STRATTON

RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014 and 2013

(Expressed in Canadian dollars unless otherwise stated)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stratton Resources Inc.

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

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stratton 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(c) in the consolidated financial statements which indicates that the Company incurred a loss from operations of $132,887 during the year ended December 31, 2014, had a net working capital deficiency of $279,419 as at December 31, 2014, and had an accumulated deficit of $34,080,513 as at December 31, 2014. These conditions, along with other matters as set forth in Note 2(c) indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

DELOITTE LLP

Chartered Accountants
April 24, 2015
Vancouver, Canada

STRATTON RESOURCES INC.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

		As at December 31, 2014		As at December 31, 2013
Assets				
Current assets:				
Cash	$	349,440	$	297,266
Amounts receivable (note 5)		5,803		158,813
Prepaid expenses and deposits (note 10)		6,879		13,139
Reclamation bond (note 6)		–		50,000
		362,122		519,218
Non-current assets:				
Exploration and evaluation assets (note 7)		325,334		317,310
Total assets	**$**	**687,456**	**$**	**836,528**
Liabilities and Equity				
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities (note 10)	$	32,153	$	43,338
Asset retirement obligation (note 6)		–		5,000
Note payable (note 10)		609,388		609,388
		641,541		657,726
Equity				
Share capital (note 8)		29,086,748		29,086,748
Equity reserves (note 9)		5,039,680		5,039,680
Deficit		(34,080,513)		(33,947,626)
		45,915		178,802
Total liabilities and equity	**$**	**687,456**	**$**	**836,528**

Going concern (note 2(c))

Approved on behalf of the Board of Directors:

"Shawn Wallace"
Director

"Steve Cook"
Director

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

STRATTON RESOURCES INC.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

		Year ended December 31, 2014		2013
Administration expenses:				
Consulting fees, directors' fees, wages and benefits	$	43,675	$	69,789
Legal and professional fees		26,570		13,107
Regulatory, transfer agent and shareholder information		21,251		22,629
Office and administration		31,347		42,371
Share-based compensation (note 9 (a))		–		24,301
Travel, promotion and investor relations		12,498		11,223
Bank charges		1,028		1,052
		136,369		184,472
Other (income) expenses:				
Interest and other income		(1,197)		(4,497)
Gain on settlement of asset retirement obligations		(1,906)		(65,350)
Loss on disposal of assets held for sale (note 16)		–		85,438
Exploration and evaluation expenditures		–		32,282
Write-off of accounts receivable		–		22,991
Foreign exchange gain		(379)		(178)
		(3,482)		70,686
Net loss for the year before income taxes		132,887		255,158
Deferred income tax recovery		–		(1,377)
Net loss and comprehensive loss for the year	**$**	**132,887**	**$**	**253,781**
Basic and diluted loss per share (note 11)	$	0.00	$	0.01
Weighted average number of common shares outstanding		36,724,164		36,723,752

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

STRATTON RESOURCES INC.
Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of shares	Share capital	Equity reserves			Deficit	Total
			Warrants	Share-based payments	Shares issuable		
Balance at December 31, 2012	**36,699,164**	**$ 29,082,748**	**$ 1,696,913**	**$ 3,254,216**	**$ 68,250**	**$ (33,693,845)**	**$ 408,282**
Common shares issued (note 8 (b))	25,000	4,000	–	–	(4,000)	–	–
Share-based compensation (note 9 (a))	–	–	–	24,301	–	–	24,301
Net loss and comprehensive loss for the period	–	–	–	–	–	(253,781)	(253,781)
Balance at December 31, 2013	**36,724,164**	**$ 29,086,748**	**$ 1,696,913**	**$ 3,278,517**	**$ 64,250**	**$ (33,947,626)**	**$ 178,802**
Net loss and comprehensive loss for the period	–	–	–	–	–	(132,887)	(132,887)
Balance at December 31, 2014	**36,724,164**	**$ 29,086,748**	**$ 1,696,913**	**$ 3,278,517**	**$ 64,250**	**$ (34,080,513)**	**$ 45,915**

