



Financial Statements

December 31, 2014 and 2013

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lakeland Resources Inc.,

We have audited the accompanying financial statements of Lakeland Resources Inc. which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of 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 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 audit to obtain reasonable assurance whether the financial statements are free of 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 Lakeland Resources Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



CHARTERED ACCOUNTANTS

Vancouver, Canada
April 29, 2015

Lakeland Resources Inc.
Statements of Financial Position
As at December 31,
(Expressed in Canadian Dollars)

	2014	2013
Assets		
Current		
Cash	\$ 3,754,652	\$ 103,292
Taxes receivable	24,157	37,892
Other receivables	3,275	-
Marketable securities (Note 12)	28,500	6,000
Prepaid expenses	74,377	32,946
Total Current Assets	3,884,961	180,130
Exploration and evaluation assets (Note 4)	2,899,370	2,007,845
Total Assets	\$ 6,784,331	\$ 2,187,975
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 111,915	\$ 145,173
Liability for flow-through shares (Note 10)	467,827	-
Total Current Liabilities	579,742	145,173
Equity		
Capital stock (Note 5)	8,196,153	3,172,286
Share subscription receivable	-	(10,000)
Reserves (Note 6)	797,464	424,685
Deficit	(2,789,028)	(1,544,169)
Total Equity	6,204,589	2,042,802
Total Liabilities and Equity	\$ 6,784,331	\$ 2,187,975

Going concern of operations (Note 2)
 Commitments (Note 9)
 Events after the reporting period (Note 14)

Approval on behalf of the Board of Directors:

“Jonathan Armes”
 Director

“David Hodge”
 Director

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

Lakeland Resources Inc.
Statements of Comprehensive Loss
For the years ended December 31,
(Expressed in Canadian Dollars)

	2014	2013
Expenses		
Accounting and audit fees	\$ 18,419	\$ 16,850
Administration fees (Note 9)	150,000	112,500
Advertising and promotion	228,516	108,430
Consulting fees (Note 7)	323,887	152,851
Investor relations (Note 9)	69,145	30,000
Legal fees	48,892	24,439
Office and general	17,521	7,224
Property investigation costs	-	109,502
Share-based payments (Note 6)	229,090	190,853
Transfer agent and filing fees	56,668	22,832
Travel expenses	37,956	28,417
Operating Expenses	1,180,094	803,898
Other (Income) Expenses		
Interest income	(19,366)	(2,989)
Unrealized loss on marketable securities (Note 12)	19,500	1,500
Loss on sale of marketable securities (Note 12)	161,645	-
Penalties	273	-
Loss before Income Taxes	1,342,146	802,409
Deferred income tax recovery (Note 13)	(97,287)	(49,110)
Net Loss and Comprehensive Loss for the Year	\$ 1,244,859	\$ 753,299
Basic and Diluted Loss Per Share	\$ 0.03	\$ 0.03
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	49,360,491	25,123,902

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

Lakeland Resources Inc.
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Reserves	Share Subscription Receivable	Deficit	Total
Balance, January 1, 2013	21,672,878	\$ 2,067,066	\$ 233,832	\$ -	\$ (790,870)	\$ 1,510,028
Issuance of shares for exploration and evaluation asset interests	950,000	96,000	-	-	-	96,000
Issuance of shares for cash	10,155,180	1,057,719	-	(10,000)	-	1,047,719
Liability for flow-through shares	-	(1,700)	-	-	-	(1,700)
Issuance of shares for finder's fees	349,104	34,910	-	-	-	34,910
Share issuance costs	-	(81,709)	-	-	-	(81,709)
Share-based payments	-	-	190,853	-	-	190,853
Net loss for the year	-	-	-	-	(753,299)	(753,299)
Balance, December 31, 2013	33,127,162	\$ 3,172,286	\$ 424,685	\$ (10,000)	\$ (1,544,169)	\$ 2,042,802
Issuance of shares for exploration and evaluation asset interests	5,250,000	594,500	-	-	-	594,500
Issuance of shares for cash	35,748,423	5,709,835	(80,291)	10,000	-	5,639,544
Share issuance costs	-	(715,354)	223,980	-	-	(491,374)
Liability for flow-through shares	-	(565,114)	-	-	-	(565,114)
Share-based payments	-	-	229,090	-	-	229,090
Net loss for the year	-	-	-	-	(1,244,859)	(1,244,859)
Balance, December 31, 2014	74,125,585	\$ 8,196,153	\$ 797,464	\$ -	\$ (2,789,028)	\$ 6,204,589

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

Lakeland Resources Inc.
Statements of Cash Flows
For the years ended December 31,
(Expressed in Canadian Dollars)

	2014	2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net loss for the year:	\$ (1,244,859)	\$ (753,299)
Items not involving cash:		
Deferred income tax recovery	(97,287)	(49,110)
Share-based payments	229,090	190,853
Unrealized loss on marketable securities	19,500	1,500
Loss on sale of marketable securities	161,645	-
Changes in non-cash operating working capital:		
Taxes and other receivables	10,460	(15,942)
Prepaid expenses	(41,431)	(32,946)
Accounts payable and accrued liabilities	20,561	24,449
Net cash flows (used in) operating activities	(942,321)	(634,495)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Proceeds from sale of resource property	100,000	-
Proceeds from sale of marketable securities	51,355	-
Exploration and evaluation asset expenditures	(705,844)	(700,912)
Net cash flows (used in) investing activities	(554,489)	(700,912)
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES:		
Issuance of shares for cash	5,639,544	1,047,719
Share issue costs	(491,374)	(46,799)
Net cash flows provided from financing activities	5,148,170	1,000,920
INCREASE IN CASH AND CASH EQUIVALENTS	3,651,360	334,487
Cash and cash equivalents, beginning of year	103,292	437,779
Cash and cash equivalents, end of year	\$ 3,754,652	\$ 103,292

Supplemental disclosure with respect to cash flows (Note 11)

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

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Lakeland Resources Inc. (“Lakeland” or the “Company”) is a publicly listed company incorporated in British Columbia with limited liability under the legislation of the Province of British Columbia. The shares of the Company are listed on the Toronto Venture Exchange (“TSX-V”) under the symbol ‘LK’, on the Frankfurt Stock Exchange (“FSE”) under the symbol “6LL”, and in the United States of America on the OTCQX under the symbol “LRESF”. The Company is principally engaged in the acquisition, exploration, and development of mineral properties.

