NICKEL NORTH EXPLORATION CORP.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Nickel North Exploration Corp.

We have audited the accompanying financial statements of Nickel North Exploration Corp. which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2014 and 2013, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits 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 our 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, we consider 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 Nickel North Exploration Corp. as at December 31, 2014 and 2013, and its financial performance and cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Nickel North Exploration Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
April 28, 2015

NICKEL NORTH EXPLORATION CORP.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	Note	2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 166,559	$ 1,124,184
Sales tax recoverable and other receivables		286,328	1,266,588
Prepaid expenses and deposits		9,077	16,431
Restricted cash	5	28,750	28,750
Total current assets		490,714	2,435,953
Equipment	6	8,315	3,483
Exploration and evaluation assets	7	10,981,227	8,791,475
Total assets		$ 11,480,256	$ 11,230,911
LIABILITIES AND EQUITY			
Current liabilities			
Accounts and other payables	8/11	$ 81,837	$ 204,451
Convertible debenture	10	972,740	-
Flow-through share premium liability	9	-	332,537
Total current liabilities		1,054,577	536,988
Deferred income tax liabilities	14	747,923	630,315
Total liabilities		1,802,500	1,167,303
Equity			
Share capital	9	9,967,079	9,967,079
Equity component of convertible debenture	10	63,967	-
Contributed surplus		736,112	736,112
Deficit		(1,089,402)	(639,583)
Total equity		9,677,756	10,063,608
Total liabilities and equity		$ 11,480,256	$ 11,230,911

Going concern (Note 2)
Subsequent events (Note 16)

The financial statements were authorized for issue by the board of directors on April 28, 2015 and were signed on behalf by:

" Jingbin Wang"
Director

"Richard Barclay"
Director

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

NICKEL NORTH EXPLORATION CORP.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	Note	2014	2013
EXPENSES			
Accounting and audit		$ 29,500	$ 35,000
Bank charges and interest		1,317	6,096
Consulting fees	11	304,277	327,841
Depreciation		2,340	1,636
Legal		29,100	63,163
Media and conference		4,230	6,796
Office administration and miscellaneous		82,646	82,586
Share-based payments	9	-	1,199
Transfer agent and filing fees		23,342	39,984
Travel and promotion		65,721	94,795
Wages and benefits		133,923	140,200
		(676,396)	(799,296)
OTHER ITEMS			
Interest and other income		11,648	28,106
Settlement of flow-through premium liability	9	332,537	2,217,555
		344,185	2,245,661
Net income (loss) before income taxes		(332,211)	1,446,365
Deferred income tax expense	14	117,608	630,315
Net and comprehensive income (loss) for the year		$ (449,819)	$ 816,050
Basic and diluted income (loss) per common share		$ (0.01)	$ 0.02
Weighted average number of common shares outstanding		65,718,747	53,687,881

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

NICKEL NORTH EXPLORATION CORP.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Equity component of convertible debenture	Contributed Surplus	Deficit	Total
Balance, January 1, 2013	32,920,405	$ 5,054,809	$ -	$ 165,298	$(1,455,633)	$ (3,764,474)
Comprehensive income for the year	-	-	-	-	816,050	816,050
Non flow-through private placements	8,000,000	1,440,000	-	560,000	-	2,000,000
Flow-through private placements	16,666,667	2,500,000	-	-	-	2,500,000
Shares issued for exploration and evaluation assets	8,131,675	1,159,751	-	-	-	1,159,751
Share issuance costs	-	(177,866)	-	-	-	(177,866)
Agent's warrants issued	-	(9,615)	-	9,615	-	-
Share-based payments	-	-	-	1,199	-	1,199
Balance, December 31, 2013	65,718,747	$ 9,967,079	$ -	$ 736,112	$ (639,583)	$ 10,063,608
Equity component of convertible debenture	-	-	63,967	-	-	63,967
Comprehensive loss for the year	-	-	-	-	(449,819)	(449,819)
Balance, December 31, 2014	65,718,747	$ 9,967,079	$ 63,967	$ 736,112	$(1,089,402)	$ 9,677,756

