		615,049	532,000
Deficit		(20,004,802)	(2,541,580)
Equity (deficiency) attributable to owners of the parent		(595,285)	525,821
Equity (deficiency) attributable to non-controlling interest		(29,784)	(29,784)
Total equity		(625,069)	496,037
Total liabilities and equity		87,553	570,587

Nature of Operations and Going Concern (Note 1)**Subsequent event (Note 15)**

The accompanying notes are integral to these consolidated financial statements

(AN EXPLORATION STAGE COMPANY)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Year ended December 31, 2014	Period from September 6,2013(the date of incorporation) to December 31, 2013
Note	\$	\$
EXPENSES		
Consulting fees	1,164,441	120,020
Investor relations	410,525	203,239
General and office administration	175,514	2,111
Legal and audit	87,300	18,000
Stock option expense	-	532,000
Management	41,023	-
Exploration and evaluation expenses	-	2,366,370
Amortization	723	-
Total Expenses	1,879,526	3,241,740
Net loss before the undernoted	(1,879,526)	(3,241,740)
Recovery of expenses on sale of exploration and evaluation assets	8(2) 14,753	-
Impairment of exploration and evaluation assets	8(2) (15,004,520)	-
Gain on sale of investments	34,302	-
Net loss and comprehensive loss for the year before income taxes	(16,834,991)	(3,241,740)
Net loss and comprehensive loss for the year attributable to:		
Owners of the parent	(16,834,991)	(2,541,580)
Non-controlling interest	-	(700,160)
	(16,834,991)	(3,241,740)
Weighted average number of outstanding common shares	1,084,516,179	108,478,624
Loss per common share	(0.014)	(0.018)

The accompanying notes are integral to these consolidated financial statements

(AN EXPLORATION STAGE COMPANY)

Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

	Number of shares outstanding	Share Capital	Warrant Reserve	Shares to be issued	Contributed Surplus	Deficit	Total Equity(deficiency) attributable to European Metals Corp.	Non- controlling interest	Total Equity
Balance at January 1, 2013	106,999,265	\$ 29,274,279	\$ 50,800	\$ -	2,560,187	\$ (30,670,038)	\$ 1,215,228	\$ -	\$ 1,215,228
Shares issued:									
Evaluation and exploration expenditures	4,000,000	200,000	-	-	-	-	200,000	-	200,000
Flow-through tax effect	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-	-
Conversion of debt	564,850	28,242	-	-	-	-	28,242	-	28,242
Value of warrants expired	-	-	(50,800)	-	50,800	-	-	-	-
Loss for the year	-	-	-	-	-	(1,988,652)	(1,988,652)	-	(1,988,652)
Balance at December 31, 2013	111,564,115	\$ 29,502,521	\$ -	\$ -	2,610,987	\$ (32,658,690)	\$ (545,182)	\$ -	(545,182)
Elimination of share capital of Mantis Mineral Corp.	-	(29,502,521)	-	-	(2,610,987)	32,658,690	545,182	-	545,182
Shares issued to effect RTO	900,972,201	2,439,240	1,065,621	-	-	(2,541,580)	963,281	-	963,281
Share issue costs attributable to the shares issued to effect the RTO	-	(165,758)	-	-	-	-	(165,758)	-	(165,758)
Value of net liabilities assumed on RTO (note 1(a))	-	-	-	-	-	(628,231)	(628,231)	-	(628,231)
Value of stock options assumed on RTO	-	-	-	-	615,049	-	615,049	-	615,049
Value on non-controlling interest assumed on RTO	-	-	-	-	-	-	-	(29,784)	(29,784)
Shares to be issued	10,000,000	-	-	50,000	-	-	50,000	-	50,000
Conversion of debt	29,190,248	150,185	-	-	-	-	150,185	-	150,185
Evaluation and exploration expenditures (note ????)	300,000,000	15,000,000	-	-	-	-	15,000,000	-	15,000,000
Exercise of stock options	46,000,000	234,728	(4,728)	-	-	-	230,000	-	230,000
Exercise of compensation options	5,036,000	25,180	-	-	-	-	25,180	-	25,180
Black-Scholes value of compensation warrants attributable to compensation options exercised	-	(17,304)	17,304	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(16,834,991)	(16,834,991)	-	(16,834,991)
Balance at December 31, 2014	1,402,762,564	\$ 17,666,271	\$ 1,078,197	\$ 50,000	615,049	\$ (20,004,802)	\$ (595,285)	(29,784)	(625,069)

The accompanying notes are integral to these consolidated financial statements

(AN EXPLORATION STAGE COMPANY)