The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Basis of measurement

These financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale (“AFS”) and fair value through profit or loss (“FVTPL”). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

Going concern of operations

These financial statements were prepared on a going concern basis, under the historical cost convention. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. The Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof in the future. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects.

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The ability of the Company to continue as a going concern for the next fiscal year; and
- Assessment as to whether any impairment exists in the valuation of its assets;

Approval of the financial statements

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

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout the Company for purposes of these financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short-term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value. At December 31, 2014 the Company had \$3,331,500 in cash equivalents (2013 - \$11,500).

Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months.

Exploration and evaluation expenditures

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditures incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures incurred are capitalized. All capitalized exploration and evaluation expenditures are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "Mines under construction". There is no amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or "premium" are recorded as a liability for flow-through shares on the statement of financial position. When expenditures are incurred, a deferred tax liability is recognized and the liability for flow-through shares in the statement of comprehensive loss is reversed. The net amount is recognized as deferred income tax recovery in the statement of comprehensive loss.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration 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.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

i. Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash and cash equivalents and marketable securities are included in this category of financial assets.

- Held-to-maturity investments (“HTM”)

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment. Loans and receivables comprise amounts receivable excluding taxes receivable.

- Available-for-sale (“AFS”) financial assets

AFS financial assets are non-derivative financial assets that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity.

When applicable, management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss.

- Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

- Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments – continued

i. Financial assets- continued

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of financial assets is directly reduced by the impairment loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

ii. Financial liabilities

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivative financial liabilities and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

- Derivative Financial liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency. The Company does not have any such warrants that are denominated in a currency other than the Company's functional currency.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

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.

Income taxes

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates 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 financial position reporting date applicable to the period of expected realization or settlement.

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.

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.

Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Impairment of non-current assets

Non-current assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

In calculating the recoverable amount the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Restoration and environmental obligations – continued

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

As at December 31, 2014 and 2013, the Company has no restoration and environmental obligations.

New standards, amendments and interpretations to existing standards adopted by the Company

The Company has applied the following new and revised IFRS in these audited financial statements:

- IAS 32 – *Financial Instruments: Presentation*
- IAS 36 – *Impairment of Assets*
- IAS 39 – *Financial Instruments: Recognition and Measurement*

New accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") but not yet effective as at December 31, 2014. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its financial statements. Pronouncements that are not applicable to the Company have been excluded from those described below.

The following standards or amendments are effective for annual periods beginning on or after January 1, 2015:

- IFRS 9, *Financial Instruments*

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

Title to mineral properties 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 properties. The Company has investigated title to its mineral properties, and, to the best of its knowledge, except as described below, they are properly registered and in good standing.

	Staked Properties	Optioned Properties	Other Properties	Total
Balance, January 1, 2013	\$ -	\$ -	\$ 1,098,774	\$ 1,098,774
Additions during the year –				
Property acquisition costs				
Cash	-	60,000	66,000	126,000
Shares for property	-	70,500	25,500	96,000
Staking and recording	78,099	7,184	-	85,283
Property exploration costs				
Assays	7,800	490	830	9,120
Field supplies and rentals	20,947	-	174	21,121
Geological and field personnel	479,648	59,115	14,416	553,179
Reports	-	-	6,231	6,231
Travel and accommodation	19,117	-	520	19,637
Total additions during the year	605,611	197,289	113,671	916,571
Proceeds received	-	-	(7,500)	(7,500)
Balance, December 31, 2013	\$ 605,611	\$ 197,289	\$ 1,204,945	\$ 2,007,845
Additions during the year –				
Property acquisition costs				
Cash	-	186,019	-	186,019
Shares	-	570,500	24,000	594,500
Staking and recording	34,715	9,513	12,450	56,678
Property exploration costs				
Assays	1,017	23,942	1,000	25,959
Field supplies and rentals	-	5,356	-	5,356
Geological and field personnel	39,736	243,192	-	282,928
Reports	-	-	5,960	5,960
Travel	-	89,125	-	89,125
Total additions during the year	75,468	1,127,647	43,410	1,246,525
Proceeds received	(340,000)	(15,000)	-	(355,000)
Balance, December 31, 2014	\$ 341,079	\$ 1,309,936	\$ 1,248,355	\$ 2,899,370

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS - continued

Uranium Properties – Staked

Note	Uranium properties - staked			Total
	Gibbon's Creek (i)	Otherside / Riou Lake (ii)	Other Uranium Claims (iii)	
Balance, January 1, 2013	\$ -	\$ -	\$ -	\$ -
Additions during the year –				
Property acquisition costs				
Cash	-	-	-	-
Shares for property	-	-	-	-
Staking and recording	600	27,062	50,437	78,099
Property exploration costs				
Assays	3,668	4,132	-	7,800
Field supplies and rentals	-	20,947	-	20,947
Geological and field personnel	364,474	115,174	-	479,648
Reports	-	-	-	-
Travel and accommodation	-	19,117	-	19,117
Total additions during the year	368,742	186,432	50,437	605,611
Proceeds received	-	-	-	-
Balance, December 31, 2013	\$ 368,742	\$ 186,432	\$ 50,437	\$ 605,611
Additions during the period –				
Property acquisition costs				
Cash	-	-	-	-
Shares	-	-	-	-
Staking and recording	-	2,779	31,936	34,715
Property exploration costs				
Assays	-	1,017	-	1,017
Geological and field personnel	33,088	703	5,945	39,736
Reports	-	-	-	-
Total additions during the year	33,088	4,499	37,881	75,468
Proceeds received	(340,000)	-	-	(340,000)
Balance, December 31, 2014	\$ 61,830	\$ 190,931	\$ 88,318	\$ 341,079

i) Gibbon's Creek Project

In 2013, the Company acquired, by staking, five claims known as the Gibbon's Creek Property. On December 4, 2013, the Company signed a joint venture agreement with Declan Resources Inc. ("Declan") whereby Declan can earn up to a 70% interest in the Gibbon's Creek Property by incurring \$6,500,000 of staged exploration expenditures, paying \$1,500,000 in cash (\$100,000 received) and issuing 11,000,000 shares (2,000,000 received and fair valued at \$240,000) in staged payments prior to December 31, 2017. On September 19, 2014, the Company announced that it had reached an agreement with Declan to terminate the option agreement.

