

OPAL ENERGY CORP.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Opal Energy Corp.

We have audited the accompanying consolidated financial statements of Opal Energy Corp., which comprise the consolidated statements of financial position as at 2014 and 2013 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Opal Energy Corp. as at 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

April 27, 2015

OPAL ENERGY CORP.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

As at

	December 31, 2014	December 31, 2013
ASSETS		
Current		
Cash	\$ 1,572	\$ 3,121
Receivables	7,721	298
Prepaid expenses	5,500	1,250
	14,793	4,669
Exploration and evaluation assets (Note 8)	150,821	-
	\$ 165,614	\$ 4,669
LIABILITIES AND SHAREHOLDER'S DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 222,101	\$ 248,202
Notes payable (Note 6)	106,601	314,810
	328,702	563,012
Shareholders' deficiency		
Capital stock (Note 9)		
Common shares	77,440,274	76,699,311
Class A shares, Series I	37,927	37,927
Reserves	3,964,967	3,964,967
	81,443,168	80,702,205
Deficit	(81,606,256)	(81,260,548)
	(163,088)	(558,343)
	\$ 165,614	\$ 4,669

Nature and continuance of operations (Note 1)**Contingencies** (Note 13)**Subsequent events** (Note 14)**On behalf of the Board of directors:***"Jamie Newall" President and CEO**"David R. Hughes" Director and CFO*

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

OPAL ENERGY CORP.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

For the years ended

	December 31, 2014	December 31, 2013
Consulting (Note 7)	\$ 99,332	\$ 48,395
Office and sundry	6,507	1,395
Professional fees (Note 7)	26,021	20,870
Project investigation costs	8,623	-
Rent	33,000	-
Shareholder information	3,410	3,589
Transfer agent and regulatory fees	25,653	19,568
Loss on settlement of notes payable (Note 6)	60,000	-
Travel	61,679	-
Other income	(3,958)	(5,316)
Interest expense	25,441	25,451
Foreign exchange loss	-	2
	(345,708)	(113,954)
Loss and Comprehensive loss for the year	\$ (345,708)	\$ (113,954)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding	12,646,087	8,691,019

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

OPAL ENERGY CORP.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

For the years ended

	December 31, 2014	December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (345,708)	\$ (113,954)
Items not affecting cash:		
Accrued interest expense	24,549	25,451
Loss on settlement of notes payable	60,000	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(7,423)	2,392
Increase in prepaid expense	(4,250)	(1,250)
Increase in accounts payable and accrued liabilities	(61,917)	21,567
Net cash used in operating activities	(334,749)	(65,794)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(115,005)	-
Net cash used in investing activity	(115,005)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	134,500	67,000
Repayment of notes payable	(67,258)	-
Shares issued for cash	396,000	-
Share issue cost	(15,037)	-
Net cash provided from investing activities	448,205	67,000
Increase (decrease) in cash during the year	(1,549)	1,206
Cash, beginning of year	3,121	1,915
Cash, end of year	\$ 1,572	\$ 3,121

Supplemental disclosures with respect to cash flows (Note 10)

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

OPAL ENERGY CORP.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Expressed in Canadian Dollars)

For the year ended December 31, 2014

	Number of Common shares	Number of Class A shares Series I	Capital Stock		Reserves	Deficit	Total
			Class A shares Series I	Common shares			
Balance as at December 31, 2012	8,691,019	33,713	\$ 37,927	\$ 76,699,311	\$ 3,964,967	\$ (81,146,594)	\$ (444,389)
Loss and comprehensive loss for the year	-	-	-	-	-	(113,954)	(113,954)
Balance at December 31, 2013	8,691,019	33,713	37,927	76,699,311	3,964,967	(81,260,548)	(558,343)
Loss and comprehensive loss for the year	-	-	-	-	-	(345,708)	(345,708)
Shares issued for settlement of notes	6,000,000	-	-	360,000	-	-	360,000
Shares issued for private placement	6,599,998	-	-	396,000	-	-	396,000
Share issue costs	-	-	-	(15,037)	-	-	(15,037)
Balance as at December 31, 2014	21,291,017	33,713	\$ 37,927	\$ 77,440,274	\$ 3,964,967	\$ (81,606,256)	\$ (163,088)

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

OPAL ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. NATURE AND CONTINUANCE OF OPERATIONS

Opal Energy Corp. (the "Company") is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia and its shares are listed on the TSX Venture Exchange, having the symbol OPA. On September 23, 2014, the Company entered into a property option agreement with 877384 Alberta Ltd. and Declan Resources Inc. and is considered to be an exploration and evaluation stage company.