The accompanying notes are an integral part of these financial statements

NICKEL NORTH EXPLORATION CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	2014	2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income (loss) for the year	$ (449,819)	$ 816,050
Items not affecting cash:		
Depreciation	2,340	1,636
Settlement of flow-through premium liability	(332,537)	(2,217,555)
Deferred income tax expense	117,608	630,315
Share-based payments	-	1,199
Changes in non-cash working capital items:		
Sales tax recoverable and other receivables	980,260	(1,002,956)
Prepaid expenses and deposits	7,354	(2,983)
Account and other payables	(62,931)	(10,370)
Net cash provided by (used in) operating activities	262,275	(1,784,664)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation assets	(2,202,478)	(4,008,306)
Purchase of equipment	(7,172)	(2,575)
Net cash used in investing activities	(2,209,650)	(4,010,881)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Net proceeds from convertible debenture	989,750	-
Loan received from a related party	-	300,000
Repayment of the related party loan	-	(300,000)
Proceeds from shares issued for cash	-	7,000,000
Share issuance costs	-	(177,866)
Net cash provided by financing activities	989,750	6,822,134
Change in cash and cash equivalents during the year	(957,625)	1,026,589
Cash and cash equivalents, beginning of the year	1,124,184	97,595
Cash and cash equivalents, end of the year	$ 166,559	$ 1,124,184

Supplemental cash flow information (Note 12)

1. NATURE OF BUSINESS

Nickel North Exploration Corp. (the "Company") was incorporated under the laws of British Columbia, Canada on February 27, 2007 as Orient Ventures Capital Inc. and changed its name to Nickel North Exploration Corp. on July 30, 2012. The Company maintains its registered and head office at Suite 700, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3P3.

The Company is currently engaged in the acquisition, exploration and evaluation of mineral property interests in Canada. The Company's common shares are listed on the TSX Venture Exchange (TSX-V) under the symbol "NNX".

2. BACKGROUND AND BASIS OF PREPARATION

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. IFRS includes International Accounting Standards and interpretations of the International Financial Reporting Interpretation Committee.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair values. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Going concern

The Company is an exploration stage company. At present, the Company's operations do not generate cash flow. As at December 31, 2014, the Company had an accumulated deficit of $1,089,402. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in the near future, which raises significant doubt about the Company's ability to continue as a going concern. The directors, after reviewing the current cash position and having considered the Company's ability to raise funds in the short term, believe that the going concern basis is appropriate in preparing its financial statements.

These financial statements do not include adjustments that would be required if going concern was not deemed an appropriate basis for preparation of the financial statements. These adjustments could be material.

Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

2. BACKGROUND AND BASIS OF PREPARATION (continued)

Actual results could differ from these estimates. Significant areas requiring the use of management estimates and judgments include:

i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these assets. The assessment of indications of impairment and the measuring of the recoverable amount when impairment tests have been prepared involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

ii) The determination of the fair value of stock options or warrants using stock option pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

iv) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

v) The recognition of provisions for restoration, rehabilitation and environmental obligations.

vi) The determination of fair value of the liability component at the date of issuance of the convertible debt is based on a discounted cash flow model which requires management to estimate the current market interest rate that the Company could have obtained for a similar secured loan without a conversion option. Application of a different rate in the model could result in a different initial fair value of the liability component which would impact future interest accretion throughout the life of the liability.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash held at banks, in the Company's lawyers trust account, and highly liquid investments that are readily convertible to known amounts of cash.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset into operation and an initial estimate of any rehabilitation obligation. Depreciation of the equipment is calculated using the straight line basis, net of any estimated residual value, over their estimated useful lives. Office equipment is depreciated over three years.

An item of equipment is derecognized upon disposal, when held for sale 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 the statement of comprehensive income (loss). The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

Exploration and evaluation assets

Once a license to explore an area has been secured, all direct costs related to the acquisition, exploration and evaluation of mineral property interests are capitalized into intangible exploration and evaluation assets on a property by property basis until such time that technical feasibility and commercial viability of extracting a mineral resource has been determined for a property, in which case the capitalized exploration and evaluation costs are transferred and capitalized into property, plant and equipment. The Company records expenditures on exploration and evaluation activities at cost. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Proceeds received from a partial sale or option of any interest in a property is credited against the carrying value of the property. When the proceeds exceed the carrying costs, the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated exploration and evaluation costs are written-off, with any gain or loss included in profit or loss in the period the transfer takes place. No initial value is assigned to any retained royalty interest. A royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Management assesses the exploration and evaluation assets and equipment for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. For exploration and evaluation assets, the assessment is based on the development program, the nature of the mineral deposit, commodity prices and the Company's intentions and ability for development of the undeveloped property. Management assesses equipment for impairment at each statement of financial position date. If, after management review, it is determined that the carrying amount of an asset is impaired, that asset is written down to its estimated recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for decommissioning and restoration obligations