Consolidated Statement of Cash Flows
 (Expressed in Canadian Dollars)

	Year ended December 31 2014	Period from September 6, 2013 (inception) to December 31, 2013
	\$	\$
CASH (USED IN) PROVIDED BY		
Operating activities		
Net loss and comprehensive loss for the year	(16,834,991)	(3,241,740)
Adjustment for :		
Amortization	723	-
Impairment of exploration and evaluation assets	15,004,520	-
Stock option expense	-	532,000
Recovery of exploration and evaluation assets	(14,753)	-
Gain on sale of investments	(34,302)	-
	(1,878,803)	(2,709,740)
Net change in non-cash working capital		
Changes in operating assets and operating liabilities:		
(Increase)decrease in prepaid and sundry receivables	133,033	(10)
Increase(decrease) in accounts payable and accrued liabilities	(26,087)	106,946
	74,550	74,540
Cash flows from operating activities	(1,771,858)	(2,635,200)
Cash flows from investing activities		
Loan receivable	-	(100,000)
Investment in subsidiary	-	(1,564,210)
Exploration and evaluation expenditures	(3,817)	-
Liabilities acquired on acquisition	-	(5,640)
Proceeds from sale of investments	106,930	-
Right to negotiate	-	2,240,226
Cash flows from investing activities	103,113	570,376
Cash flows from financing activities		
Proceeds received from Special Warrants and stock conversions	1,376,826	2,533,400
Share issued	-	1
Share issue costs	(165,758)	-
Cash flows from financing activities	1,211,068	2,533,401
Net change in cash and cash equivalents	(457,677)	468,577
Cash and cash equivalents, beginning of year	468,577	-
Cash and cash equivalents, end of year	10,900	468,577
NON-CASH INVESTING ACTIVITIES		
Shares issued for the acquisition of exploration and evaluation assets	\$ 15,000,000	\$ -
Common shares issued on settlement of debt	\$ 150,185	\$ -

The accompanying notes are integral to these consolidated financial statements

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

a) History of the entity

Reverse takeover transaction ("RTO")

On December 23, 2013 Mantis Mineral Corp. ("Mantis") and Gondwana Energy Corp. ("Gondwana Energy") entered into an agreement for a business combination for the two companies. On January 31, 2014, all the required approvals had been received and the reverse takeover transaction became effective on February 24, 2014 (date of filings for the required documentation). As the former shareholders of Gondwana Energy controlled more than 50% of the Company, the acquisition constituted a reverse takeover transaction. The transaction has been accounted for under IFRS 3, Business Combinations, as a reverse acquisition where the Company is the legal acquirer and the accounting acquiree. As a result of the reverse acquisition, the consolidated financial statements represent the continuation of the financial statements of Gondwana Energy, except for its capital structure. As part of the transaction all of the common shares outstanding for the two companies were exchanged to form Gondwana Oil Corp. ("Gondwana Oil"). Under the terms of the agreement, each Gondwana Energy and Mantis common share was exchanged for one common share of Gondwana Oil. On amalgamation, the existing shareholders of Mantis received 140,754,363 common shares and Gondwana Energy received 945,972,201 common shares. In addition, the existing 2,450,000 stock options for Mantis and the 112,500,000 stock options for Gondwana Energy were exchanged for the equivalent amount of stock options of Gondwana Oil having the same terms and conditions.

The identified assets and liabilities below are a result of management's best estimates and assumptions after taking into account all relevant information available. All financial assets acquired and financial liabilities assumed were recorded at fair value in the table below.

Subsequent to the reverse takeover, the company changed its name from Mantis Mineral Corp. ("Mantis") to Gondwana Oil Corp. (CSE: GO). On September 18, 2014, the company changed its name from Gondwana Oil Corp. to European Metals Corp. and commenced to trade under this name on November 7, 2014 with the symbol "CSE:ECU".

The assets and liabilities of Mantis acquired in the RTO, at estimated fair values, were as follows:

Cash and cash equivalents	\$ 55,981
Marketable securities	\$ 66,550
Other assets	\$ 24,980
Accounts payable and other liabilities	\$ (775,742)
Net liability assumed	\$ (628,231)

b) Nature of operations

Gondwana Oil Corp. was in the exploration stage and was engaged principally in the identification, acquisition and development of petroleum and natural gas licenses in the Republic of Ghana. In addition to the oil and gas operations that the Company had intended to be the main focus of operations in 2014, the Company acquired an option to acquire an 80% interest in the Berehaven Copper Mines located in the Allihies Mining District, County Cork, Ireland. The Company is in the exploration stage and is now engaged principally in the acquisition and exploration of mineral properties in Ireland and Ontario. The address of the head office is at 131 Bloor Street West, Suite 202, Toronto, Ontario. M5S 3L7.