ii) Riou Lake/Otherside Property

On April 2, 2013, the Company announced that it had acquired, by staking, two uranium projects located in the Athabasca Basin region of Northern Saskatchewan. The Otherside Property is comprised of two mineral claims. The Riou Lake Property is comprised of 11 mineral claims.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS - continued

Uranium Properties – Staked - continued

iii) Other Uranium Properties

On April 11, 2013, the Company announced that it had acquired five uranium properties, by staking, in the Athabasca Basin region, Saskatchewan. The Lazy Edward Bay Property is comprised of ten mineral claims. The Karen Lake Property is comprised of three mineral claims. The Black Lake Property is comprised of two mineral claims. The Hidden Lake Property is comprised of three mineral claims. The Fedun Lake Property is comprised of two mineral claims.

On April 25, 2013, the Company announced that it had acquired three uranium properties, by staking, in the northern and northeastern part of the Athabasca Basin. The Small Lake Property is comprised of six mineral claims. The Hawkrock Rapids Property is comprised of three mineral claims. The Circle Lake Property is comprised of two mineral claims.

On June 5, 2013, the Company announced that it had acquired two uranium properties, the Richmond Lake Property and Jasper Lake Property, by staking, located within the eastern margin of the Athabasca Basin.

In August 2014, the Company acquired four uranium properties, by staking, in the Athabasca Basin region, Saskatchewan, totalling 17,954 hectares. The Carter Lake Property is comprised of four mineral claims. The Cable Bay Property is comprised of five mineral claims. The Highrock Property is comprised of three mineral claims. The Wright River Property is comprised of eleven mineral claims.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS - continued

Uranium Properties – Optioned

Note	Uranium properties - optioned						Total
	South Pine/Perch Properties (iv)	Star Property Option (v)	Lazy Edward Option (vi)	Fond du Lac Option (vii)	Newnham Lake Property (viii)	Hatchet Lake Property (ix)	
Balance, January 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the year –							
Property acquisition costs							
Cash	20,000	40,000	-	-	-	-	60,000
Shares for property	28,500	42,000	-	-	-	-	70,500
Staking and recording	-	-	7,184	-	-	-	7,184
Property exploration costs							
Assays	490	-	-	-	-	-	490
Field supplies and rentals	-	-	-	-	-	-	-
Geological and field personnel	59,115	-	-	-	-	-	59,115
Reports	-	-	-	-	-	-	-
Travel and accommodation	-	-	-	-	-	-	-
Total additions during the year	108,105	82,000	7,184	-	-	-	197,289
Proceeds received	-	-	-	-	-	-	-
Balance, December 31, 2013	\$ 108,105	\$ 82,000	\$ 7,184	\$ -	\$ -	\$ -	\$197,289
Additions during the period –							
Property acquisition costs							
Cash	30,019	20,000	5,000	-	117,500	13,500	186,019
Shares	48,000	26,000	42,500	24,000	375,000	55,000	570,500
Staking and recording	-	-	9,513	-	-	-	9,513
Property exploration costs							
Assays	-	13,015	10,927	-	-	-	23,942
Field supplies and rentals	-	5,356	-	-	-	-	5,356
Geological and field personnel	25,179	31,114	142,468	19,136	25,295	-	243,192
Travel	-	12,021	49,341	27,763	-	-	89,125
Total additions during the year	103,198	107,506	259,749	70,899	517,795	68,500	1,127,647
Proceeds received	-	-	-	(15,000)	-	-	(15,000)
Balance, December 31, 2014	\$ 211,303	\$ 189,506	\$ 266,933	\$ 55,899	\$ 517,795	\$ 68,500	\$1,309,936

iv) South Pine Project/Perch Property

On June 4, 2013, the Company signed an agreement with Basin Minerals Ltd. (“Basin”) where the Company has the right to earn a 100% interest in the South Pine and Perch Lake Properties by making cash payments totalling \$70,000 (\$20,000 paid as at December 31, 2013 and \$50,000 paid during the year ended December 31, 2014) and issuing 1,500,000 common shares (300,000 shares issued with a fair value of \$28,500 during the year ended December 31, 2013 and 400,000 shares issued with a fair value of \$48,000 during the year ended December 31, 2014) over a 36 month period. Basin will retain a 2% Net Smelter Royalty (“NSR”) on the Properties, 1% of which can be purchased by the Company for \$1 million. Basin will also be entitled to annual advanced royalty payments of \$10,000 which will commence after the Company has earned its interest. The transaction was accepted by the TSX-V on June 11, 2013.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS - continued

Uranium Properties – Optioned - continued

v) Star Minerals Property Option

On November 27, 2013, the Company announced that it signed a Joint Venture Agreement (the "JV Agreement") with Star Minerals Group Ltd. ("Star Minerals") granting Lakeland an option to acquire a 100% interest in two claims located in the Athabasca Basin, Saskatchewan. Under the terms of the joint venture agreement, Lakeland has the right to earn a 100% interest in the two claims by making cash payments totaling \$60,000 (paid) and issuing 600,000 common shares (issued) over a 12 month period. Star Minerals will retain the option of a 25% buyback for 4 times the exploration monies spent by the Company to the date that the buyback option is exercised. The buyback option will be exercisable at any time up to a 90 day period following the completion and publication of a NI 43-101 compliant resource estimate. The transaction was approved by the TSX-V on November 28, 2013. As of the current date the Company has satisfied the terms of the agreement and earned its interest in the property.

vi) Lazy Edward Bay Property Option

On April 24, 2014, the Company announced that it entered into a purchase agreement to acquire a 100% interest in three claims, formerly known as the Arbour Property, located adjacent to its previously staked Lazy Edward Bay Uranium Property in the southern Athabasca Basin, Saskatchewan. Under the terms of the agreement, the Company has the right to earn a 100% interest in the claims by making a cash payment totaling \$5,000 (paid) and issue 250,000 common shares (issued with a fair value of \$42,500). The transaction was approved by the TSX-V on April 28, 2014. As of the current date the Company has satisfied the terms of the agreement and earned its interest in the property.

vii) Fond du Lac Property Option

On June 25, 2014, the Company announced that it entered into an option agreement to acquire a 100% interest in one claim located in the northern Athabasca Basin region, Saskatchewan. Under the terms of the agreement, the Company has the right to earn a 100% interest in the claims by issuing 200,000 common shares (issued with a fair value of \$24,000). The transaction was approved by the TSX-V on June 27, 2014. As of the current date the Company has satisfied the terms of the agreement and earned its interest in the property.