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected future cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. Such costs arise from the decommissioning of site preparation work, discounted to their net present value which is capitalized to the carrying amount of the asset. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at December 31, 2014 and 2013, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

Government assistance

Quebec mining exploration tax credits for certain exploration expenditures incurred in Quebec are treated as a reduction of the exploration and evaluation costs of the respective mineral property.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

i) Financial assets

All financial assets are initially recorded at fair value and designated into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

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

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measure at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

ii) Financial Liabilities

All financial liabilities are initially recorded at fair value and classified as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts and other payables and convertible debenture are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held of trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

iii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments;
- the borrower entering bankruptcy or financial re-organization; and
- the disappearance of an active market for that financial asset because of lack of liquidity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

iii) Impairment of financial assets (continued)

The amount of the impairment loss recognized is the difference between the instrument's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. 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.

iv) Derecognition of financial assets and financial liabilities

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset as well as any associated obligations. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset as well as any collateralized borrowing for the proceeds received.

Upon derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognized in accumulated other comprehensive income (loss), is recognized in profit or loss. Upon derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer continues to recognize on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that has been recorded in accumulated other comprehensive income (loss), is recognized in profit or loss. A cumulative gain or loss that has been recognized in accumulated other comprehensive income (loss) is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (loss) per share

Basic earnings/loss per share is calculated by dividing the earnings/loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the earnings/loss attributable to common shareholders equals the reported earnings/loss attributable to owners of the Company. The diluted earnings/loss per share reflects all dilutive potential common shares equivalents, which comprise outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

Share-based payments

Share-based payments to employees and others providing similar services are measured at the grant date fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of options expected to vest. The offset to the recorded cost is to contributed surplus. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

The fair value of the stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, expected forfeitures, and the risk-free interest rate (based on government bonds).

Income taxes

Current income taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. On issue, share capital is recorded at the trading value of an ordinary common share. The difference between the proceeds and the ordinary common share value is recorded as a flow-through share premium liability. The flow-through share premium liability is reduced upon incurring qualifying expenditures and renouncement by the Company of the tax benefits associated with the related expenditures. To the extent that suitable deferred income tax assets are available, the Company will reduce any deferred income tax liability and record a deferred income tax recovery or expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2014 had no significant impact on the Company's financial statements for the periods presented.

IAS 32 *Financial Instruments: Presentation* - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

IAS 36 *Impairment of Assets* - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

IFRIC 21 *Levies* - In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after January 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective January 1, 2016

IAS 1 *Presentation of Financial Statements* - In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

IAS 16 *Property, Plant and Equipment and IAS 38 Intangible Assets* - In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards issued but not yet effective (continued)

New accounting standards effective January 1, 2018

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4. CASH AND CASH EQUIVALENTS

	2014	2013
Cash	$ 16,559	$ 324,184
Guaranteed investment certificates	150,000	800,000
	$ 166,559	$ 1,124,184

As at December 31, 2014, the Company's guaranteed investment certificate of $150,000 bears interest at the prime rate minus 1.95% per annum and matures in 2015.

As at December 31, 2013, the Company's guaranteed investment certificates of $800,000 bore interest at the prime rate minus from 1.80% to 1.85% per annum and matured at various points in 2014.

5. RESTRICTED CASH

The Company has provided corporate credit cards to its directors with a credit limit totalling $25,000 to pay the Company's expenses. As collateral for the credit cards, the Company has a one-year term deposit of $28,750 earning annual interest at the prime rate minus 1.90% per annum. As at December 31, 2014, the credit cards had a payable balance of $65 (December 31, 2013 – credit balance of $298) in total.