On November 6, 2014 the Company announced that Articles of Amendment under the Business Corporations Act were issued to reflect the Change of Name of the Company from "Gondwana Oil Corp." to "European Metals Corp." effective on September 18, 2014.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

b) Nature of operations (continued)

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2014 the Company has not generated any revenues from operations. The Company has incurred a net loss of \$16.8 million for the current year, having accumulated losses of \$20 million, a working capital deficit of \$628,886 and an accumulated deficit of \$595,285 attributable to the owners of the parent.

Current funds may not be sufficient to explore existing projects, and in due course, further funding will be required. In the event that the Company is unable to secure further financing it may not be able to complete the development of its projects.

Due to continuing operating losses and a working capital deficit, the Company's ability to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore, evaluate and develop mineral projects and ultimately, to achieve profitable operations. The success of these endeavours cannot be predicted at this time. The financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

These consolidated financial statements of the Company for the year ended December 31, 2014 were authorized for issuance by the board of Directors of the Company on April 29th, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the period for the twelve months ended December 31, 2014.

b) Basis of presentation

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of April 29th, 2015, the date the Board of Directors approved the statements. These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of presentation (continued)

i) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined 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 assets or liabilities recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

ii) Share-based payments

Management determines costs for share-based payments using the Black-Scholes option pricing model. The fair value of the market-based and performance-based share awards are determined at the date of grant and incorporates certain input assumptions including the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

iii) Comparative figures

As a result of the reverse takeover acquisition, the consolidated financial statements represent the continuation of the financial statements of Gondwana Energy which was incorporated on September 6, 2013. Accordingly the statement of financial position, the statements of loss and comprehensive loss, changes in equity and cash flows are compared to December 31, 2013 balances, except with regard to share capital, which is that of Mantis.

c) Principles of Consolidation

The consolidated financial statements include the accounts of European Metals Corp. (the "Company") and its wholly owned subsidiaries Mantis Explorations Inc., Mantis Explorations Ltd., Avenue Bancorp Ltd., and University Avenue Management Ltd. In addition, the Company owns a 70% interest in Miura Petroleum Limited. On consolidation, all intercompany transactions and balances have been eliminated

d) Business Combinations

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The acquired identifiable assets and liabilities assumed, including contingent liabilities, are measured at their fair values at the date of acquisition. Associated transaction costs are expensed when incurred.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial Instruments

Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ["FVTPL"], 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities:

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or [where appropriate] to the net carrying amount on initial recognition.

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expired.

The Company's financial instruments consist of the following:

Financial assets:		Classification:
Cash		FVTPL
Marketable securities		FVTPL
Prepaid and sundry receivables		Receivables
Financial liabilities:		Classification:
Accounts payable and accrued liabilities		Other financial liabilities

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Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial Instruments (continued)

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts or loan receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities; Level 2 - valuation techniques based on 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]; and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs]. As of December 31, 2014, cash was classified as Level 1 on the consolidated balance sheet.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2014:

	Financial assets at fair value as at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash	\$ 5,903	\$ -	\$ -	\$ 5,903
Cash Equivalents	\$ 5,000	\$ -	\$ -	\$ 5,000
Marketable securities	\$ 8,774	\$ -	\$ -	\$ 8,774

f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. The Company has assessed its assets and has determined that there is no impairment of its non-financial assets.

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property, plant and equipment

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. PPE is amortized using the declining-balance method using the following rates: Furniture and fixtures-20%; Mining equipment - 30% and Computer equipment – 30%.

The Company compares the carrying value of PPE to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant. An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of comprehensive income or loss.

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

h) Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in mineral properties. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized on a property by property basis. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at December 31, 2014.

j) Share based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

k) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

(AN EXPLORATION STAGE COMPANY)

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(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

As at December 31, 2014 and December 31, 2013 the Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

m) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options outstanding that may add to the total number of common shares.

n) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Significant accounting judgments and estimates (continued)

Critical accounting estimates

Significant assumptions about the future, that management has made, could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made. These relate to, but are not limited to, the following:

i) Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets.

Internal sources of information include the manner in which the assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

For the year ended December 31, 2014, impairment of exploration and evaluation assets of \$15,004,520 have been recorded (December 31, 2013 - \$Nil).

ii) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement.

Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined 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 assets or liabilities recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Significant accounting judgments and estimates (continued)

Critical accounting estimates (continued)

iii) Share-based payments

Management determines costs for share-based payments using the Black-Scholes option pricing model. The fair value of the market-based and performance-based share awards are determined at the date of grant and incorporates certain input assumptions including the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

iv) Provision for income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

v) Categorization of financial assets and liabilities

The categorization of financial assets and liabilities is an accounting policy that requires management to make judgements or assessments.

o) New accounting standards and interpretations

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods after December 31, 2013. The following new standards have been adopted:

IAS 32, Financial Instruments Presentation ("IAS 32")

On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the requirements of offsetting financial assets and financial liabilities. The amendments to IAS 32 were adopted on January 1, 2014 and there was no material impact on its consolidated financial statements.

IAS 36, Impairment of Assets ("IAS 36")

IAS 36 was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 were adopted on January 1, 2014 and there was no material impact on its consolidated financial statements.

The following accounting pronouncements have been released but have not yet been adopted by the Company.

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Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) New accounting standards and interpretations (continued)

IFRS 9 - Financial instruments ("IFRS 9")

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 as a first phase in its ongoing project to replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9, which is to be applied retrospectively, will be effective as of January 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's consolidated financial statements

IFRS 11 - Joint Arrangements ("IFRS 11")

IFRS 11 was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 1 - Presentation of Financial Statements ("IAS 1")

IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers its capital to be a deficit, comprising share capital, reserves and deficit which at December 31, 2014 totalled \$595,285 attributable to the owners of the parent. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

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4. PROPERTY AND FINANCIAL RISK FACTORS

The Company is exposed to property risk and a variety of financial risks: credit risk, liquidity risk and market risk [including interest rate and foreign exchange rate risks] as explained below. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) Property risk

On March 18, 2014, the Company announced that the Ministry of Energy and Petroleum of Ghana had invited the Company's 70-per-cent-owned Ghanaian subsidiary, Miura Petroleum Ltd. ("Miura"), to negotiate exclusively with respect to the application for oil and gas production rights ("Rights") on the Offshore Cape Three Point South (OCTPS) block in the Tano basin (the "OCTPS Block") which is in proximity to producing oil fields. Unfortunately, due to circumstances beyond the control of the Company, the application for the Rights was unable to proceed. Subsequently, the Company acquired the rights to the option on the Berehaven Copper Property. (see Note 8).

The Company will be mainly dependent upon the Berehaven project and the prior mineral properties still held by the Company, being the Cree Lake, Orphan Mine and the East Lingman Lake properties. If no additional major mineral exploration properties are acquired by the Company, any adverse development affecting this project would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial risk

Credit risk

The Company's credit risk is primarily attributable to cash and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Cash has been invested with reputable financial institutions, from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2014, the Company had cash and cash equivalents of \$10,903 to settle current liabilities of \$712,624. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

(ii) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars.

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Notes to the Consolidated Financial Statements
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4. PROPERTY AND FINANCIAL RISK FACTORS (continued)

Market risk (continued)

iii) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, copper, silver, lead, and zinc to determine the appropriate course of action to be taken by the Company.

(c) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

(i) Cash is subject to floating interest rates. The Company has no variable debt and receives low interest rates on its cash balances. As such, the Company does not have significant interest rate risk.

5. CASH AND MARKETABLE SECURITIES

(a) Cash and cash equivalents

The cash and cash equivalents are comprised as follows:

	December 31, 2014
	\$
Cash	5,903
Cashable Term Deposit	5,000
Total	\$10,903

The Term Deposit is held as security by the Company's bankers against the corporate credit card, which has a revolving balance.

(b) Marketable securities consist of shares held in Signature Resources Limited, with a cost of \$15,793 and a fair value at December 31, 2014 of \$8,774.

6. SUNDRY RECEIVABLES

Sundry receivables at December 31, 2014 are comprised of amounts receivable for consulting fees paid in advance of \$23,000 and \$41,059 for Harmonized Sales Tax.

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Notes to the Consolidated Financial Statements

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7. EQUIPMENT

	December 31 2014		
	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 13,471	12,306	\$ 1,165
Computer Equipment	39,843	38,831	1,012
Mining Equipment	14,082	12,442	1,640
	\$ 67,396	63,579	\$ 3,817

8. EXPLORATION AND EVALUATION ASSETS

	Berehaven Property
Balance, December 31, 2013	-
<u>Acquisition costs (i)</u>	15,000,000
<u>Exploration costs</u>	
Amortization	703
Geosciences	3,817
Total	15,004,520
Deduct: Impairment of exploration and evaluation assets	(15,004,520)
Balance, December 31, 2014	-

(i) The property was acquired on a non-cash basis through the issuance of 300,000,000 common shares of the Company at \$0.05 per share.