On December 29, 2014, the Company announced it had entered into an option agreement with Takara Resources Inc. ("Takara") where Takara can acquire a 50% interest in the Fond du Lac Property by issuing 1,750,000 common shares (1,500,000 shares issued with a fair value of \$15,000) and spending \$100,000 on exploration of the property by June 1, 2015. The property is subject to a 1.5% NSR to the original vendor. The purchase option is subject to TSX-V approval.

viii) Newnham Lake Property

On July 21, 2014, the Company announced that it entered into a purchase agreement to acquire a 100% interest in the Newnham Lake Property. The property is contiguous to the south of the Company's Karen Lake Property (Note 4(iii)). Under the terms of the agreement, the Company has the right to earn a 100% interest in the property by making cash payments totaling \$100,000 (\$37,500 paid) and issuing 2,500,000 common shares (issued July 22, 2014 with a fair value of \$275,000). The transaction was approved by the TSX-V on July 22, 2014.

On August 21, 2014, the Company entered into a purchase agreement with Kalt Industries Ltd. and DG Resource Management Ltd., for the acquisition of the 1333 Property, located near the Company's Newnham Lake Property, for total consideration of up to \$50,000 cash (\$40,000 paid) and the issuance of up to 750,000 common shares (500,000 issued) of the Company. The Company commits to expend not less than \$1 million dollars in exploration expenditures on or before August 28, 2019, of which \$50,000 must be spent in year one. The property is subject to a 3% GORR, to which Lakeland may purchase up to a 1% for \$1 million dollars up to August 28, 2019. The transaction was approved by the TSX-V on August 28, 2014.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS - continued

Uranium Properties – Optioned – continued

On August 21, 2014, the Company entered into an option agreement to acquire three mineral claims from Anstag Mining Inc., for total consideration of up to \$50,000 cash (\$40,000 paid) and 1,000,000 common shares (issued August 28, 2014 with a fair value of \$100,000). In addition, the Company commits to incur \$1.5 million dollars in exploration expenditures on or before 5 years from the Exchange approval date. The property is subject to a 1% gross overriding royalty (“GORR”), to which Lakeland may purchase ½ of the GORR for \$1 million dollars at any time. The transaction was approved by the TSX-V on August 28, 2014.

The Newnham Lake Property is now approximately 24,500 hectares.

ix) Hatchet Lake Property

On July 21, 2014, the Company announced that it entered into a purchase agreement to acquire a 100% interest in the Hatchet Lake Property. The property is located east of the Company’s recently purchased Fond du Lac Property. Under the terms of the agreement, the Company has the right to earn a 100% interest in the property by making a cash payment totaling \$13,500 (paid) and issuing 500,000 common shares (issued July 22, 2014 with a fair value of \$55,000). The transaction was approved by the TSX-V on July 22, 2014. As of the current date the Company has satisfied the terms of the agreement and earned its interest in the property.

Other Properties

	Other properties				
	Camlaren Property	Midas Gold Property	Ballard Lake Property	Kamichisitit Claims	Total
Note	(x)	(xii)	(xiii)	(xi)	
Balance, January 1, 2013	\$308,303	\$649,579	\$ 32,968	\$107,924	\$1,098,774
Additions during the year –					
Property acquisition costs					
Cash	-	56,000	10,000	-	66,000
Shares for property	-	13,500	12,000	-	25,500
Staking and recording	-	-	-	-	-
Property exploration costs					
Assays	-	830	-	-	830
Field supplies and rentals	-	-	-	174	174
Geological and field personnel	12	10,103	-	4,301	14,416
Reports	-	6,231	-	-	6,231
Travel and accommodation	-	-	-	520	520
Total additions during the year	12	86,664	22,000	4,995	113,671
Proceeds received	-	(7,500)	-	-	(7,500)
Balance, December 31, 2013	\$308,315	\$728,743	\$ 54,968	\$112,919	\$1,204,945
Additions during the year –					
Property acquisition costs					
Cash	-	-	-	-	-
Shares	-	-	24,000	-	24,000
Staking and recording	-	-	900	11,550	12,450
Property exploration costs					
Assays	-	-	-	1,000	1,000
Geological and field personnel	-	-	-	-	-
Reports	-	-	5,000	960	5,960
Total additions during the year	-	-	29,900	13,510	43,410
Proceeds received	-	-	-	-	-
Balance, December 31, 2014	\$308,315	\$728,743	\$ 84,868	\$126,429	\$1,248,355

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS - continued

Other Properties - continued

x) Camlaren Property, Northwest Territories

On August 12, 2010, the Company completed the acquisition of the Camlaren Property, located in the Northwest Territories, from Pasinex Resources Corp. (formerly Triple Dragon Resources Inc.) ("Pasinex"), a CNSX listed company. Pursuant to the terms of the Acquisition Agreement, the Company acquired a 100% interest in and to the Camlaren Property in consideration for the issuance of 3,000,000 common shares (issued). The common shares are being held in escrow with an initial 10% released on August 19, 2010 and the remaining shares being released in 15% increments every 6 months. The last release from escrow occurred on August 19, 2013. The acquisition of the Camlaren Property constituted the Company's Qualifying Transaction, as that term is defined in the TSX-V policies.

xi) Kamichisitit Claims

In June 2012, the Company acquired, by staking, 2 claims located in Kamichisitit Township, situated approximately 40 kilometres north of Iron Bridge, Ontario. In June 2014, the Company staked additional claims in the surrounding area.

xii) Midas Gold Property

On December 22, 2010, the Company entered into an option to purchase a 100% interest in and to the Midas Gold Property, Ontario. The agreement was accepted by the TSX-V on April 8, 2011.