(Expressed in Canadian Dollars)

6. EQUIPMENT

		Office Equipment
Cost		
Balance as at January 1, 2013	$	2,773
Addition		2,576
Balance as at December 31, 2013		5,349
Addition		7,172
Balance as at December 31, 2014	$	12,521
Accumulated depreciation		
Balance as at January 1, 2013	$	230
Depreciation for the year		1,636
Balance as at December 31, 2013		1,866
Depreciation for the year		2,340
Balance as at December 31, 2014	$	4,206
Net book value		
Net book value as at December 31, 2013	$	3,483
Net book value as at December 31, 2014	$	8,315

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

	January 1, 2013	Additions	December 31, 2013	Additions	December 31, 2014
Hawk Ridge Property, Quebec					
Acquisition costs					
Option payments	$ 1,897,906	$ 919,751	$ 2,817,657	$ -	$ 2,817,657
Other property costs	30,050	65,645	95,695	10,358	106,053
	1,927,956	985,396	2,913,352	10,358	2,923,710
Exploration costs					
Accommodation/camp	93,439	315,865	409,304	194,987	604,291
Assays	84,076	419,203	503,279	63,692	566,971
Drilling	302,585	1,203,210	1,505,795	311,831	1,817,626
Field supplies	121,147	616,130	737,277	94,373	831,650
Geological consulting	349,497	1,012,861	1,362,358	1,007,091	2,369,449
Miscellaneous	40,224	61,824	102,048	85,485	187,533
Transportation	361,524	987,180	1,348,704	386,754	1,735,458
Travel	56,464	167,178	223,642	133,304	356,946
	1,408,956	4,783,451	6,192,407	2,277,517	8,469,924
Exploration prepayment	204,309	(134,299)	70,010	4,990	75,000
Mining exploration tax credits	-	(624,294)	(624,294)	(108,365)	(732,659)
Balance, end of year	3,541,221	5,010,254	8,551,475	2,184,500	10,735,975
Nairn Property, Ontario					
Acquisition costs	-	240,000	240,000	2,182	242,182
Exploration costs					
Geological consulting	-	-	-	650	650
Miscellaneous	-	-	-	2,420	2,420
Balance, end of year	-	240,000	240,000	5,252	245,252
Total balance, end of year	$ 3,541,221	$ 5,250,254	$ 8,791,475	$ 2,189,752	$ 10,981,227

7. EXPLORATION AND EVALUATION ASSETS (continued)

Hawk Ridge Property:

On March 29, 2012, the Company entered into an option agreement with Anthem Resources Inc. ("Anthem") and its wholly-owned subsidiary (together the "Optionors"), which was subsequently amended on May 15, 2012 (the "First Amendment"), on February 15, 2013 (the "Second Amendment"), and on April 17, 2013 (the "Third Amendment") whereby the Optionors granted the Company an option to acquire a 100% interest in the Hawk Ridge Ni-Cu-PGE Project in Northern Quebec (the "Hawk Ridge Property") by making staged payments totaling $2,000,000 in cash and $1,000,000 equivalent in common shares of the Company to Anthem by December 31, 2013 as follows:

- Pay $500,000 in cash (paid) and $250,000 in common shares (issued) within five business day of TSX-V final approval of the transaction;
- Pay $500,000 in cash (paid) and $250,000 in common shares (issued) by December 31, 2012; and
- Pay $1,000,000 in cash (reduced by $92,081 for 20% of geophysical survey costs paid by the Company) and issue $500,000 in common shares ($500,000 divided by the greater of (A) the price per consideration share ("Share"), equal to 10% discount to the Share's moving average trading price for the 20 day period immediately preceding the date of issuance, and (B) $0.20) on or before December 31, 2013 (issued).

During the year ended December 31, 2013, under the Third Amendment, in lieu of paying $1,000,000 in cash on or before December 31, 2013, the Company issued to the Optionors 3,631,675 units (the "Conversion Units") equal to $907,919 ($1,000,000 less $92,081 for the geophysical survey costs) divided by $0.25 per Conversion Unit. Each Conversion Unit consists of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share for a period of two years, at an exercise price of $0.35 per share in the first year and $0.60 per share in the second year. In addition, the Company issued 2,500,000 common shares equal to $500,000 divided by the greater of $0.20 or a 10% discount to the 20 day moving average trading price of the Company for the 20 day period immediately preceding the date of issuance.