The mineral property acquisition costs and direct exploration expenditures are capitalized as incurred. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written down.

(1) Berehaven Copper Property

On August 1, 2014 the Company entered into a letter of intent to enter into an option agreement to acquire an 80% interest in the historically producing Berehaven Copper Mines located in the Allihies mining district, County Cork, Ireland. Pursuant to the letter of intent, the Company was to acquire the interest from Westcork Copper Mining Company, Limited ("Westcork").

Completion of acquisition

On September 9, 2014 the Company completed its acquisition of the above option agreement for an 80% interest in the Berehaven Copper Mines, for consideration of 300 million shares at a price of \$0.05 per common share in the Company (issued) and work commitments of \$250,000 on or before February 1, 2015 (see subsequent event note 14(c)) and \$2,000,000 on or before March 31, 2016.

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Notes to the Consolidated Financial Statements

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8. EXPLORATION AND EVALUATION ASSETS (continued)

(1) Berehaven Copper Property (continued)

The Company has recorded an impairment of \$15,004,520 for its Berehaven property for the year ended December 31, 2014. This impairment was based on identified indicators of impairment that resulted from a downturn in the junior mining exploration sector, in particular, unfavourable changes in the property or project economics, inability to raise financing necessary to continue exploration or development of the property and significant decreases in the current or expected future prices of mineral resources. A further significant factor was the curtailment of exploration activities for an indefinite period due to lack of finances.

(2) Other Projects

The Company continues to monitor its projects that were acquired in prior years for which a full impairment charge has been provided for in prior years:

(i) The East Lingman Lake Gold Property

Option agreement

On October 25, 2012, European Metals Corp. (Formerly as Mantis Mineral Corp.) ("EMC") announced that it had entered into an option agreement (the "agreement") to acquire a 100% registered undivided interest in the East Lingman Lake gold property consisting of twelve (12) staked claims, totalling 538.3-hectares and located in the Kenora district, province of Ontario, approximately 325-kilometers north of the Town of Red Lake. The twelve (12) staked claims surround the Lingman Lake gold property.

In November 2013, the Company entered into an option agreement to grant an option to acquire a 100% registered undivided interest in the East Lingman Lake to Signature Resources Ltd. (SGU: TSX-V) ("Signature"). In order to acquire the option currently held by the Company, Signature agreed to pay \$127,500 or the number of common shares in the capital of SGU equal to \$127,500, each such common share at an attributed value of \$0.085 or such value allowable under the TSXV Exchange policies on or before June 30, 2014.

As stated above payment would be made on June 30, 2014, the Company has agreed to an extension for the receipt of these shares to April 30, 2015. The Company has recorded an impairment of \$257,300 in prior years.

(ii) The Orphan Mine Property

The Company acquired in 2007, 100% interest in the mineral rights in the former Orphan Gold mine. In November 2007, the Company acquired the surface rights for the property, additionally; the Company increased its land holdings at the Orphan mine project by staking five contiguous claims totalling 1,280-hectares, located 3,000-meters north east of EMC's Orphan mine.

On September 30, 2014 an agreement to sell this property to an arm's length third party was completed. The sale price consisted of the following:

- (i) on closing, 983,500 common shares in Signature Resources Ltd. with a value of \$0.015 per share (received) for a total value of \$14,753. An impairment to the value of the project of \$1,780,890 had been recorded in prior years; the \$14,753 received has been recorded as a recovery against these expenses.
- (ii) on or before eighteen months (18) months following the closing date, at the purchaser's sole election:
 - (a) the transfer of an aggregate of a further one million (1,000,000) common shares of Signature Resources Ltd.
 - (b) cash payment of fifty thousand dollars (\$50,000).

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements

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8. EXPLORATION AND EVALUATION ASSETS (continued)

(2) Other Projects (continued)

(iii) Cree Lake Property

On October 4, 2012 the Company entered into an arm's length binding letter of intent with Elcora Resources Corp. ("Elcora") for the right to acquire a 51% undivided interest in the 100% owned Cree Lake Gold Property located in Swayze Township, Ontario, consisting of 18 mining claims covering approximately 3904 hectares, which claims are subject to a 1.5% net smelter return royalty ("NSR") on mining claim numbers 4203295, 4203275, 4203296, 4209811.