The Company will pay the vendors cash considerations as follows:

- i) \$18,000 on signing of the agreement (paid);
- ii) \$21,000 on April 8, 2012 (paid);
- iii) \$24,000 on April 8, 2013 (paid); and
- iv) \$32,000 on April 8, 2014 (paid).

The Company will issue common shares to the vendors as follows:

- i) 150,000 common shares on TSX-V acceptance of the agreement (issued);
- ii) 150,000 common shares on April 8, 2012 (issued); and
- iii) 150,000 common shares on April 8, 2013 (issued).

The Company incurred a total of \$125,000 in exploration expenditures on the Property in the first twelve months following TSX-V acceptance of the agreement. The Vendors will retain a 2% Net Smelter Returns Royalty ("NSR") on the Property; 1% of which can be purchased by the Company for \$1 million. As of the current date the Company has satisfied the terms of the agreement and earned its interest in the property.

On September 3, 2013, the Company entered into an option agreement with New Dimension Resources Ltd. ("New Dimension" whereby the Company has granted New Dimension the option to acquire a 70% interest in the Midas Gold Property by spending \$1.2 million in exploration (including a firm commitment of \$300,000 no later than December 31, 2013), issuing 1,500,000 shares (300,000 received on October 15, 2013) and paying \$100,000 on or before December 31, 2016. The property is subject to a 2% NSR to the underlying optionors, a portion of which can be purchased.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS - continued

Other Properties - continued

xiii) Ballard Lake Property

On February 27, 2012, the Company entered into an option to purchase a 100% interest in and to the Ballard Lake Property, located in Ontario, Canada. The agreement was accepted by the TSX-V on May 23, 2012.

The Company will pay the vendors cash considerations as follows:

- i) \$5,000 on signing of the agreement (paid);
- ii) \$10,000 on May 23, 2013 (paid) ; and
- iii) \$15,000 on May 23, 2014 (see below).

The Company will issue common shares to the vendors as follows:

- iv) 100,000 common shares on TSX-V acceptance of the agreement (issued);
- v) 100,000 common shares on May 23, 2013 (issued); and
- vi) 100,000 common shares on May 23, 2014 (issued).

The Vendors will retain a 2% NSR on the Property; of which 1% can be purchased by the Company for \$1 million.

On July 8, 2014, the Company received approval to amend the Ballard Lake Property Acquisition Agreement dated March 25, 2012 between the Company and Mike and Mathieu Tremblay (the "Vendors") whereby in lieu of the final payment of \$15,000, the Company will issue 100,000 common shares (issued). On July 8, 2014, the Company issued 200,000 common shares (issued with a fair value of \$24,000) to complete the required payments on the Ballard Lake Property. As of the current date the Company has satisfied the terms of the agreement and earned its interest in the property.

See Note 14.

5. SHARE CAPITAL

- a) Authorized: Unlimited number of common shares without nominal or par value.
- b) Issued:

The total issued and outstanding shares of the Company at December 31, 2014 is 74,125,585 (2013: 33,127,162).

During the year ended December 31, 2014:

- i) On March 20, 2014 the Company closed a private placement for total gross proceeds of \$2,686,037. Secutor Capital Management Corporation (the "Agent") was lead agent in connection with the brokered private placement of 5,580,000 Flow-Through Units ("FT Units") and 6,147,795 ordinary Units ("Units"). In addition, the Company closed a non-brokered private placement of 305,000 FT Units and 325,000 Units for gross proceeds of \$144,500. Each FT Unit consists of one flow-through common share and one half of one non flow-through common share purchase warrant in the capital of the Company. Each whole share purchase warrant (a "Warrant") is exercisable until March 20, 2015 into one common share of the Company at a price of \$0.30 per common share. Each Unit consists of one common share and one Warrant.

The Company has paid to finder's cash commissions totalling \$274,118 and issued 491,824 compensation options in respect of the FT Units at \$0.25 per share and 491,140 compensation options in respect of the Units exercisable at \$0.21 per share until March 20, 2015.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

5. SHARE CAPITAL - continued

During the year ended December 31, 2014: - continued

- ii) On April 28, 2014, the Company issued 250,000 common shares at a price of \$0.17 per share in accordance with the acquisition agreement on the Lazy Edward Bay Property Agreement.
- iii) On June 04, 2014, the Company issued 400,000 common shares at a price of \$0.12 per share in accordance with the acquisition agreement on the South Pine Property Agreement.
- iv) On June 27, 2014, the Company issued 200,000 common shares at a price of \$0.12 per share in accordance with the acquisition agreement on the Fond du Lac Property Agreement.
- v) On July 8, 2014, the Company issued 200,000 common shares at a price of \$0.12 per share in accordance with the acquisition agreement on the Ballard Lake Property Agreement.
- vi) On July 22, 2014, the Company issued 500,000 common shares at a price of \$0.11 per share in accordance with the acquisition agreement on the Hatchet Lake Property Agreement.
- vii) On July 22, 2014, the Company issued 2,500,000 common shares at a price of \$0.11 per share in accordance with the acquisition agreement on the Newnham Lake Property Agreement.
- viii) On August 28, 2014, the Company issued 1,000,000 common shares at a price of \$0.10 per share in accordance with the acquisition agreement on the Newnham Lake Property Agreement.
- ix) On November 28, 2014, the Company issued 200,000 common shares at a price of \$0.13 per share in accordance with the Star Minerals Property Option.
- x) On December 8, 2014 the Company closed a private placement for total gross proceeds of \$1,885,008. Secutor Capital Management Corporation (the "Agent") was lead agent in connection with the brokered private placement of 13,833,400 Flow-Through Units ("FT Units") at \$0.12 per FT Unit and 2,250,000 ordinary Units ("Units") at \$0.10 per Unit. Each FT Unit consists of one flow-through common share and one half of one non flow-through common share purchase warrant in the capital of the Company. Each whole share purchase warrant (a "Warrant") is exercisable until December 8, 2016 into one common share of the Company at a price of \$0.15 per common share. Each Unit consists of one common share and one Warrant.