The property is subject to a 3% net smelter returns royalty ("NSR") and the Company has the option to purchase one-third of the NSR (1%) for $1,000,000.

On May 1, 2013, the Company has fulfilled all option payments and acquired 100% ownership of the Hawk Ridge Property.

The exploration expenditures incurred on the property in Quebec are entitled to certain Quebec mining exploration tax credits. During the year ended December 31, 2014, the Company has submitted a claim for the mining exploration tax credit of $108,365 (December 31, 2013 - $624,294) for the eligible exploration expenditures incurred.

Nairn Property:

On August 23, 2013, pursuant to a property purchase agreement with Sino Minerals Corp. ("Sino Minerals") entered into on June 27, 2013, the Company acquired all of Sino Mineral's 100% interest in 14 mining claims covering a total area of approximately 2,860 hectares located in the Province of Ontario and known as the Nairn Property (the "Nairn Property"), subject to a 2% net smelter returns royalty over six of the claims and third party freehold patent surface rights over eight of the claims. In consideration for the Nairn Property, the Company issued to Sino Minerals 2,000,000 common shares at a market price of $0.12 per share for a fair value of $240,000.

(Expressed in Canadian Dollars)

8. ACCOUNTS AND OTHER PAYABLES

The Company's accounts and other payables are as follows:

	2014	2013
Accounts payable	$ 13,045	$ 48,303
Amounts due to related parties (Note 11)	-	17,325
Accrued expenses to related parties (Note 11)	62,250	129,257
Other payable	6,542	9,566
	$ 81,837	$ 204,451

Accounts payable principally comprises amounts outstanding for trade purchases relating to exploration activities and accrued expenses for operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

9. SHARE CAPITAL

Authorized

The Company has authorized an unlimited number of common shares with no par value and an unlimited number of non-voting, non-participating, non-cumulative preferred shares without par value issuable in series.

Shares issued and outstanding

	Note	Number of Common Shares	$
Balance, January 1, 2013		32,920,405	5,054,809
Share issued pursuant to non-flow-through private placements	i)	8,000,000	1,440,000
Shares issued to Anthem pursuant to the option agreement	ii)	6,131,675	919,751
Share issued pursuant to flow-through private placements	iii)	16,666,667	2,500,000
Agent's warrants issued	iii)	-	(9,615)
Share issuance costs paid in cash	iii)	-	(177,866)
Shares issued to Sino Minerals to purchase Nairn Property	iv)	2,000,000	240,000
Balance, December 31, 2013 and 2014		65,718,747	9,967,079

9. SHARE CAPITAL (continued)

During the year ended December 31, 2013, the Company:

i) Completed a non-brokered private placement of 8,000,000 units at a price of $0.25 per unit for gross proceeds of $2,000,000. Each unit consists of one common share and one half of a share purchase warrant; each whole warrant entitles the holder to acquire one additional common share at a price of $0.35 until March 28, 2014 and at a price of $0.60 until March 28, 2015.

ii) Issued 6,131,675 common shares pursuant to the Third Amendment to acquire the Hawk Ridge Property with a fair value of $919,751.

iii) Completed a brokered financing of 16,666,667 flow-through shares at a price of $0.30 per flow-through share for gross proceeds of $5,000,000. The Company incurred share issuance costs of $177,866 and issued 250,000 agent's warrants in connection with the financing. Each agent's warrant is exercisable until May 30, 2015 to acquire one common share at a price of $0.35. The agent's warrants were valued at $9,615. Pursuant to the terms of the flow-through agreements, the Company is required to comply with the contractual obligations and the renouncement requirements of the Canadian Income Tax Act. On February 12, 2014, the Company renounced $5,000,000 in exploration expenditures. The Company has spent the entire $5,000,000 on qualifying exploration expenditures.

For the purposes of calculating the tax effect of any premium related to the issuance of flow-through shares, management reviewed the quoted market price per non-flow-through share on the issuance date and compared it to the price used in this issuance and determined that there was a premium of $0.15 per flow-through share. During the year ended December 31, 2014, the Company recognized $332,537 (December 31, 2013 - $2,167,463) as other income for the tax deduction passed on to the flow-through shareholders under the renouncement filed.

iv) Issued 2,000,000 common shares to acquire Nairn Property with a fair value of $240,000.