The head office, principal address, registered address and records office of the Company are located at 302 – 1620 West 8th Avenue, Vancouver, British Columbia, Canada, V6J 1V4.

Management is actively targeting sources of additional financing which would assure continuation of the Company's operations. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. Subsequent to December 31, 2014, the Company raised sufficient capital to enable the Company to continue operations for the upcoming year.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	December 31, 2014	December 31, 2013
Working capital deficiency	\$ (313,909)	\$ (558,343)
Deficit	(81,606,256)	(81,260,548)

2. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue by the Board of Directors on April 27, 2015.

OPAL ENERGY CORP.
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2. BASIS OF PREPARATION (cont'd...)

b) Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Critical Judgments

The preparation of our consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in the Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and its subsidiary has been determined to be the Canadian dollar.

Key Sources of Estimation Uncertainty

Significant estimates made by management affecting our consolidated financial statements include:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

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3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

The financial statements include the financial statements of Opal Energy Corp. and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Opal Energy Inc.	Texas USA	100%	Holding Company

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company and its subsidiary that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. As at December 31, 2014, receivables consist of tax credits receivable from the Government of Canada.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities and notes payable are classified as other financial liabilities.

The Company records the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

See Note 5 for relevant disclosures.

Capital Stock

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, Class A shares series I, share warrants and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. For the years presented, the calculation proved to be anti-dilutive.

Stock-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income taxes

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity (deficiency) which results from transactions and events from sources other than the Company's shareholders. Net loss is the same as comprehensive loss for the years presented.

Exploration and Evaluation Assets and Expenditures

Pre-exploration costs are expensed as incurred.

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as exploration and evaluation assets and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units.

The Company has not yet determined whether or not any of its exploration and evaluation assets contain economically recoverable reserves. Amounts capitalized to exploration and evaluation assets do not necessarily reflect present or future values.

Exploration and evaluation assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Provision for environmental rehabilitation

An obligation to incur rehabilitation and site restoration costs arises when an environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company is required to record as a liability the estimated present value of future cash flows associated with the statutory, contractual or legal obligations related to site restoration and rehabilitation when the liability is incurred, with a corresponding increase to the carrying value of the related assets.

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of long-lived assets (cont'd...)

transaction between knowledgeable and willing parties. 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 asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Effective January 1, 2014, the following standards were adopted but have had no material impact on the financial statements:

- IAS 32 Financial Instruments (Amendment): Presentation was amended to clarify requirements for offsetting financial assets and financial liabilities. This amendment was effective January 1, 2014 and had no material impact on the financial statements of the Company.
- IAS 36 Impairment of Assets (Amendment): will address the disclosures required regarding the recoverable amount of impaired assets or cash generating units (CGU) for periods in which an impairment loss has been recognized or reversed. This amendment will be effective for annual financial periods beginning on or after January 1, 2014

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting period beginning on or after January 1, 2015. The following standards have not yet been adopted by the Company and are being evaluated to determine their impact:

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015
- IFRS 9: New standard that replaced IAS 39 for classification and measurement. Effective date January 1, 2018.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain its ability to continue as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes components of shareholders' deficiency.

The Company currently has no source of revenue and a working capital deficit; as such the Company is dependent on external financing to fund activities. In order to pay for administrative and operating costs, the Company will spend its existing working capital and raise additional funds as needed. There were no changes to management's approach to capital management during the year ended December 31, 2014.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not exposed to any external capital requirements.