The Company has paid to finder's cash commissions totalling \$187,281 and issued 1,106,672 compensation options in respect of the FT Units at \$0.10 per share and 180,000 compensation options in respect of the Units exercisable at \$0.12 per share until December 8, 2016.

- xi) On December 22, 2014 the Company closed a non-brokered private placement of 1,842,000 Flow-Through Units ("FT Units") at \$0.12 per FT Unit and 1,936,500 ordinary Units ("Units") at \$0.10 per Unit for total gross proceeds of \$414,690. Each FT Unit consists of one flow-through common share and one half of one non flow-through common share purchase warrant in the capital of the Company. Each whole share purchase warrant (a "Warrant") is exercisable until December 22, 2016 into one common share of the Company at a price of \$0.15 per common share. Each Unit consists of one common share and one Warrant.

The Company has paid to finder's cash commissions totalling \$29,975 and issued 270,280 finders Warrants at \$0.15 per warrant shares exercisable until December 22, 2016.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

5. SHARE CAPITAL - continued

During the year ended December 31, 2013:

- i) On April 22, 2013, the Company issued 150,000 common shares at a price of \$0.09 per share in accordance with the acquisition agreement on the Midas Gold Property.
 - ii) On June 11, 2013, the Company issued 300,000 common shares at a price of \$0.095 per share in accordance with the acquisition agreement on the South Pine/Perch Lake Property Agreement.
 - iii) On August 30, 2013, the Company completed a non-brokered private placement financing of 5,702,700 units (the "Units") of the Company at a price of \$0.10 per Unit for gross proceeds of \$570,270. Each Unit consists of one common share and one common share purchase warrant, with each warrant being exercisable into one common share at \$0.15 for a period of 12 months from closing. The Company also completed a private placement financing of 1,348,000 flow-through units (the "FT Units") of the Company at a price of \$0.125 per FT Unit for gross proceeds of \$168,500. Each FT Unit consists of one flow-through common share and one common share purchase warrant, with each warrant exercisable into one common share at \$0.15 for a period of 12 months from closing. The Company paid \$27,634 and issued 236,089 Units as finder's fees.
 - iv) On October 16, 2013, the Company the Company completed a non-brokered private placement financing of 2,764,480 units (the "Units") of the Company at a price of \$0.10 per Unit for gross proceeds of \$276,448. Each Unit consists of one common share and one common share purchase warrant, with each warrant being exercisable into one common share at \$0.15 for a period of 12 months from closing. The Company also completed a private placement financing of 340,000 flow-through units (the "FT Units") of the Company at a price of \$0.125 per FT Unit for gross proceeds of \$42,500. Each FT Unit consists of one flow-through common share and one common share purchase warrant, with each warrant exercisable into one common share at \$0.15 for a period of 12 months from closing. The Company issued 113,015 Units as finder's fees.
 - v) On October 22, 2013, Company issued 100,000 common shares at a price of \$0.12 per share in accordance with the acquisition agreement on the Ballard Lake Property (see Note 4).
 - vi) On November 28, 2013, the Company issued 400,000 common shares at a price of \$0.105 per share in accordance with the Star Minerals Property Option (see Note 4).
- c) Shares held in Escrow:

In December 2007, the Company issued 3,470,000 common shares at a price of \$0.05 per common share to non-arms-length parties of the Corporation. Under the requirements of the TSX-V, all these common shares issued at \$0.05 per share will be held in escrow and released in stages over a period of three years from the date of acceptance by the TSX-V of the Company's QT (as defined in Policy 2.4 of the TSX-V). The last release from escrow occurred on August 19, 2013,

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

5. SHARE CAPITAL - continued

d) Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2014		2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	10,504,284	\$ 0.15	1,950,000	\$ 0.15
Exercised	(2,828,728)	0.15	-	-
Expired	(7,675,556)	0.15	(1,950,000)	0.15
Issued	23,979,411	0.21	10,504,284	0.15
Balance, end of year	23,979,411	\$ 0.21	10,504,284	\$ 0.15

The following warrants were outstanding as at December 31, 2014:

Expiry Date	Exercise Price	Number of Shares	Remaining Contractual Life (Years)
March 20, 2015*	\$ 0.30	9,415,295	0.22
March 20, 2015**	\$ 0.21	491,140	0.22
March 20, 2015**	\$ 0.25	491,824	0.22
December 8, 2016	\$ 0.15	9,166,700	1.94
December 8, 2016	\$ 0.10	1,106,672	1.94
December 8, 2016	\$ 0.12	180,000	1.94
December 22, 2016	\$ 0.15	3,127,780	1.98
Total		23,979,411	

Weighted average remaining life of stock options outstanding 1.20

* The expiry date of these warrants was revised to March 20, 2016 subsequent to December 31, 2014 – see Note 14

** These warrants subsequently expired unexercised

The Company applies the fair value method in accounting for its agent's options using the Black-Scholes pricing model. During the year ended December 31, 2014, the Company issued a total of 2,539,916 (2013 – 349,104) agents warrants. During the year ended December 31, 2014, the agent's warrants granted resulted in share issue costs of \$223,980 (2013 - \$34,910).

	2014	2013
Expected life	5 years	5 years
Risk-free interest rate	1.54-1.86%	1.15-1.86%
Annualized volatility	129-141%	119-138%
Dividend rate	N/A	N/A
Fair value of shares at grant date	\$0.06-\$0.11	\$0.06-\$0.11

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

6. SHARE-BASED PAYMENTS

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the TSX Venture Exchange. The expiry date for each option should be for a maximum term of five years.

Options granted to consultants not engaged in investor relations activities are granted for past services and vest immediately. Options granted to investor relations and consultants vest in stages over 12 months with one quarter of the options vesting in any three month period. The following are the stock option grants during the year ended December 31, 2014:

- On January 30, 2014, the Company granted 275,000 incentive stock options exercisable at \$0.25 per share and expiring on January 30, 2019 to a consultant and an officer of the Company.
- On August 27, 2014, the Company issued 2,050,000 incentive stock options exercisable at \$0.10 per share and expiring on August 25, 2019 of which 1,325,000 options have been issued to directors, officers and insiders of the Company.

