ETHOS GOLD CORP.

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2014 AND 2013

(Stated in Canadian dollars)

HAY & WATSON | Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ethos Gold Corp.

We have audited the financial statements of the Ethos Gold Corp., which comprise the statements of financial position as at December 31, 2014 and 2013 and the 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 Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

We believe that the audit evidence we have obtained 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 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.

Hay + Watson

Chartered Accountants
Vancouver, British Columbia
April 9, 2015

ETHOS GOLD CORP.

Statements of Financial Position
As at December 31, 2014 and 2013
(Stated in Canadian Dollars)

		December 31 2014		December 31 2013
Assets				
Current assets:				
Cash and cash equivalents	$	8,046,537	$	8,405,049
Amounts receivable		6,991		13,892
Prepaid expenses		19,996		37,724
		8,073,524		8,456,665
Mineral Interests (note 4)		1		1
Equipment (note 5)		20,949		27,084
	$	8,094,474	$	8,483,750
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	29,652	$	23,220
Due to related parties (note 7)		2,800		-
		32,452		23,220
Shareholders' Equity				
Share capital (note 6)		22,441,603		22,441,603
Share option reserve		2,162,121		2,133,793
Share warrant reserve		3,065,932		3,065,932
Deficit		(19,607,634)		(19,180,798)
		8,062,022		8,460,530
	$	8,094,474	$	8,483,750

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

Approved by the Board of Directors and authorized for issue on April 9, 2015.

"Chris Theodoropoulos" Director

"Gary Freeman" Director

ETHOS GOLD CORP.

Statements of Loss and Comprehensive Loss
For the Years ended December 31, 2014 and 2013
(Stated in Canadian Dollars)

		2014		2013
Expenses				
Amortization of equipment	$	6,135	$	8,361
Bank charges		1,906		2,061
Consulting		224,195		268,776
Exploration and project evaluation		-		96,777
Investor relations		-		1,030
Listing and filing fees		43,341		49,229
Office and administrative		100,677		129,547
Professional fees		31,067		53,429
Rent		51,357		49,534
Salaries		17,679		133,448
Share-based compensation		28,328		159,306
Travel and expenses		20,942		54,872
Loss before the undernoted		(525,627)		(1,006,370)
Other income (expenses)				
Interest income		97,996		105,852
Foreign exchange gain (loss)		795		2,149
Net loss and comprehensive loss for the year	$	(426,836)	$	(898,369)
Basic and diluted loss per share	$	0.01	$	0.02
Weighted average number of common shares outstanding		43,458,911		43,458,911

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

ETHOS GOLD CORP.

Statements of Changes in Equity
For the Years Ended December 31, 2014 and 2013
(Stated in Canadian Dollars)

	Share Capital		Share Reserves			
	Number of Shares	Amount	Share Option Reserve	Share Warrant Reserve	Deficit	Total
Balances, January 1, 2013	43,458,911	$22,441,603	$1,974,487	$3,065,932	$(18,282,429)	$9,199,593
Share-based compensation	-	-	159,306	-	-	159,306
Net loss for the year	-	-	-	-	(898,369)	(898,369)
Balances, December 31, 2013	43,458,911	22,441,603	2,133,793	3,065,932	(19,180,798)	8,460,530
Share-based compensation	-	-	28,328	-	-	28,328
Net loss for the year	-	-	-	-	(426,836)	(426,836)
Balances, December 31, 2014	43,458,911	$22,441,603	$2,162,121	$3,065,932	$(19,607,634)	$8,062,022

The accompanying notes are an integral part of the financial statements**.**

ETHOS GOLD CORP.

Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
(Stated in Canadian Dollars)

		2014		2013
Operating activities				
Net loss for the year	$	(426,836)	$	(898,369)
Items not affecting cash:				
Amortization of equipment		6,135		8,361
Share-based compensation		28,328		159,306
		(392,373)		(730,702)
Changes in non-cash working capital components				
Amounts receivable		6,901		116,640
Prepaid expenses		17,728		28,051
Accounts payable and accrued liabilities		6,432		(51,598)
Due to related parties		2,800		(17,280)
Items not affecting operating activities				
Exploration and project evaluation		-		96,777
		(358,512)		(558,112)
Investing activities				
Acquisition and exploration of mineral property interests		-		(96,777)
Decrease in cash		(358,512)		(654,889)
Cash and cash equivalents, beginning of year		8,405,049		9,059,938
Cash and cash equivalents, end of year	$	8,046,537	$	8,405,049
Cash and cash equivalents, end of year, consisted of				
Cash on deposit with a Canadian Senior Bank	$	8,006,388	$	8,364,900
Term deposits and Guaranteed investment certificates issued by a Canadian Senior Bank		40,149		40,149
	$	8,046,537	$	8,405,049