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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of the Company's receivables, accounts payable and accrued liabilities and notes payable, approximate carrying value, which is the amount recorded on the consolidated statement of financial position. The Company's other financial instrument, cash, under the fair value hierarchy is recorded at fair value based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's cash are maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company's credit risk is primarily attributable to receivables.

The balance of the Company's receivables consists of input tax credits receivable from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company had a cash balance of \$ 1,572 to settle current liabilities of \$328,702. All of the Company's financial liabilities have contractual maturities of 12 months or less. The Company expects to fund these liabilities through the use of funds raised subsequent to year end (Note 14).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company's current policy is to invest excess cash in investment-grade demand deposit certificates, including guaranteed investment certificates, issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2014, the Company did not have any investments in investment-grade short-term deposit certificates. The Company is not subject to interest rate risk on its notes payable as the interest rate is fixed.

(b) Foreign currency risk

The Company had minimal balances and transactions denominated in U.S. dollars as at December 31, 2014 and for the year then ended. The Company is not subject to significant foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of oil and natural gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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6. NOTES PAYABLE

As at December 31, 2013, the Company owed \$314,810 in principal and interest. During the year ended December 31, 2014, the Company borrowed an additional \$40,000 and accrued additional interest of \$22,448 for a total of \$367,258 owing to this party. During the year ended December 31, 2014 the Company issued 6,000,000 common shares valued at \$36,000 to settle debt of \$300,000. The remaining \$67,258 was repaid in cash. As a result the Company recorded a loss on settlement of debt of \$60,000.

During the year ended December 31, 2014, the Company secured 6 one year loans for total of \$104,500 at an interest rate of 10% per annum compounded annually. The loans are as follows:

	As at Dec 31, 2014	As at Dec 31, 2013
\$100,000 note payable (transaction costs of \$20,000) - bearing interest of 10% settled on August 29, 2014	\$ -	\$ 80,000
\$15,000 note payable - bearing interest of 10% settled on August 29, 2014	\$ -	\$ 15,000
\$60,000 note payable - bearing interest of 10% settled on August 29, 2014	\$ -	\$ 60,000
\$20,000 note payable - bearing interest of 10% settled on August 29, 2014	\$ -	\$ 20,000
\$5,000 note payable - bearing interest of 10% settled on August 29, 2014	\$ -	\$ 5,000
\$7,000 note payable - bearing interest of 10% settled on August 29, 2014	\$ -	\$ 7,000
\$5,000 note payable - bearing interest of 10% settled on August 29, 2014	\$ -	\$ 5,000
\$30,000 note payable - bearing interest of 10% settled on August 29, 2014	\$ -	\$ 30,000
\$10,000 note payable - bearing interest of 10% maturing on July 11, 2015	\$ 10,000	\$ -
\$10,000 note payable - bearing interest of 10% maturing on September 4, 2015	\$ 10,000	\$ -
\$31,000 note payable - bearing interest of 10% maturing on October 30, 2015	\$ 31,000	\$ -
\$41,000 note payable - bearing interest of 10% maturing on November 15, 2015	\$ 41,000	\$ -
\$5,000 note payable - bearing interest of 10% maturing on November 6, 2015	\$ 5,000	\$ -
\$7,500 note payable - bearing interest of 10% maturing on November 7, 2015	\$ 7,500	\$ -
	<u>\$ 104,500</u>	<u>\$ 222,000</u>
Total Interest Accrued	\$ 2,101	\$ 72,810
Total Transaction Costs	\$ -	\$ 20,000
Total	<u>\$ 106,601</u>	<u>\$ 314,810</u>

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with the following individuals and entities:

Key Management Personnel

Key management personnel are persons responsible for planning, direction and controlling the activities of an entity, and include executive and non-executive directors.

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7. RELATED PARTY TRANSACTIONS (cont'd...)

- a) Paid or accrued consulting fees of \$12,000 (2013- \$12,000) to a company controlled by an officer and director of the Company.
- b) Paid or accrued consulting fees of \$7,500 (2013- nil) to a company employing an officer of the Company.