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

STRATTON RESOURCES INC.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31, 2014	2013
Cash (used in) provided by:		
Operating activities:		
Net loss and comprehensive loss for the period	$ (132,887)	$ (253,781)
Items not involving cash:		
Share-based compensation (note 9 (a))	–	24,301
Gain on settlement of asset retirement obligations	(1,906)	(65,350)
Unrealized foreign exchange gain	(679)	293
Interest and other income	(1,197)	(1,930)
Reclaimation expenditures	(3,094)	–
Loss on disposal of assets held for sale (note 16)	–	85,438
Write-off of accounts receivable	–	22,991
Deferred income tax recovery	–	(1,377)
Changes in non-cash working capital:		
Amounts receivable	156,021	238,707
Prepaid expenses and deposits	6,260	2,062
Accounts payable and accrued liabilities	(21,220)	5,626
Cash provided by operating activities	1,298	56,980
Investing activities:		
Exploration and evaluation expenditures (note 7)	(1,000)	(240,174)
Proceeds from refund of reclamation bond (note 6)	50,000	–
Proceeds from sale of assets held for sale (note 16)	–	108,000
Interest received	1,197	1,930
Cash provided by (used in) investing activities	50,197	(130,244)
Effect of foreign exchange rate changes on cash	679	(293)
Increase (decrease) in cash	52,174	(73,557)
Cash, beginning of the period	297,266	370,823
Cash, end of period	**$ 349,440**	**$ 297,266**

Supplemental cash flow information (note 13)

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

1. Corporate information

Stratton Resources Inc. ("the Company") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange ("the Exchange") as a Tier 2 mining issuer, and its shares trade under the symbol SI.V.

The Company and its subsidiaries are principally engaged in the acquisition, exploration, and development of mineral property interests in North America. The Company has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, obtaining the necessary mining permits, and on future profitable production or the proceeds from the disposition of the exploration and evaluation assets.

The head office and principal address of the Company is located at 1199 Hastings Street, Suite 600, Vancouver, British Columbia, V6E 3T5. Canada.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), effective for the Company's reporting for the year ended December 31, 2014.

These consolidated financial statements were authorized for issue and approved by the Board of Directors of the Company on April 24, 2015.

(b) Basis of measurement and consolidation

The consolidated financial statements have been prepared on a historical cost basis.

The Company's functional currency is the Canadian dollar, which is also the Company's presentation currency. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries as follows:

Subsidiary	Jurisdiction	Ownership
Stratton Resources (Canada) Inc.	Canada	100%
Stratton Resources Holdings Corp. (inactive)	Canada	100%
Stratton Resources Holdings (USA) Corp. (inactive)	Arizona, USA	100%
Stratton Resources (USA) Corp. (inactive)	Arizona, USA	100%

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

Intercompany balances and transactions have been eliminated on consolidation.

2. Basis of presentation (continued)

(c) Going concern of operations

These consolidated financial statements have been prepared on the assumption that the Company will continue to realize its assets and meet its liabilities in the normal course of business as a 'going concern'. The Company has incurred losses since inception and has no source of operating revenue. As at December 31, 2014, the Company has a net working capital deficit of $279,419, incurred a net loss of $132,887 for the year ended December 31, 2014 and had a deficit of $34,080,513 as at December 31, 2014.

The cash balance of $349,440 at December 31, 2014 is sufficient to meet the cash requirements for the Company's administrative overhead and maintaining its mineral interests for at least the next twelve months as long as the note payable (note 10(a)) is not called. The holder of the note payable, a related party, has indicated in writing that they will not call the note payable within the next twelve months. The Company's future exploration programs on its Lunar project (note 7) and acquiring interests in new exploration projects will be dependent on the Company's successful raising of additional funds through the issuance of equity.