Supplemental Cash Flow Information (note 9)

The accompanying notes are an integral part of the financial statements

1. NATURE OF OPERATIONS

Ethos Gold Corp. (the "Company"), formerly known as Ethos Capital Corp., was incorporated on March 12, 2007 under the British Columbia Business Corporations Act. In 2007, the Company completed an initial public offering ("IPO") and was publicly listed as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "TSX-V" or "Exchange"). In 2008, the Company announced a proposed qualifying transaction ("Qualifying Transaction"). In 2009, the TSX-V accepted the Company's Qualifying Transaction and filing statement, and the Company began trading on the TSX-V as a Tier 2 company under the symbol ECC. Its registered office is located at 800 – 789 West Pender Street, Vancouver, BC, V6C 1H2.

To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company's operations during the fiscal year ended December 31, 2014 were primarily directed towards searching for mineral properties to acquire and develop.

These financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing and if required through the issuance of debt or equity. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company were unable to continue operations in the normal course of business.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements, including the comparative statements, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprises IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs"). These financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2014 with significant accounting policies as described in note 3.

Basis of Preparation

These financial statements have been prepared on a historical cost basis, except for cash and cash equivalents classified as fair value through profit or loss which has been measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting estimates and judgments (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of amounts receivable and carrying values of mineral interests and equipment, the fair value of options and warrants issued, and the fair value of reclamation obligations. Actual results may differ from those estimates.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from property and equipment.

(b) Reporting and functional currencies

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in the statement of loss.

(c) Financial instruments

Financial instruments, other than cash and cash equivalents, are classified into various categories. Held to maturity investments, and loans and receivables are measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Financial assets and liabilities at fair value through profit or loss ("FVTPL") are classified as FVTPL when the financial instrument is held for trading or are designated as FVTPL. Financial instruments at FVTPL are measured at fair market value with all gains and losses included in operations in the period in which they arise. Available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income (see (l) below) until the asset is removed from the statement of financial position and losses due to impairment are included in operations. All other financial assets and liabilities, except for cash, are carried at amortized cost.

The Company's financial instruments are cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and amounts due to related parties. The Company has classified its cash and cash equivalents as held for trading, amounts receivable as loans and receivables and accounts payable and accrued liabilities and due to related parties as other financial liabilities. The carrying values of these financial instruments approximate their fair value due to their short-term maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

(d) Cash and cash equivalents

Cash and cash equivalents consist of balances on deposit and investments in highly liquid short-term deposits, which are readily convertible into known amounts of cash and which are subject to minimal risks of changes in fair value.

(e) Mineral interests

Mineral interests are recorded at cost less accumulated impairment losses. All direct costs related to the acquisition of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property and equipment. Upon commencement of commercial production, net capitalized costs are charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

(f) Equipment

Equipment is recorded at cost and amortized over its estimated useful life. The Company records amortization on a declining balance basis at the following annual rates. The amortization rates are reduced by one-half in the years of acquisition and disposal.

Computer equipment	30%
Office equipment	20%

(g) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

asset. If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(h) Provisions

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

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

(i) Reclamation obligations

Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future site restoration and other costs as required due to environmental law or contracts. At December 31, 2014, there were no reclamation liabilities.

(j) Share capital

Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Flow-through shares
The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as recovery from issuance of flow-through shares. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Share capital (continued)

expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(k) Income recognition

Interest from cash and short term investments is recorded on an accrual basis when collection is reasonably assured.

(l) Comprehensive income or loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position. At present, the Company has no other comprehensive income or loss.

(m) Share-based payments

The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Cash received on the exercise of share options is recorded in share capital and the related compensation included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

(n) Income taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.
Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Common share equivalents have been excluded from the computation of diluted loss per share for the periods presented as including them would have been anti-dilutive.