On January 8, 2014 The Company agreed to amend the option agreement that was entered into in December 2012 with Elcora. The cash payment that would have been due on or before December 31, 2013 for \$25,000 was deleted and added was that the consideration for entering into the original agreement would be changed to 400,000 shares of Elcora to be received on or before January 31, 2014.

Subsequent to the year end, Elcora notified the Company that it would be terminating the option. The Company still maintains the option on the above property and will perform the required work on the property to maintain the option in good standing, and will review this position in the coming year.

The original agreement stated that the payment of 600,000 shares of Elcora would be made on December 31, 2014. (See subsequent event note 15).

The Company had recorded an impairment of \$804,171 in prior years.

(3) Oil and Gas Permit Application – Ghana

Due to unforeseen circumstances beyond the Company's control, the negotiations with regard to obtaining an oil and gas permit in Ghana were unable to be continued and the Company does not intend to pursue any further oil and gas permits in Ghana at this time. The amount incurred on this project amounted to \$2,366,370 and was expensed as exploration and evaluation expenses in 2013.

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Notes to the Consolidated Financial Statements
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9. SHARE CAPITAL**(a) Authorized**

Unlimited number of common shares

(b) Issued

	Note	Number of shares #	Amount \$
Balance, December 31, 2013		111,564,115	29,502,521
Elimination of share capital of Mantis Mineral Corp. on RTO		-	(29,502,521)
Shares issued to effect RTO	(i)	900,972,201	3,504,861
Less: amounts attributable to warrants			(1,065,621)
Shares issue costs attributable to the shares issued to effect the RTO		-	(165,758)
Issued on exercise of options - Cash	(ii)	46,000,000	230,000
- Black Scholes Value			4,728
Issued on exercise of compensation options - Cash	(iii)	5,036,000	25,180
- Black Scholes Value			(17,304)
Issued on conversion of debt	(iv)	29,190,248	150,185
Shares to be issued	(v)	10,000,000	50,000
Evaluation and exploration expenditures	(vi)	300,000,000	15,000,000
Balance, December 31, 2014		1,402,762,564	17,716,271

(i) Private Placement

Gondwana issued 700,972,200 Special Warrants at \$0.005 per Special Warrant to raise aggregate gross proceeds of \$3,504,861. Each Special Warrant is exercisable, for no additional consideration, to acquire one Gondwana Unit, consisting of one Gondwana Share and one Gondwana warrant exercisable at \$0.05 for a period of five years from the closing date of the Private Placement into one Gondwana Share. The warrants are valued using the Black-Scholes option pricing model with the following assumptions: Term - 5 years; Volatility - 138%; Interest rate - 1.63%; Dividend yield - Nil

Eligible registrants received a cash commission up to 7% of the gross proceeds they raised in connection with the Private Placement as well as Compensation Options entitling them to acquire such number of units as is up to 7% of the aggregate number of Special Warrants they sold in the Private Placement. Each such Compensation Option entitles the holder to acquire one Gondwana Unit at a price of 0.005 for a period of five years. The Gondwana Unit consists of one common share and one warrant, the warrant is exercisable at \$0.05 for a period of five years from the closing date of the Private Placement. The Compensation Option warrants will be valued when they are exercised.

The share issue costs were comprised of cash commissions - \$112,127 and other costs - \$53,631.

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements

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9. SHARE CAPITAL (continued)**(b) Issued (continued)**

- (ii) In November 2013, 45,000,000 options were exercised at \$0.005 for total proceeds of \$225,000. On March 10, 2014, 1,000,000 options were exercised at \$0.005 per common share for total proceeds of \$5,000.
- (iii) On March 20, 2014 - 3,300,000 compensation units for \$16,500 and on March 26, 2014 – 686,000 compensation units were exercised at \$0.005 per unit for \$3,430, with the issuance of 3,986,000 common shares. On April 4, 2014 1,050,000 compensation units were exercised at \$0.005 per unit for \$5,250.
- (iv) Debts owing to two arms length creditors were settled by an amount of \$150,185 by the issuance of 29,190,248 common shares.
- (v) \$50,000 was received for 10,000,000 shares to be issued.
- (vi) On September 9, 2014 the Company completed its acquisition of the above option agreement for an 80% interest in the Berehaven Copper Mines, for the consideration of 300 million shares at a price of \$0.05 per common share in the Company and work commitments of \$250,000 on or before February 1, 2015 and \$2,000,000 on or before March 31, 2016. The shares were issued October 1, 2014. See note 8(1).