Management considers that the current economic environment is difficult and the outlook for junior exploration companies presents significant challenges in terms of raising funds through issuance of shares. The Company has been and remains dependent on its capacity to raise funds via equity issuances, under terms that are consistent with the best interests of shareholders, in order to finance its operations. The Company has been successful in raising equity financing in previous years, however, there can be no assurance the Company will continue to be. Management have instituted measures to preserve cash through significantly decreasing its corporate costs and exploration expenditures, and in addition, it has negotiated with related parties extended payment terms on outstanding payables. Management is also pursuing alternative sources of funding.

Management has concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. Nevertheless, Management has a reasonable expectation that the Company has adequate resources to continue its current operations for the foreseeable future.

These consolidated financial statements contain no provisions for adjustments which may become necessary if the Company becomes unable to continue on a 'going concern' basis. Such adjustments could be material.

3. Summary of significant accounting policies

The accounting policies set out below are those effective for the year ending December 31, 2014 and have been applied consistently to all periods presented in these consolidated financial statements.

(a) Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency by the use of the exchange rate in effect at the date of the transaction. Unsettled monetary assets and liabilities denominated in foreign currencies are translated into the functional currency by using the exchange rate in effect at the statement of financial position date and the related translation differences are recognised in net income (loss).

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate in effect at the dates of the initial transactions and are not subsequently remeasured. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and related translation differences are recognized in net income (loss) or other comprehensive income (loss) consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

(b) Total comprehensive income (loss)

Total comprehensive income (loss) consists of net income(loss) and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. For the periods covered by these consolidated financial statements total comprehensive loss and net loss are the same.

3. Summary of significant accounting policies (continued)

(c) Financial instruments

i. Financial assets

The Company's financial assets are comprised of cash and receivables. All financial assets are initially recorded at fair value plus directly attributable transaction costs except for fair value through profit or loss where costs are expensed and designated upon inception into one of four categories: at fair value through profit or loss, held-to-maturity, available-for-sale, or loans and receivables.

Subsequent to initial recognition, the financial assets are measured in accordance with the following:

- Financial assets classified as fair value through profit or loss are measured at fair value. All gains and losses resulting from changes in their fair value are included in the net income / loss in the period in which they arise.
- Held-to-maturity investments, and loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net income / loss, using the effective interest method less any impairment.
- Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is sold, at which time they will be recorded in net income / loss. Significant or prolonged declines in the fair value of available-for-sale financial assets are recorded in net income / loss.
- Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, with gains and losses recognized in net income / loss in the period that the asset is derecognized or impaired. Cash and cash equivalents, receivables, and reclamation bond are classified as loans and receivables.

Derivatives embedded in other financial instruments or non-financial contracts (the "host instrument") are treated as separate derivatives with fair value changes recognized in net income / loss when their economic characteristics and risks are not clearly and closely related to those of the host instrument, and the combined instrument or contract is not held for trading. Free-standing derivatives that meet the definition of an asset or liability are measured at their fair value and reported in the Company's financial statements. There were no embedded or free-standing derivatives identified in a review of the Company's contracts.

The Company assesses at each reporting period date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if 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 financial asset or the group of financial assets have been negatively impacted.

ii. Financial liabilities

The Company's financial liabilities are comprised of trade payables and note payable. All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other liabilities.

Subsequent to initial recognition, the financial liabilities are measured in accordance with the following:

- Financial liabilities classified as other liabilities are initially recognized at fair value net of any transaction costs. After initial recognition, other liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade payables and other are classified as other liabilities. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.
- Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized through the net income / loss. At December 31, 2014, and December 31, 2013, the Company had not classified any financial liabilities as fair value through profit or loss.

3. Summary of significant accounting policies (continued)

(d) Assets held for sale

Assets are classified as held for sale in the period in which certain criteria are met. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease as long as they remain classified as held for sale.

(e) Exploration and evaluation assets

The Company accounts for exploration and evaluation expenditures in accordance with IFRS 6 - Exploration for and Evaluation of Mineral Resources ("IFRS 6").