(p) New accounting standards and interpretations

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after January 1, 2014:

(i) IAS 32, Financial Instruments: Presentation ("IAS 32") – amendments

In December 2011, the IASB issued amendments to IAS 32. The amendments clarify that an entity currently has a legally enforceable right to set-off financial assets and liabilities if that right is (1) not contingent on a future event; and (2) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. These amendments are effective for annual periods beginning on or after January 1, 2014 with early application permitted and are to be applied retrospectively. The application of this amendment did not have any significant impact on the financial statements presented.

(ii) IAS 36, Impairment of Assets ("IAS 36") – amendments

The amendments to IAS 36 outline the additional disclosures that will be required with regards to the recoverable amount of impaired assets. These amendments are effective for annual periods beginning on or after January 1, 2014. The application of this amendment did not have any significant impact on the financial statements presented.

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these annual financial statements. The Company is currently evaluating the impact that these changes will have on its financial statements; however, the impact, if any, is not expected to be significant.

(i) IFRS 2, Share-based Payment ("IFRS 2") – amendments

The amendment to IFRS 2 re-defines the definition of "vesting condition". The application of the amendment to IFRS 2 did not have any material impact on the financial statements presented. The amendments are effective for annual periods beginning on or after July 1, 2014.

(ii) IFRS 3, Business Combinations ("IFRS 3") – amendments

The amendment to IFRS 3 provides further clarification on the accounting treatment for contingent consideration, and provides a scope exception for joint ventures. This amendment is effective for annual periods beginning on or after July 1, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New accounting standards and interpretations (continued)

(iii) IFRS 7, Financial Instruments: Disclosures ("IFRS 7") – amendments

The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9. These amendments are effective for annual periods beginning on or after January 1, 2015.

(iv) IFRS 8, Operating Segments ("IFRS 8") – amendments

The amendments to IFRS 8 provide further clarification on the disclosure required for the aggregation of segments and the reconciliation of segment assets. These amendments are effective for annual periods beginning on or after July 1, 2014.

(v) IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. The effective date for application of IFRS 9 was revised from annual periods beginning on or after January 1, 2015, to annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

(vi) IFRS 11, Joint Arrangements ("IFRS 11") – amendments

The amendments to IFRS 11 provide guidance on the accounting for acquisition of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combination accounting in *IFRS 3, Business Combinations* and other IFRS standards except where those principles conflict with IFRS 11. These amendments are effective for annual periods beginning on or after January 1, 2016.

(vii) IFRS 13, Fair Value Measurement ("IFRS 13") – amendments

The amendment to IFRS 13 provides further details on the scope of the portfolio exception and is effective for annual periods beginning on or after July 1, 2014.

(viii) IAS 16, Property, Plant and Equipment ("IAS 16")

The amendment to IAS 16 deals with the proportionate restatement of accumulated depreciation on revaluation. This amendment is effective for annual periods beginning on or after July 1, 2014. Further amendments to IAS 16 provide clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.

(ix) IAS 14, Related Party Disclosures ("IAS 24") – amendments

The amendment to IAS 24 deals with the disclosure required for management entities and is effective for annual periods beginning on or after July 1, 2014.

(x) IAS 38, Intangible Assets ("IAS 38") – amendments

The amendment to IAS 38 deals with the proportionate restatement of accumulated depreciation on revaluation. This amendment is effective for annual periods beginning on or after July 1, 2014. Further amendments to IAS 38 provide clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.

4. MINERAL INTERESTS

		Yukon Canada		Total
Acquisition Costs				
Balance, January 1, 2013 and 2014	$	1	$	1
Additions		-		-
Write-off		-		-
Balance, December 31, 2013 and 2014	$	1	$	1

Betty, Wolf and Bridget Mineral Properties, Yukon

In the first quarter of 2013, the Company terminated its option to acquire a 100% interest in the Betty, Wolf, Bridget and Hen properties. The Company had spent a cumulative amount of $2,828,000 in cash and share option payments for these properties, and the entire amount was written off as at December 31, 2012.

WC Property, Yukon

The Company staked a 44 claim property in 2012. This property will remain in good standing until 2018 with no further expenditures.