(c) Warrants

	Number of warrants	Weighted Average Exercise Price
	31-Dec	31-Dec
	2014	2014
	#	\$
Outstanding, beginning of the year	-	-
Granted during the year	704,958,200	0.05
Cancelled or expired during the year	-	-
Outstanding, end of the year	704,958,200	0.05

Expiry date quarter ended	Exercise price	Number of warrants outstanding and exercisable	Black Scholes value
	\$		\$
March 31, 2019	0.05	704,958,200	1,082,925
Balance, end of the year		704,958,200	1,082,925

The warrants are valued using the Black-Scholes option pricing model with the following assumptions: Term - 5 years; Volatility – 138%; Interest rate – 1.63%; Dividend yield - Nil

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(c) Warrants (continued)

- (i) Warrants were issued on the conversion of the Special Warrants into the common shares of European Metals Corp amounting to 700,972,200 warrants.
- (ii) On March 20, 2014 - 3,300,000 compensation units and on March 26, 2014 - 686,000 compensation units were exercised at \$0.005 per unit which resulted in the issuance of 3,986,000 warrants.
- (iii) Compensation Options were issued on the completion of funds raised for the completion of the RTO of 48,342,854 (see (b) (i)). The total number warrants included in the issuance of these Compensation Options amounted to 48,342,854. These warrants are exercisable for \$0.05 up to February 24, 2019. The Compensation Option warrants will be valued when they are exercised.

No warrants were exercised in this period.

(d) Stock options

European Metals Options may be granted under the European Metals Plan only to directors, officers, employees and other service providers subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the European Metals shares may be listed or may trade from time to time. The number of European Metals shares reserved for issue to any one person pursuant to the European Metals Plan within any one year period may not exceed 5% of the issued and outstanding European Metals Shares. The maximum number of European Metals shares which may be reserved for issuance to insiders under the European Metals Plan, any other employer stock option plans or options for services, shall be 10% of the total number of European Metals shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of European Metals options which may be granted to any one consultant under the European Metals Plan, any other employer stock options plans or options for services, within any 12 month period, must not exceed 2% of the total number of European Metals shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of European Metals options which may be granted to investor relations persons under the European Metals Plan, any other employer stock options plans or options for services, within any 12 month period must not exceed, in the aggregate, 2% of the total number of European Metals shares issued and outstanding at the time of the grant (on a non-diluted basis). The exercise price of European Metals options issued under the European Metals Plan may not be less than the fair market value of the European Metals shares at the time the option is granted, subject to any discounts permitted by applicable legislative and regulatory requirements.

The Company applies the fair value method of accounting for all stock-based compensation awards.

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Notes to the Consolidated Financial Statements

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9. SHARE CAPITAL (continued)**(d) Stock options (continued)**

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

December 31, 2014			
	Number of options outstanding	Weighted Average Exercise Price	Fair Value of Options
	#	\$	\$
Stock options assumed on RTO	112,500,000	0.005	532,000
Stock options assumed on RTO	2,450,000	0.05	83,049
Exercised during the period (i)	(46,000,000)	0.005	(217,529)
Expired during the period (ii)	(2,350,000)	(0.05)	(79,659)
Outstanding, end of period	66,600,000	0.005	317,861

Weighted Average Remaining Contractual Life	Fair Value of Options	Number of options and exercisable options	Exercise price	Expiry Date
Years	\$	#	\$	
0.75	3,390	100,000	0.05	October 4, 2015
3.88	314,471	66,500,000	0.005	November 18, 2018
1.50	317,861	66,600,000	0.005	

(i) 46,000,000 stock options were exercised during the period for \$0.005 per option.

(ii) 2,350,000 stock options from the RTO expired during the period.

10. LOSS PER COMMON SHARE

Loss per common share has been calculated based on the weighted average number of common shares outstanding during the period of 1,084,516,179 shares. Fully diluted loss per common share has not been provided for the period ended December 31, 2014 as the effect would be anti-dilutive.

11. COMMITMENTS

Contracts

On March 14, 2014, the amalgamated entity entered into three contracts as follows:

(a) A consulting contract with the Chairman and President for services for \$5,000 per month payable in cash or in equal value of common shares, subject to a four month regulatory hold and regulatory approval. The valuation of the common shares is based on the five day volume weighted average price as calculated on the Canadian Securities Exchange for the five trading days immediately preceding the applicable month end of the amalgamated entity. The term of the contract is for a period of a year renewable with the agreement of the parties.

(b) A settlement agreement with the former Chairman and Chief Executive Officer ("the Executive") to repay the outstanding shareholder's loan of \$353,914, beginning monthly at the option of the Executive. The payment of any or all of the loan may be paid in cash or equal value of common shares, subject to a four month regulatory hold and regulatory approval.