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset acquisition. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of these taxes is uncertain. Exploration and evaluation expenditures are capitalized until properties are determined to contain economically recoverable mineral resources, are abandoned or the interest is sold. Option payments received are credited against the deferred exploration and evaluation expenditures. No gain or loss on disposition of a partial interest is recorded until all carrying costs of the interest have been offset by proceeds of sale or option payments received.

Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the net income / loss. Capitalized costs are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable mineral resources.

Exploration and evaluation assets are assessed for impairment when (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, deferred exploration and evaluation expenditures attributable to that area of interest are first tested for impairment and then reclassified to mineral interests and development assets within property and equipment.

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

(f) Mining exploration tax credits

From time to time the Company receives government incentives such as investment tax credits. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. In the event the investment tax credits received are less than the amount claimed, the difference will be reflected in the statement of comprehensive loss in the period in which it is determined.

3. Summary of significant accounting policies (continued)

(g) Impairment of non-financial assets

Every reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

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

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings (loss), unless the relevant assets are carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the net carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

(h) Provisions

i. General

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

ii. Rehabilitation and site restoration

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and to increase the carrying value of the related assets for that amount. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in the net income / loss. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The increase in the carrying value of related assets are charged to the net income / loss over the economic life of the related asset, through depreciation using either the unit-of-production or the straight line method. The related liability is also adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

(i) Share capital

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, share warrants, share-based options and flow-through shares are classified as equity instruments.

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

3. Summary of significant accounting policies (continued)

(i) Share capital (continued)

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a portion of its exploration program. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures ("CEE"), as defined under the Canadian Income Tax Act, within a two-year period. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of CEE to investors. On issuance, the Company records the flow-through shares as (i) a liability, to the extent of the estimated fair value premium, if any, that investors pay for the flow-through feature, and (ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as tax provision.

To the extent that the Company has deferred Canadian tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

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, as at December 31, 2014 there is $Nil tax on flow-through proceeds accrued (2013 - $Nil).

(j) Earnings per share

Basic earnings / loss per share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the relevant period. Diluted earnings / loss per share is calculated by dividing net income or loss applicable to common shareholders by the weighted average number of diluted common shares outstanding during the year. Diluted common shares reflect the potential dilutive effect of exercising the stock options and warrants based on the treasury stock method.

(k) Share-based payments

From time to time, the Company grants stock options to employees and non-employees. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where equity-settled share options are awarded to employees the fair value of the options, estimated using the Black-Scholes option pricing model, at the date of grant is charged to the net income / loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the net income / loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the net income / loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital along with any consideration paid.

3. Summary of significant accounting policies (continued)

(k) Share-based payments (continued)

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(l) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in net income / loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income / loss.

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

Deferred tax is provided using the 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 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 statement date.

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

(m) Critical judgement in applying accounting policies

The following are critical judgments management has made in applying the Company's accounting policies, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements and a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

i. Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity is the US dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

ii. Economic recoverability and probability of future economic benefits of mineral property interests

Management has determined that exploration drilling and evaluation of mineral properties and related costs incurred, which have been capitalized, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

3. Summary of significant accounting policies (continued)

(n) Key sources of estimation uncertainty

i. Impairment of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or cash generating unit may be impaired. This assessment is made based on an analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

ii. Fair value of stock options

The Company determines the fair value of options granted using the Black□Scholes option pricing model. This option pricing model requires the input of highly subjective assumptions, including the risk-free interest rate, expected price volatility and expected life. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

iii. Provisions

Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

iv. Reclamation obligations

Management assesses its reclamation obligations annually. Significant estimates and assumptions are made in determining the provision for rehabilitation and site restoration, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent, the timing and the cost of reclamation activities, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the reclamation asset and liability.

v. Taxation

The provision for income taxes and composition of income tax assets and liabilities require management's judgment. The application of income tax legislation also requires judgments in order to interpret the various legislation and apply those findings to the Company's transactions.