Other Related Parties

The Company entered into the following transactions with other related parties:

- a) Paid or accrued legal fees of \$25,452 (2013 - \$3,320) to a law corporation controlled by a director of the Company. This amount is included in professional fees in the statement of loss and comprehensive loss (\$10,415), and share issue costs (\$15,037)

Included in accounts payable and accrued liabilities as at December 31, 2014 is \$14,696 (2013 - \$71,991) due to directors, officers and companies controlled by directors and officers. These amounts are non-interest bearing, unsecured and are due on demand.

8. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in Canada.

Acquisition costs

Schedule of exploration and evaluation assets for the year ended December 31, 2014 is as follows:

	Firebag River	
	Property	
Acquisition costs, at December 31, 2013	\$	-
Cash		70,000
Acquisition costs at December 31, 2014	\$	70,000

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8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Exploration and evaluation expenditures

Schedule of exploration and evaluation expenditures for the year ended December 31, 2014 is follows:

	Firebag River Property
Exploration and evaluation expenditures at December 31, 2013	\$ -
Assays	10,992
Field work	23,232
Geological	46,597
Exploration and evaluation expenditures at December 31, 2014	\$ 80,821
Total December 31, 2013	\$ -
Total December 31, 2014	\$ 150,821

Firebag River Property, Alberta

The Company did not have exploration and evaluation assets as at Decemebr 31, 2013. On September 23, 2014, the Company entered into a property option agreement with 877384 Alberta Ltd. And Declan Resources Inc. to acquire a 70% interest in the Firebag River Property located in Alberta, Canada. To acquire the property, the Company must make cash payments, incur expenditures and issue shares as follows:

	Acquisition in Cash	Acquisition in Shares	Exploratioin Work Commitments
On approval of agreement by the TSXV (Mar 2, 2015)	\$ 50,000 (1)	2,000,000 (3)	\$ -
Within 90 days of the TSXV approval (May 31, 2015)	156,527 (2)	-	-
First anniversary of TSXV approval	100,000	1,000,000	-
Second anniversary of TSXV approval	100,000	1,000,000	-
November 22, 2014	-	-	150,000 (4)
June 22, 2015	-	-	100,000
November 22, 2015	-	-	100,000
November 22, 2016	-	-	500,000
Total	\$ 406,527	4,000,000	\$ 850,000

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8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

- (1) \$50,000 paid during the year ended December 31, 2014.
- (2) \$20,000 paid during the year ended December 31, 2014.
- (3) Issued 2,000,000 shares subsequent to December 31, 2014 (Note 14)
- (4) Incurred \$80,821 during the year ended December 31, 2014

9. CAPITAL STOCK AND RESERVES

Common shares

The authorized share capital of the Company is an unlimited number of common shares without par value and 5,057 Class A Shares, Series I. The Class A shares, Series I, are non-voting and are convertible into common shares at any time on the basis of 6.67 common shares for each Class A Series I share held.

During the year ended December 31, 2014, the Company:

- 1) Settled \$300,000 of notes payable by issuing 6,000,000 common shares valued at \$360,000 (the "Debt Settlement") The Company incurred a loss of \$60,000 on the debt settlement.
- 2) Issued 6,599,998 units at a price of \$0.06 per unit for total proceeds of \$396,000. Each unit consisted of one common share and one share purchase warrant; each warrant entitles the holder to purchase one common share at a price of \$0.12 until September 16, 2015. The Company recorded \$15,037 of share issuance costs associated with this financing. The warrants attached to the units had a residual value of \$nil.

The Company had no capital transactions during the year ended December 31, 2013.

At December 31, 2014, 5,000 (December 31, 2013 – 5,000) common shares of the Company are held in escrow for untraceable investors. These will be released on January 1, 2016.

Warrants

The following is a summary of share purchase warrants outstanding on December 31, 2014 and 2013 and changes during the years then ended:

	Number of Warrants	Exercise Price
Balance at December 31, 2012	2,333,333	\$ 0.30
Expired	(2,333,333)	\$ 0.30
Balance at December 31, 2013	-	\$ -
Issued	6,599,998	0.12
Outstanding and exercisable, December 31, 2014	6,599,998	\$ 0.12

Warrants outstanding as at December 31, 2014, expire on September 16, 2015.