5. EQUIPMENT

		Computer Equipment		Office Equipment		Total
Cost						
Balance, January 1, 2013	$	20,815	$	31,558	$	52,373
Additions		-		-		-
Balance, December 31, 2013	$	20,815	$	31,558	$	52,373
Additions		-		-		-
Balance, December 31, 2014	$	20,815	$	31,558	$	52,373
Accumulated amortization						
Balance, January 1, 2013	$	8,092	$	8,836	$	16,928
Amortization		3,817		4,544		8,361
Balance, December 31, 2013		11,909		13,380		25,289
Amortization		2,671		3,464		6,135
Balance, December 31, 2014		14,580		16,844		31,424
Net book value, December 31, 2013	$	8,906	$	18,178	$	27,084
Net book value, December 31, 2014	$	6,235	$	14,714	$	20,949

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Common shares – Issued and outstanding

At December 31, 2013 and 2014, the Company had 43,458,911 common shares issued and outstanding.

(c) Share purchase options

Share purchase options are granted at an exercise price equal to the estimated fair value of the Company's common shares on the date of the grant.

On June 22, 2010, the Company implemented a new Share Option Plan for the benefit of directors, employees, management company employees and consultants of the Company. The Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine. The maximum aggregate number of common shares that may be reserved for issuance under the Plan is 10% of the issued and outstanding common shares of the Company at the time of grant. At December 31, 2014, 3,303,570 share purchase options were outstanding.

A summary of the status of the Company's share purchase options outstanding as at December 31, 2014 and December 31, 2013 and changes during the years ended on those dates is presented below:

	2014		2013	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,453,570	$0.47	1,853,570	$0.56
Granted	100,000	$0.20	1,780,000	$0.36
Expired	(100,000)	$0.25	(180,000)	$0.41
Forfeited	(150,000)	$0.36	-	-
Outstanding at end of year	3,303,570	$0.47	3,453,570	$0.47

6. SHARE CAPITAL (continued)

As at December 31, 2014, the following share purchase options were outstanding:

Expiry date	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)	Exercisable Options
Apr 1, 2015	25,000	$0.39	0.25	25,000
May 4, 2015	80,000	$0.43	0.34	80,000
Sep 22, 2015	638,570	$0.42	0.73	638,570
Jun 22, 2016	250,000	$0.83	1.48	250,000
Dec 19, 2016	610,000	$0.69	1.97	610,000
May 16, 2018	1,600,000	$0.36	3.38	1,600,000
Aug 2, 2019	100,000	$0.20	4.59	25,000
	3,303,570	$0.47	2.40	3,228,570

(c) Share purchase options (continued)

The weighted average grant-date fair value of share purchase options granted during the fiscal year ended December 31, 2014 was $0.10 (2013 - $0.10) per share purchase option. The Company determines the fair value of options granted using the Black-Scholes model for share purchase options issued to employees. The Company determines the fair value of share purchase options issued to non-employees using the value of services provided by the non-employees.

The following weighted-average grant date assumptions were used in valuing share purchase options granted during the years to directors, officers and employees:

	2014	2013
Weighted average share price	$0.19	$0.20
Weighted average exercise price	$0.20	$0.36
Risk-free interest rate	1.46%	1.15 to 1.36%
Expected volatility	71%	97%
Expected years of option life	5	3
Expected dividends	Nil	Nil

(d) Share purchase warrants

As at December 31, 2014 the Company has no share purchase warrants outstanding.

7. RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the exchange amount as agreed to by the parties. Related party transactions not otherwise disclosed in these financial statements are:

(a) The Company paid $197,338 (2013 - $261,100) in consulting fees to private companies controlled by certain directors and officers of the Company.

(b) $2,800 in director fees were payable at December 31, 2014 (2013 – Nil).

Key management personnel compensation

	For the year ended	
	December 31, 2014	**December 31, 2013**
Consulting fees	$ 197,338	$ 261,100
Directors fees	53,200	56,200
Share-based compensation	27,757	144,281
	$ 278,295	$ 461,581

8. MULTI-EMPLOYER PENSION PLAN (CPP)

The Company contributes to the Canada Pension Plan, a national multi-employer, defined contribution pension plan in Canada, on behalf of its employees. During the fiscal year ended December 31, 2014, the Company made contributions totaling $1,445 (2012 - $7,198).