Management judgment and estimates are required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized in the consolidated balance sheet. Judgments are made as to whether future taxable profits will be available in order to recognize certain deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty, therefore there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated balance sheet and the benefit of other tax losses and temporary differences not yet recognized.

(Expressed in Canadian Dollars, unless otherwise stated)

4. Application of new and revised standards

The following new and revised accounting standards and interpretations were adopted by the Company effective January 1, 2014. The adoption of these new and revised accounting standards and interpretations did not impact these consolidated financial statements. The Company has not early adopted any standards.

a) IAS 32 – Financial instruments, Presentation. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

b) IAS 36 – Impairment of Assets. IFRS 36 was amended by recoverable amount disclosures for non-financial assets. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014.

c) IFRIC 21 – Levies. IFRIC 21 clarifies and provides guidance on when to recognize the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The following new accounting standards are not yet effective and will be adopted by the Company in future periods. The Company is currently evaluating the impact of these new standards on its consolidated financial statements. Based on the Company's current operations, it is not anticipated that these standards will have a material impact on the consolidated results and associated disclosures in the financial statements.

a) IFRS 9 – Financial Instruments: Classification and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

b) IFRS 14 – Regulatory Deferral Accounts. IFRS 14 is intended to enhance the comparability of financial reporting by entities engaged in rate-regulated activities and is effective for annual periods beginning on or after January 1, 2016.

c) IFRS 15 – Revenue from Contracts with Customers. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

5. Amounts receivable

	December 31, 2014	December 31, 2013
British Columbia mining exploration tax credit ("BCMETC")	$ 3,011	$ 157,224
Other receivables	2,792	1,589
	$ 5,803	$ 158,813

During the year ended December 31, 2014, the Company collected $157,224 (2013 - $240,779) in BC tax credits in the form of the BCMETC.

6. Reclamation bond and obligation

During the year, the Company completed the required reclamation of its formerly held Mac property (note 16) and, following approval from the BC Ministry of Energy and Mines, received repayment, in full, of the reclamation bond of $50,000 that was posted in 2010.

(Expressed in Canadian Dollars, unless otherwise stated)

7. Evaluation and exploration assets

Lunar – Molybdenum Prospect

On August 17, 2011, the Company entered into an agreement with Homegold Resources Ltd ("Homegold"), a British Columbia company, to acquire 30 claims (12,509 hectares) known as the Lunar property ("Lunar"), in British Columbia for $70,000 and a number of contingently issuable shares as described below. The $70,000 was paid to Homegold against transfer of the claims to the Company. Subsequent to that, the Company staked additional 9 claims adjacent to Lunar.

Under the terms of the agreement, in the event the Company spends $2,000,000 on exploring the Lunar claims, it will issue 50,000 common shares to Homegold and 50,000 to Xstract Resources Inc. ("Xstract"), a British Columbia company, as consideration for Xtracts's previous legal rights to the Lunar property. If the Company spends an additional $3,000,000 it will issue an additional 150,000 shares to Xstract and upon spending a further $5,000,000 ($10,000,000 total), the Company will issue Xstract a further 250,000 shares. In the event of a commercial production decision another $500,000 will be paid to Homegold and after 6 years a minimum $72,000 per year will have to be paid in advance royalties to Homegold. Homegold also holds a 2% net smelter returns royalty ("NSR") on the property.

Lunar Project	**December 31, 2014**	**December 31, 2013**
Balance at the beginning of the period	$ 317,310	$ 256,427
Deferred exploration costs:		
Permitting fees	1,000	-
Geological and geophysical fees	10,035	80,000
Mining exploration tax credit	(3,011)	(19,117)
Balance at the end of the period	$ 325,344	$ 317,310

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles 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, title to it is in good standing.

8. Share capital

(a) Authorized

Unlimited common shares without par value.

(b) Common shares issuance

I. Period ended December 31, 2014

During the year ended December 31, 2014, the Company did not issue any additional common shares.