The following is a summary of option transactions under the Company's stock option plan for the years ended December 31, 2014 and 2013:

	2014		2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	3,295,000	\$ 0.10	1,725,000	\$ 0.11
Exercised	(700,000)	\$ 0.11	-	-
Granted	2,325,000	\$ 0.12	2,045,000	\$ 0.10
Cancelled	-	-	(475,000)	\$ 0.10
Balance, end of year	4,920,000	\$ 0.11	3,295,000	\$ 0.10

The following stock options were outstanding and exercisable as at December 31, 2014:

Expiry Date	Exercise Price	Number of Shares	Remaining Contractual Life (Years)
August 19, 2015	\$ 0.10	675,000	0.63
April 20, 2016	\$ 0.15	150,000	1.30
February 28, 2017	\$ 0.10	150,000	2.16
May 2, 2018	\$ 0.10	200,000	3.34
July 2, 2018	\$ 0.10	550,000	3.51
October 17, 2018	\$ 0.10	820,000	3.80
December 20, 2018	\$ 0.12	100,000	3.97
January 30, 2019	\$ 0.25	275,000	4.08
August 25, 2019	\$ 0.10	2,000,000	4.65
Total		4,920,000	
Weighted average remaining life of stock options outstanding			3.55

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

6. SHARE-BASED PAYMENTS – continued

The weighted average remaining life of total stock option outstanding as at December 31, 2014 is 3.55 years (2013 – 3.67 years). The Company applies the fair value method in accounting for its stock options using the Black-Scholes pricing model. During the year ended December 31, 2014, the Company issued a total of 2,325,000 (2013 – 2,045,000) incentive stock options to directors and consultants of the Company. During the year ended December 31, 2014, the options issued and vested resulted in share-based payments of \$229,090 (2013 - \$190,853).

	2014	2013
Expected life	5 years	5 years
Risk-free interest rate	1.54-1.86%	1.15-1.86%
Annualized volatility	129-141%	119-138%
Dividend rate	N/A	N/A
Fair value of shares at grant date	\$0.06-\$0.11	\$0.06-\$0.11

7. RELATED PARTY TRANSACTIONS

The Company incurred the following fees and expenses in the normal course of operations during the years ended December 31, 2014 and 2013.

Key Management Compensation	Years ended December 31,	
	2014	2013
	\$	\$
Administrative fees	150,000	112,500
Advertising expenses	71,000	22,950
Consulting fees	194,993	70,000
Share-based payments	95,170	32,405
Totals	511,163	237,855

Related party amounts are unsecured, non-interest bearing and due on demand. As at December 31, 2014, \$24,677 (2013 - \$8,648) is due to a director of the Company and is included in accounts payable and accrued liabilities. See also Note 9

8. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada. Management believes that the credit risk with respect to receivables is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

8. FINANCIAL RISK MANAGEMENT– continued

(c) Foreign exchange risk

The Company is not exposed to foreign currency risk on fluctuations considering that its assets and liabilities are stated in Canadian dollars.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With respect to financial assets, the Company's practice is to invest cash in cash equivalents in order to maintain liquidity. Fluctuations in interest rates affect the fair value of cash equivalents.

(e) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash and cash equivalents.

There were no changes in the Company's approach to capital management during the years ended December 31, 2014 and 2013. The Company is not subject to any externally imposed capital requirements.

(f) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2014 and 2013:

	As at December 31, 2014		
	Level 1	Level 2	Level 3
Cash	\$ 3,754,652	\$ -	\$ -
Marketable securities	\$ 28,500	\$ -	\$ -
	\$ 3,783,152	\$ -	\$ -

	As at December 31, 2013		
	Level 1	Level 2	Level 3
Cash	\$ 103,292	\$ -	\$ -
Marketable securities	\$ 6,000	\$ -	\$ -
	\$ 109,262	\$ -	\$ -

9. COMMITMENTS

On December 1, 2014, the Company entered into a management services agreement with Zimtu Capital Corp. ("Zimtu") for the provision of administrative and managerial services to the Company at a rate of \$12,500 per month plus applicable taxes commencing December 1, 2014 for a term of 12 months.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

10. LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES

Funds raised through the issuance of flow-through shares are expected to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

	Issued on June 7, 2012	Issued on October 16, 2013	Issued on March 20, 2014	Issued on December 8, 2014	Issued on December 22, 2014	Total
Balance, January 1, 2013	\$ 47,410	\$ -	\$ -	\$ -	\$ -	\$ 47,410
Liability incurred on flow-through shares issued	-	1,700	-	-	-	1,700
Settlement of flow-through share liability on incurring expenses	(47,410)	(1,700)	-	-	-	(49,110)
Balance, December 31, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Liability incurred on flow-through shares issued	-	-	353,100	138,334	73,680	565,114
Settlement of flow-through share liability on incurring expenses	-	-	(97,287)	-	-	(97,287)
Balance, December 31, 2014	\$ -	\$ -	\$ 255,313	\$ 138,334	\$ 73,680	\$ 467,827

On August 30, 2013, the Company issued 1,348,000 units on a flow-through basis at \$0.125 per share (see Note 5 (b)) for gross proceeds of \$168,500 and recognized a liability for flow-through shares of \$nil.

On October 16, 2013, the Company issued 340,000 units on a flow-through basis at \$0.125 per share (see Note 5 (b)) for gross proceeds of \$42,500 and recognized a liability for flow-through shares of \$1,700.

On March 20, 2014, the Company issued 5,885,000 units on a flow-through basis at \$0.25 per share (see Note 5 (b)) for gross proceeds of \$1,471,250 and recognized a liability for flow-through shares of \$353,100.

On December 8, 2014, the Company issued 13,833,400 units on a flow-through basis at \$0.12 per share (see Note 5 (b)) for gross proceeds of \$1,660,008 and recognized a liability for flow-through shares of \$138,334.

On December 22, 2014, the Company issued 1,842,000 units on a flow-through basis at \$0.12 per share (see Note 5 (b)) for gross proceeds of \$221,040 and recognized a liability for flow-through shares of \$73,680.