9. SUPPLEMENTAL CASH FLOW INFORMATION

	2014	**2013**
Interest received	$ 97,996	$ 105,852
Interest paid	-	-
Non-cash activities		
Reserve for options issued	28,328	159,306

10. SEGMENT INFORMATION

(a) The Company operates in one industry segment (note 1).

(b) At December 31, 2014 and December 31, 2013, the Company's mineral interests were located as follows:

	2014	**2013**
Mineral interests		
Yukon, Canada	$ 1	$ 1

The Company's other assets and liabilities and net expenses are attributable to its corporate office and exploration and project evaluation activities in Canada.

11. INCOME TAXES

The income tax expense or recovery reported by the Company differs from the amounts obtained by applying statutory rates to the net loss before income tax. A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is:

	2014	2013
Net loss	426,836	$898,369
Combined statutory income tax rate	26%	25.8%
Income tax recovery at combined statutory tax rate	110,978	231,361
Non-deductible or non-taxable items, net	(9,627)	(69,442)
Deductible costs	69,970	69,306
Unrecognized tax benefits	(171,319)	(231,225)
Provision for income taxes	$ -	$ -

The change in the combined statutory tax rate is due to an increase in provincial corporate income tax rates during the year ended December 31, 2014.

The Company's deferred tax assets and liabilities at December 31, 2014 and 2013 are:

	2014	2013
Deferred tax assets		
Mineral interests	$ 1,746,827	$ 1,746,827
Equipment	9,348	6,582
Share issue costs	54,952	126,093
Tax loss carry-forwards	1,320,130	1,148,811
Total deferred tax assets	3,131,257	3,028,313
Valuation allowance	(3,131,257)	(3,028,313)
Net deferred tax assets	$ -	$ -

The Company estimates that the realization of income tax benefits related to these deferred tax assets is uncertain and accordingly no deferred tax asset has been recognized.

11. INCOME TAXES (continued)

As at December 31, 2014, the Company had non-capital tax losses that may be carried forward and used to reduce taxable income of future years. These losses will expire as follows:

Year of origin	Year of expiry	Amount
2007	2027	56,637
2008	2028	77,150
2009	2029	231,098
2010	2030	442,899
2011	2031	1,538,390
2012	2032	1,173,930
2013	2033	898,400
2014	2034	
		658,919

As at December 31, 2014, the Company has unused income tax credits of $ 169,588 (2013- $169,588) that may be carried forward and used to reduce taxable income of future years. These income tax credits expire between 2031 and 2033.

12. COMMITMENT AND CONTINGENCIES

The Company's exploration activities in the Yukon Territory are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment, and believes its operations are materially in compliance with all applicable laws and regulations. The Company makes, and expects to make in the future, expenditures to comply with such laws and regulations, including any reclamation at its mineral properties, on a continuous basis.

The Company leased its premises in Vancouver, British Columbia and the minimum monthly rent up to when the lease agreement expired on January 31, 2015 was $ 5,327.

13. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to pursue its objectives. The Company measures its capital as its shareholders' equity. The Company's primary source of capital is the issuance of equity.

The Company manages and adjusts its capital structure whenever changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company may require additional funding to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required, but recognizes there will be risks involved that may be beyond its control.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through at least the next twelve months. There are no external restrictions on the Company's capital.

14. FINANCIAL INSTRUMENTS

The Company is exposed to credit risk, liquidity risk and interest rate risk from its financial instruments which include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities. The Company is not exposed to significant market or other price risks.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are on deposit at a major financial institution. Amounts receivable consist primarily of goods and services tax refunds due from the Government of Canada and are neither past due nor impaired. As such, the Company considers its exposure to credit risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company is exposed to liquidity risk through its accounts payable, accrued liabilities and amounts due to related parties, which are all due on demand. The Company uses cash forecasts to ensure as far as possible that there is sufficient cash on hand to meet short-term business requirements. Cash is invested in highly liquid investments which are available to discharge obligations when they come due.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities.

As at December 31, 2014, the Company estimates that a 1% change in prevailing interest rates would change the fair value of future cash flows from the Company's financial instruments by approximately $1,000 (2013 - $1,000).