II. Year ended December 31, 2013

On January 7, 2013, the Company issued 25,000 shares pursuant to Natlan option agreement. The fair value of the shares were estimated to be $4,000 or $0.16 per share which was the closing market price of the Company's shares at December 31, 2012 when the shares became issuable. On issuance of the shares the Company recorded a corresponding debit to equity reserves – shares issuable and transferred the amount to share capital. Natlan was fully impaired in the year ended December 31, 2012.

(c) Escrow shares

As at December 31, 2014, the Company has no common shares held in escrow (December 31, 2013 – 3,307,472).

(Expressed in Canadian Dollars, unless otherwise stated)

9. Equity reserves

(a) Share-based payments

The Company maintains a Rolling Share-based Option Plan providing for the issuance of stock options up to 10% of the Company's issued and outstanding common shares. The Company may grant from time to time stock options to its directors, officers, employees and other service providers. The stock options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

As at December 31, 2014 and December 31, 2013, the Company has no stock options outstanding or exercisable. Effective June 6, 2013, the Company's employees and consultants voluntarily forfeited all outstanding stock options.

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the year ended December 31, 2014, an amount of $nil (2013 - $24,301) was expensed in the consolidated statement of net loss and comprehensive loss.

The Company did not grant stock options during the years ended December 31, 2014 and 2013.

(b) Share purchase warrants

As at December 31, 2014 and 2013, the Company has no purchase warrants outstanding or exercisable.

10. Related party transactions

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	December 31, 2014	December 31, 2013
Universal Mineral Services Ltd. (a)	$ 80,750	$ 124,897

(a) Universal Mineral Services Ltd. ("UMS") is a private company with directors and officers in common that, pursuant to an agreement dated March 30, 2012, provides geological, corporate development, administrative and management services to the Company on a cost recovery basis. The Company also holds a 37% non-voting equity interest in UMS, which is carried at cost. As at December 31, 2014 the outstanding payable balance was $5,844 (December 31, 2013 - $7,258) and prepaid expenses and deposits balance was $6,000 (December 31, 2013 - $6,000).

Effective June 30, 2013, UMS agreed to settle historic payable balances totaling $609,388 with a note payable for an equivalent value. The note payable bears no interest, has a maturity of December 31, 2015 and is extendable for an additional twelve months at the mutual agreement. The note payable is due on demand.

Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members:

	December 31, 2014	December 31, 2013
Short-term benefits*	$ 25,361	$ 68,879
Share-based compensation	-	17,962
Other long term benefits	-	-

* An amount of $21,405 is included in related party transactions with UMS (December 31, 2013 - $54,979).

(Expressed in Canadian Dollars, unless otherwise stated)

11. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

	December 31, 2014	December 31, 2013
Loss attributable to ordinary shareholders	$ (132,888)	$ (253,781)
Weighted average number of common shares	36,724,164	36,723,752
Basic and diluted loss per share	$ (0.00)	$ (0.01)

Weighted average number of common shares:

	December 31, 2014	December 31, 2013
Issued common shares at January 1	36,724,164	36,699,164
Effect of shares issued on acquisition of Natlan	-	24,588
Weighted average number of common shares (basic and diluted)	36,724,164	36,723,752

12. Financial instruments

	Category	Carrying value	December 31, 2014	December 31, 2013
Financial assets				
Cash	Loans and receivable	Amortized cost	$ 349,440	$ 297,266
Receivables	Loans and receivable	Amortized cost	1,589	1,589
Reclamation bond	Loans and receivable	Amortized cost	-	50,000
			$ 351,029	**$ 348,855**

	Category	Carrying value	December 31, 2014	December 31, 2013
Financial liabilities				
Trade payables and other	Other liabilities	Amortized cost	$ 32,153	$ 43,338
Note payable	Other liabilities	Amortized cost	609,388	609,388
			$ 641,541	**$ 652,726**

Fair Value

Financial instruments are evaluated under a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (market prices) or indirectly (derived from market prices);
Level 3 – inputs for the asset or liability that are not based upon observable market data.