During the year ended December 31, 2014, the Company has incurred \$405,363 (2013 - \$326,984) of qualified expenditures resulting in the reversal of the liability for flow-through shares and recorded the related net deferred tax effect of \$97,287 (2013 - \$49,110). At December 31, 2014, the amount of flow-through proceeds remaining to be expended is \$2,946,935 (2013 - \$nil) and the balance of the liability for flow-through shares related to this private placement is \$467,827 (2013 - \$nil).

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2014		2013	
Interest paid	\$	-	\$	-
Income tax paid	\$	-	\$	-
Exploration and evaluation expenditures in accounts payable	\$	68,045	\$	119,659
Shares received for property option payment	\$	255,000	\$	7,500
Shares issued for property option payment	\$	594,500	\$	96,000

12. MARKETABLE SECURITIES

	2014		2013	
	Cost	Fair Market Value	Cost	Fair Market Value
	\$	\$	\$	\$
New Dimension Resources	7,500	1,500	7,500	6,000
Declan Resources	27,000	4,500	-	-
Takara Resources	15,000	22,500	-	-
Total	49,500	28,500	7,500	6,000

On October 15, 2013, the Company received 300,000 common shares of New Dimension Resources Ltd. ("New Dimension") pursuant to the option to acquire a 70% interest in the Midas Gold Project (see note 4). The 300,000 common shares were valued at \$0.025 per share, the closing price of the shares on October 15, 2013. The market value of the common shares is measured using the closing market price of \$0.005 as at December 31, 2014.

On January 8, 2014, the Company received 2,000,000 common shares of Declan Resources Inc. ("Declan") pursuant to the option to acquire a 70% interest Gibbons Creek Project (see note 4). The 2,000,000 common shares were valued at \$0.12 per share, the closing price of the shares on January 8, 2014. During the year ended December 31, 2014, 1,775,000 shares of Declan were sold for proceeds of \$51,355. The market value of the remaining 225,000 common shares is measured using the closing market price of \$0.02 as at December 31, 2014.

On December 30, 2014, the Company received 1,500,000 common shares of Takara Resources Inc. ("Takara") pursuant to the option to acquire a 70% interest Gibbons Creek Project (see note 4). The 1,500,000 common shares were valued at \$0.01 per share, the closing price of the shares on December 30, 2014. The market value of 1,500,000 common shares is measured using the closing market price of \$0.015 as at December 31, 2014.

13. INCOME TAXES

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2014		2013	
		26.00%		25.75%
Loss for the year before income taxes	\$	(1,342,146)	\$	(802,409)
Income tax expense (benefit) computed at statutory rates		(348,958)		(206,620)
Deductible and non-deductible amounts		37,048		30,308
Unrecognized tax losses		311,910		176,312
Deferred income tax recovery from flow through shares		(97,287)		(49,110)
Deferred income tax recovery per financial statements	\$	(97,287)	\$	(49,110)

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

13. INCOME TAXES - continued

There are no deferred tax assets/(liabilities) presented in the statement of financial position.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets/(liabilities) have been recognized are attributable to the following:

	2014	2013
Deferred income tax assets/(liabilities)		
Non-capital losses carried forward	\$ 2,642,000	\$ 1,444,000
Share issuance costs	349,000	83,000
Mineral properties	(1,287,000)	(882,000)
	\$ 1,704,000	\$ 645,000

This potential future tax benefit has been offset entirely by a valuation allowance and has not been recognized in these financial statements. The non-capital loss carry-forwards expire according to the following schedule:

2027	\$ 16,000	\$ 16,000
2028	74,000	74,000
2029	40,000	40,000
2030	229,000	229,000
2031	233,000	233,000
2032	219,000	219,000
2033	631,000	631,000
2034	1,200,000	-
Balance as at December 31, 2014	\$ 2,642,000	\$ 1,442,000

14. EVENTS AFTER THE REPORTING PERIOD

- On January 28, 2015 and amended on March 12, 2015, the Company entered into an agreement with 877384 Alberta Ltd. and Zimtu Capital Corp. ("Zimtu"), whereby the Company can acquire a 100% interest in the Brassy Rapid Claim and the Black Birch Claims located in the Athabasca Basin Region of Saskatchewan. For the Black Birch Claims, total consideration of \$8,818 cash (\$4,409 paid to each vendor) and 88,174 common shares (44,087 common shares issued to each vendor) of the Company was paid to each vendor on the TSX Approval date, being March 17, 2015, and will be paid on the six month anniversary of the Approval date to each of the Company and 877384 Alberta Ltd. For the Brassy Rapid Claim, total consideration of \$3,750 cash and 37,500 common shares of the Company was paid on the TSX Approval date and will be paid on the six month anniversary of the Approval date to each of the vendors. The property is subject to a 2% NSR, with Lakeland having the right to purchase 1% any time for \$2,000,000 for each claim.
- On January 28, 2015, the Company entered into an agreement with DG Resource Management Ltd., whereby the Company can acquire a 100% interest in a certain group of mineral claims known as the Athabasca Group of Properties, located in the Athabasca Basin Region of Saskatchewan. Total consideration of \$40,888 cash (\$20,400 paid) and 1,120,000 common shares (560,000 common shares issued) of the Company was paid to each vendor on the TSX Approval date, being March 10, 2015, and will be paid on the six month anniversary of the Approval date to each of the Company and 877384 Alberta Ltd. The property is subject to a 2% NSR, with Lakeland having the right to purchase 1% any time for \$2,000,000.
- On February 6, 2015, the Company entered into an option agreement with RT Minerals Corp. ("RT Minerals") whereby the Company has granted RT Minerals the option to acquire a 100% interest in the Ballard Lake Property by issuing 4,000,000 common shares to the Company. The agreement was accepted by the TSX-V on April 28, 2015.

Lakeland Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

14. EVENTS AFTER THE REPORTING PERIOD - continued

- d) On February 24, 2015, the TSX-V approved the extension of 9,415,295 warrants. The original expiry date was March 20, 2015 and the new expiry date will be March 20, 2016. The price of the warrants remains \$0.30.
- e) On April 23, 2015, Jody Dahrouge joined the Board of Directors.