During the year ended December 31, 2014, the Company had no common share transactions.

Escrow shares

21,536,726 common shares issued prior to the completion of the Qualifying Transaction are subject to escrow. Pursuant to TSX-V Policy 2.4, 10% of the escrowed common shares will be released from escrow on the listing date and 15% will be released every six months thereafter over a period of thirty six months. As at December 31, 2014, 6,453,017 (December 31, 2013 – 12,906,035) common shares remained in escrow.

Basic and diluted loss per share

The calculation of basic earnings per share for the year ended December 31, 2014 was based on net loss of $449,819 (December 31, 2013 – net income of $816,050), attributable to common shareholders and a weighted average number of common shares outstanding of 65,718,747 (December 31, 2013 – 53,687,881). Diluted earnings per share was calculated in a manner similar to basic earnings per share except the weighted average number of shares outstanding is increased to include the assumed exercised of in-the-money stock options, warrants, and agent's warrants, if dilutive.

At December 31, 2014, 1,149,625 stock options and 6,065,838 warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

On April 15, 2013, the Company granted 200,000 stock options to a consultant of the Company. Each stock option was exercisable for a period of 90 days at a price of $0.20 per common share. The 200,000 stock options expired on July 15, 2013.

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, Outstanding and Exercisable at January 1, 2013	2,233,250	$ 0.20
Options granted	200,000	0.20
Cancelled	(19,125)	0.20
Expired	(200,000)	0.20
Balance, Outstanding and Exercisable at December 31, 2013	2,214,125	0.20
Forfeited	(1,064,500)	0.20
Balance, Outstanding and Exercisable at December 31, 2014	1,149,625	$ 0.20

The following options to acquire common shares were outstanding at December 31, 2014:

Number of Options	Exercise Price	Expiry Date
1,149,625	$ 0.20	August 28, 2017

For the year ended December 31, 2013, the Company expensed $1,199 for the stock options granted as share-based payments. The stock option were valued using the Black-Scholes option pricing model based on the following assumptions: a risk-free interest rate of 0.96%, an expected life of 90 days, volatility of 100%, a dividend rate of 0% and a market price of the shares at grant date of $0.12. The fair value of the options issued was $0.01.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Warrants

The Company uses the residual value approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant. Agents' warrants are measured at fair value on the date of the grant as determined using a Black-Scholes option pricing model.

During the year ended December 31, 2013:

The fair value of 4,000,000 warrants issued in connection with the non-brokered private placement of 8,000,000 units on March 28, 2013 was $560,000 based on the residual value approach.

The fair value of 250,000 agent warrants issued in connection with the private placement of 16,666,667 units in May 2013 was $9,615. The Company used the Black-Scholes option pricing model based on the following assumptions: a risk-free interest rate of 1.02%, an expected life of 2 years, annualized volatility of 100%, a dividend rate of 0%, and a market price of the shares at grant date of $0.15. The fair value of the agent warrants issued was $0.04.

During the year ended December 31, 2014:

The Company did not issue any warrants.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, Outstanding and Exercisable at January 1, 2013	9,835,126	$	0.48
Warrants issued	5,815,838		0.48
Agent's warrants issued	250,000		0.35
Balance, Outstanding and Exercisable at December 31, 2013	15,900,964		0.47
Warrants expired	(9,835,126)		0.47
Balance, Outstanding and Exercisable at December 31, 2014	6,065,838	$	0.59

As at December 31, 2014 the following warrants were outstanding:

	Number of Warrants	Grant Date	Exercise Price			Expiry Date
Warrants	4,000,000	March 28, 2013	$	0.35	for 1st year	March 28, 2015
				0.60	for 2nd year	
Warrants	1,815,838	May 1, 2013	$	0.35	for 1st year	May 1, 2015
				0.60	for 2nd year	
Agent's warrants	250,000	May 30, 2013	$	0.35		May 30, 2015
	6,065,838					

10. CONVERTIBLE DEBENTURE

On September 9, 2014, the Company entered into an unsecured convertible debenture agreement (the "Convertible Debenture") in the principal amount of $1,000,000 ($989,750 net of transaction costs) with SinoTech (Hong Kong) Corporation Limited ("SinoTech"), a company with one director in common. The Convertible Debenture will mature on September 9, 2015 and bears interest at 8% per annum payable on the maturity date. At the option the Company and any time after March 9, 2015, the Company may convert all or any part of the principal amount outstanding under the Convertible Debenture into common shares in the capital of the Company at a conversion price of $0.10 per share and any accrued but unpaid interest thereon at the greater of $0.10 per share and the market price at the time of conversion. The proceeds of the Convertible Debenture were used by the Company for the exploration program on the Company's Hawk Ridge Project.