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements

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11. COMMITMENTS (continued)

Contracts (continued)

(c) A consulting contract with the Executive for \$10,000 per month payable in equal value of common shares, subject to a four month regulatory hold and regulatory approval.

(d) A consulting contract with the Chief Executive Officer ("CEO") engaged from the date of amalgamation for \$5,000 per month payable in equal value of common shares, for one year from March 14, 2014, subject to a four month regulatory hold and regulatory approval. Although the CEO resigned on August 1, 2014, the contract remained in effect until its completion in March 2015.

(e) A consulting contract with the current Chairman and CEO/CFO for services for \$5,000 per month payable in cash or in equal value of common shares, subject to a four month regulatory hold and regulatory approval. The valuation of the common shares is based on the five day volume weighted average price as calculated on the Canadian Securities Exchange for the five trading days immediately preceding the applicable month end of the amalgamated entity, subject to a four month regulatory hold and regulatory approval. The term of the contract is for a period of a year renewable with the agreement of the parties.

12. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31	
	2014	2013
Shareholder services	54,524	-
Rent	30,482	-
Fees and dues	22,538	-
Telephone	19,379	-
Insurance	18,845	-
Corporate secretary and custodian	12,535	-
Acquisition development costs	5,345	-
General	4,751	2,111
Interest	4,729	-
Repairs and maintenance	1,140	-
Printing	637	-
Computer services	609	-
	175,514	2,111

13. RELATED PARTY TRANSACTIONS

(a) Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS (continued)

The Company incurred the following related party expenses during the period ended December 31, 2014.

Included in accounts payable is an amount of \$353,914 owing to the former Chairman and Chief Executive Officer of the Company for wages earned in prior years and current year's consulting fees.

These transactions are in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the parties.

(b) In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key management of the Company was as follows:

	Year ended December 31, 2014
	\$
Salary (i)	26,606
Consulting fees (ii)	83,110
Consulting fees (iii)	45,000

(i) Former Chairman and Chief Executive Officer

(ii) Current Chairman and Chief Executive Officer /Chief Financial Officer

(iii) Former Chief Executive Officer- resigned August 1, 2014

14. INCOME TAXES

The Company has reported non-capital losses available for deduction of approximately \$10,380,000. These losses, if not utilized will expire as follows:

Year	\$
2015	1,835,000
2026	1,427,000
2027	1,057,000
2028	793,000
2029	910,000
2030	972,000
2031	38,000
2032	179,000
2033	1,269,000
2034	1,900,000
	<u>10,380,000</u>

In addition, the Company has available capital losses of \$127,042 for deduction against future capital gains. This loss may be carried forward indefinitely.

(AN EXPLORATION STAGE COMPANY)

Notes to the Consolidated Financial Statements
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14. INCOME TAXES (continued)

Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

The Company has recorded a full valuation allowance for all of its deferred income taxes because management believes that the deferred income tax assets in respect of such losses are not, more likely than not, to be realized in the carry-forward period.

The reconciliation of income tax provision computed by applying the basic combined Federal and Provincial income tax rate aggregating 26.50% (2013 – 26.50%) to loss before income taxes, is as follows:

	2014	2013
Statutory tax rate	26.50%	26.50%
	\$	\$
Expected income tax recovery	(4,461,727)	(859,061)
Non-deductible expenses	(4,919)	559
Share issue expenses deductible	9,664	-
Exploration and evaluation expenses	(3,909)	627,088
Stock option compensation	-	140,980
Impairment of evaluation and exploration assets	3,976,198	-
Tax benefits not recognized	484,693	90,434
Income tax recovery	-	-
	\$	\$
Non-capital loss carry forwards	2,751,295	2,946,667
Net capital losses	16,833	16,833
Exploration and evaluation assets	1,746,669	1,351,881
Capital assets	17,024	16,276
Share issue costs	35,141	-
Unrecognized deferred income tax assets	4,566,962	4,331,657

15. SUBSEQUENT EVENTS

(a) The Cree Lake Property

Subsequent to December 31, 2014 Elcora provided notice to the company that it would be terminating the Option agreement after it completed all spending requirements under the option. The company did not earn a 51% interest in the Cree Lake claims.

(b) The Berehaven Property

In March 2015, the Company received an extension to October 1, 2015 for the agreement for the option to acquire an 80% interest in the Berehaven Copper Mines located in the Allihies Mining District, County Cork, Ireland, for the performance of the work commitment of \$250,000 that was to have been completed, originally, on or before February 1, 2015. Except for the amendment proposed herein, all provisions in the Option Agreement shall remain in full force and effect.