12. Financial instruments (continued)

As at December 31, 2014, the Company does not have any financial instruments measured at fair value on the statement of financial position. The Company's cash, receivables, accounts payable and note payable approximate fair value due to their short term nature.

The Company is expose to the potential loss from various risks as outlined below.

(a) Credit risk

The Company is subject to credit risk on the cash and amounts receivable balances. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash balances in Canadian highly rated financial institutions..The Company considers the risk of loss associated with cash to be low. The amounts receivable are primarily due from government agencies and are not considered to represent a material credit risk exposure to the Company.

(b) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital to meet short-term obligations. The Company estimates that is contractual obligations pertaining to accounts payable and accrued liabilities will be satisfied within one year. As outlined in note 2(c) the Company's liquidity position is dependent on the note payable not being called or, in the event it was, raising additional funds through issuance of equity.

(c) Foreign currency risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

The Company did not have any significant foreign currency risk exposure as at December 31, 2014 and December 31, 2013.

(d) Market risk

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash attract interest at floating rates paid on deposits. The interest is typical of Canadian banking rates, which are at present low, however the conservative investment strategy mitigates the risk of deterioration to the investment. A change of one (1) percent in the interest rate would have a minimal impact to the consolidated financial statements.

(e) Capital risk management

The Company manages its cash, share capital and equity reserves as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars, unless otherwise stated)

13. Supplemental cash flow information

	December 31, 2014	December 31, 2013
BCMETC receivable included in exploration and evaluation assets.	$ 3,011	$ 19,117
Non-cash settlement of accounts payable with a note payable (note 10(a)).	-	609,388
Change in accounts payable included in exploration and evaluation assets.	(10,035)	160,174

14. Segmented information

The Company operates as one operating segment being acquisition, exploration and development of mineral resource properties. As at December 31, 2014 and 2013, all of the Company's non-current assets are located in Canada.

During the years ended December 31, 2014 and 2013, the net losses were incurred in Canada.

15. Income taxes

(a) Income tax recovery

	2014	2013
Net loss for the year before income taxes	$ (132,887)	$ (255,158)
Tax recovery based on statutory rate of 26.0% (2013: 25.75)	(34,551)	(65,703)
Change in estimated temporary differences	46,757	(78,608)
Non-deductible expenses and other	287	(6,158)
Effect of renunciation of flow-through shares	-	(1,377)
Change in unrecognized deferred tax assets	(12,493)	150,469
Total income tax recovery	**$ -**	**$ (1,377)**

(b) Deferred tax assets and liabilities

	December 31, 2014	December 31, 2013
Deferred tax assets	**$ -**	**$ -**
Deferred tax liabilities	**$ -**	**$ -**
Net deferred tax balance	**$ -**	**$ -**

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

	December 31, 2014	December 31, 2013
Property and equipment	$ -	$ 809,201
Share issuance costs and other	104,535	121,599
Exploration and evaluation assets	7,643,879	7,679,784
Non-capital losses carried forward	8,681,609	8,075,013
	$ 16,430,022	$ 16,807,195

(Expressed in Canadian Dollars, unless otherwise stated)

15. Income taxes (continued)

(d) Tax losses

The Company has accumulated non-capital losses of $8,681,609 as at December 31, 2014 (December 31, 2013 - $8,075,013) for income tax purposes, which may be carried forward to reduce taxable income of future years. The non-capital losses expire as follows:

Year of expiry	Taxable losses
2015	1,323,404
2026	628,051
2027	1,036,992
2028	682,444
2029	652,086
2030	981,145
2031	1,465,623
2032	869,967
2033	890,355
2034	151,542
	$ 8,681,609

16. Assets held for sale

During the year ended December 31, 2013, the Company disposed of its interest in the Mac Property which had been classified as an asset held for sale as at December 31, 2012 for gross proceeds of $158,000 comprising $108,000 in cash and $50,000 equivalent of reclamation work performed on the Mac Property. A net loss on disposal of $85,438 was recorded for the year ended December 31, 2013.