Upon initial recognition, the Company allocated the proceeds of $1,000,000, net of cash transaction costs of $10,250, between the liability and equity components. The Company allocated $925,783 to the liability portion and the residual of $63,967 to the equity component. For the year ended December 31, 2014, the Company accrued $46,957 in interest related to the Convertible Debenture using an effective interest rate of 15% per annum.

11. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into the following related party transactions for the years ended December 31, 2014 and 2013:

a) Incurred corporate consulting fees of $32,121 (December 31, 2013 - $71,029) from a company owned by the former CEO of the Company. Incurred termination payment of $100,000 to the former CEO of the Company for the contractual obligation.

b) Incurred consulting fees of $39,000(December 31, 2013 - $nil) from a company owned by the CEO of the Company. Note that the related party relationship was established upon the CEO joining the Company in the middle of the year. The Company only accounts for transactions subsequent to the related party relationship being established as related party transactions.

c) Incurred consulting fees of $nil (December 31, 2013 - $14,930) from a company controlled by the former CFO of the Company.

d) Incurred consulting fees of $22,500 (December 31, 2013 - $30,000) from a company controlled by a director of the Company.

e) Incurred consulting fees of $nil (December 31, 2013 - $34,875) from a company controlled by the former CFO of the Company for services provided in connection with the financing, marketing and investor relations.

f) Incurred corporate consulting fees of $nil (December 31, 2013 - $6,200) from a company owned by a former director of the Company.

g) Incurred corporate consulting fees of $nil (December 31, 2013 - $12,300) from a company with directors in common.

h) Incurred corporate consulting fees of $35,000 (December 31, 2013 - $26,357) from a company with one director in common.

i) Incurred office and administration fees of $25,875 (December 31, 2013 - $nil) and corporate consulting fees of $1,044 (December 31, 2013 - $nil) from a company with directors in common. Note that the related party relationship was established upon the CEO joining the Company in the middle of the year. The Company only accounts for transactions subsequent to the related party relationship being established as related party transactions.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

j) Incurred interest expense of $nil (December 31, 2013 - $4,866) on a loan from a company controlled by directors of the Company. The principal of the loan was $300,000 pursuant to a loan agreement entered on February 8, 2013 with Sino Minerals Corp., a subsidiary of Goldrock Resources Co. Ltd. The loan was unsecured, accrued interest at 8% per annum and was fully repaid in May 2013.

k) Incurred director fees of $61,613 (December 31, 2013-$102,417) from the directors of the Company.

l) Incurred $136,064 (December 31, 2013 - $225,096) geological consulting fees for exploration expenditures to companies controlled by directors and by the former CEO of the Company.

m) Included in account and other payables is $62,250 (December 31, 2013 - $146,582) due to directors, officers and companies controlled by directors and officers for services rendered and unpaid director fees. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

n) On August 23, 2013, the Company acquired Nairn Property from Sino Mineral Corp., a subsidiary of Goldrock Resources Co. Ltd., which has two directors in common with the Company. In consideration for the Nairn Property, the Company issued 2,000,000 common shares with a fair value of $240,000 to Sino Minerals Corp.

o) The Company entered into an unsecured convertible debenture agreement in the principal amount of $1,000,000 with SinoTech (Hong Kong) Corporation Limited, a company with one director in common (see Note 10).

Key management includes directors (executive and non-executive) and senior officers of the Company, including Chief Executive Officer and Chief Financial Officer. The compensation paid or payable to key management personnel for the years ended December 31, 2014 and 2013 are as follows:

		2014		2013
Wage and consulting fees	$	439,309	$	486,702

12. SUPPLEMENTAL CASH FLOW INFORMATION

		2014		2013
Cash paid for income taxes	$	-	$	-
Cash paid for interest	$	-	$	4,866

Significant non-cash investing and financing transactions

<u>During the year ended December 31, 2013:</u>

(a) The Company issued 6,131,675 common shares with a fair value of $919,751 pursuant to the Third Amendment to acquire the Hawk Ridge Property.