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9. CAPITAL STOCK AND RESERVES (cont'd...)

Stock options

Under the Company's stock option plan, the Company may grant options for up to 10% of the issued and outstanding common shares to directors, employees and consultants at a minimum exercise price to be determined by the closing market value on the day prior to the date of grant. Under the plan, options vest as follows: One-quarter vest upon the grant date and a further one-quarter after each of the following three six-month periods. The Company may elect from time to time to waive or reduce the vesting periods based on reasonable determination by the Board of Directors. The options can be granted for a maximum term of 5 years.

The Company had no stock options outstanding at December 31, 2014 and 2013.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2014, the Company issued 6,000,000 shares at a value of \$360,000 in settlement of \$300,000 in debt.

As at December 31, 2014, \$35,816 (2013 - \$nil) of exploration and evaluation assets is included in accounts payable and accrued liabilities.

The Company did not pay any income taxes in 2014 and 2013. During the year ended December 31, 2014 the Company paid \$67,258 in interest (2013, - \$nil). There were no significant non-cash transaction for the year ended December 31, 2013.

11. SEGMENTED INFORMATION

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets and are located in Canada

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12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Loss for the year	\$ (345,708)	\$ (113,954)
Expected income tax recovery at statutory rates	\$ (90,000)	\$ (29,000)
Share issuance costs	\$ (3,000)	\$ -
Adjustment to prior years provision versus statutory tax returns, expiry of non-capital loss, and other	(56,000)	131,000
Change in unrecognized deductible temporary differences	149,000	(102,000)
Total income taxes	\$ -	\$ -

The Canadian income tax rate increased during the year due to changes in the law that increased corporate income tax rates in Canada.

The significant components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	31-Dec-14	31-Dec-13
Deferred tax assets:		
Exploration and evaluation assets	\$ 1,778,000	\$ 1,679,000
Canadian eligible capital	34,000	34,000
Share issue costs	4,000	3,000
Allowable capital losses	9,000	9,000
Non-capital losses available for future periods	14,694,000	14,645,000
Net deferred tax liabilities	16,519,000	16,370,000
Unrecognized deferred tax assets	(16,519,000)	(16,370,000)
	\$ -	\$ -

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12. INCOME TAXES (cont'd...)

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	December 31, 2014	Expiry dates	December 31, 2013	Expiry dates
Exploration and evaluation assets	\$ 6,837,000	N/A	\$ 6,459,000	N/A
Property and Equipment	1,000	N/A	2,000	N/A
Canadian eligible capital	133,000	N/A	133,000	N/A
Share issue costs	16,000	2035-2038	10,000	2034-2037
Allowable capital losses	36,000	N/A	36,000	N/A
Non-capital losses available for future periods	46,346,000	2014-2034	46,155,000	2014-2033
	<u>\$ 53,369,000</u>		<u>\$ 52,795,000</u>	

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. CONTINGENCIES

On March 9, 2015, the Company was contacted by the Ontario Ministry of Northern Development and Mines and notified that it has rehabilitation obligations with respect to the Tashota Nipigon mine in northern Ontario. This mine property was acquired by one of the Corporation's predecessor companies in 1939. The Corporation has retained consultants to assess the potential cost of the rehabilitation, and its liability if any. As at December 31, 2014 the Company was unaware of any ownership in this property and therefore unable to anticipate any financial obligation.

14. SUBSEQUENT EVENTS

On February 27, 2015, the Company completed a non-brokered private placement. The Company issued a total of 12,050,000 units at a price of \$0.10 per unit for gross proceeds of \$1,205,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.15 per share at any time within 60 months of the date of issuance. The Company paid aggregate cash finder's fees in the amount of \$88,000 to eligible finders.

On March 2, 2015, the Company issued 2,000,000 shares at \$0.15 to Declan Resources Inc. pursuant to the property option agreement.

On March 3, 2015, the Company's listing on the TSX was transferred from NEX to TSX Venture and the Tier classification changed from NEX to Tier 2.

On January 30, 2015, the Company received a \$7,500 loan which bears interest at 10% per annum, payable quarterly.