(b) The Company issued 250,000 agent’s warrant with a fair value of $9,615 as financing fees for the flow-through private placements in May 2013.

(c) The Company issued 2,000,000 common shares with a fair value of $240,000 to acquire Nairn Property.

<u>During the year ended December 31, 2014:</u>

There were no significant non-cash investing and financing transactions.

(Expressed in Canadian Dollars)

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the exploration and evaluation 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 includes components of shareholders' equity in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, and acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management.

There were no changes in the Company's approach to capital management from the prior year. The Company is not subject to externally imposed capital requirements.

14. INCOME TAXES

In assessing the realizability of deferred tax assets, management considers whether it is more probable than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of deferred taxable income during the periods in which those temporary differences are expected to reverse. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income, and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable could change materially in the near term based on deferred taxable income during the carry forward period.

The significant components of the Company's potential deferred income tax assets (liabilities) are as follows:

	2014	2013
Substantively enacted rate	26%	26%
Non-capital losses carried forward	$ 804,744	$ 574,826
Share issuance costs	48,671	65,184
Exploration and evaluation assets	(1,593,914)	(1,270,325)
Convertible debt	(7,088)	-
Capital assets	(336)	-
Net deferred income tax liabilities	$ (747,923)	$ (630,315)

As at December 31, 2014, the Company has non-capital losses carried forward of $3,095,169 which is available to offset future years taxable income earned in Canada. These losses expire as follows:

	$
2027	58,482
2028	315,882
2029	263,119
2030	79,657
2031	33,540
2032	911,483
2033	546,842
2034	886,164
	3,095,169

(Expressed in Canadian Dollars)

14. INCOME TAXES (continued)

The following table reconciles the amount of income tax expense on application of statutory Canadian federal and provincial income tax rates to the amount reported in these financial statements:

	2014	2013
Net income (loss) before income taxes	$ (332,211)	$ 1,446,365
Statutory rate	26.00%	25.75%
Expected income tax expense (recovery)	(86,375)	372,449
Permanent differences and other	178,971	647,659
Change in enacted tax rates	25,012	6,577
Change in recognized deferred income tax assets	-	(396,370)
Deferred income tax expense	$ 117,608	$ 630,315

15. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts and other payables, and convertible debenture. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value due to their short terms of maturity.

The following table summarizes the carrying values of the Company's financial instruments:

			2014		2013
FVTPL	(i)	$	195,309	$	1,152,934
Other financial liabilities	(ii)	$	1,054,577	$	204,451

(i) Cash and cash equivalents, restricted cash
(ii) Accounts and other payables and convertible debenture

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

		Level 1		Level 2		Level 3		Total 2014
Cash and cash equivalents	$	166,559	$	-	$	-	$	166,559
Restricted cash	$	28,750	$	-	$	-	$	28,750

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS (continued)

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and cash equivalents. The credit risk with respect to its cash and cash equivalents is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. As at December 31, 2014, the Company had working capital deficit of $563,863 (December 31, 2013 – working capital of $1,898,965). All of the Company's financial liabilities are classified as current.

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities through private placements, issuance of debt, and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Significant commitments in years subsequent to December 31, 2014 are as follows:

	Carrying value	Contractual cash flows	< 1 year	1 – 3 years
Accounts and other payables	$ 81,837	$ 81,837	$ 81,837	$ -
Convertible debenture	$ 972,740	$ 1,080,000	$ 1,080,000	$ -

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions. The interest rate risks on cash and cash equivalents are not considered significant due to their short-term nature.

16. SUBSEQUENT EVENTS

(a) Subsequent to the year ended December 31, 2014, 524,875 stock options which were granted on August 28, 2012 were forfeited and 4,000,000 share purchase warrants which were granted on March 28, 2013 expired.

(b) On March 4th, 2015, the Company entered into a loan agreement with a company that has one director in common. The principal of the loan is $100,000. The loan is unsecured, bears interest at 8% per annum and matures on March 11, 2016.