Consolidated Financial Statements
December 31, 2014 and 2013

(Stated in Canadian Dollars)

PREMIER
Gold Mines Limited

Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Premier Gold Mines Limited

We have audited the accompanying consolidated financial statements of Premier Gold Mines Limited, 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 of 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 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 audits 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 consolidated financial position of Premier Gold Mines Limited 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.

Grant Thornton LLP

Thunder Bay, Canada
March 27, 2015

Chartered Accountants
Licensed Public Accountants

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)

As at December 31,

	Note	**2014** $	2013 $
ASSETS			
Current assets			
Cash and cash equivalents	*4*	**32,141,013**	52,552,321
Accounts receivable		**893,804**	1,285,757
Prepaids and deposits		**803,641**	251,630
Investments held for sale	*5*	**3,632,955**	17,381,833
Total current assets		**37,471,413**	71,471,541
Non-current assets			
Restricted cash and cash equivalents	*6*	**3,994,990**	3,935,272
Investments	*5*	**144,278**	134,857
Property, plant and equipment	*7*	**779,378**	3,247,546
Exploration and evaluation assets	*8*	**341,824,780**	329,703,082
Total non-current assets		**346,743,426**	337,020,757
Total assets		**384,214,839**	408,492,298
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**3,807,742**	3,094,360
Current portion of long term debt	*9*	**44,331**	9,627,200
Deferred premium on flow-through shares		**467,857**	-
Total current liabilities		**4,319,930**	12,721,560
Non-current liabilities			
Deferred taxes	*16*	**30,713,770**	34,113,763
Long term debt	*9*	**6,466,737**	151,828
Provision for environmental rehabilitation	*10*	**4,830,502**	3,703,380
Total non-current liabilities		**42,011,009**	37,968,971
Total liabilities		**46,330,939**	50,690,531
EQUITY			
Share capital	*11*	**439,946,165**	417,211,022
Reserves	*11*	**42,757,295**	37,936,321
Deficit		**(144,819,560)**	(97,345,576)
Total equity		**337,883,900**	357,801,767
Total liabilities and equity		**384,214,839**	408,492,298

Commitments [note 18]
Contingencies [note 21]
Subsequent events [note 22]

See accompanying notes to the consolidated financial statements
Approved by the Board of Directors and authorized for issue on March 27, 2015

"John Seaman" Director	*"Ewan Downie"* Director

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF LOSS

(Stated in Canadian Dollars)

For the years ended December 31,

	Note	**2014** $	2013 $
EXPENSES			
Depreciation and impairment loss on property, plant and equipment	*7*	**2,528,312**	2,537,509
Impairment loss on exploration and evaluation assets	*8*	**43,461,699**	17,758,606
Share-based payments	*11*	**3,331,875**	4,677,871
Flow-through interest penalty		**(139,365)**	18,766
General and administrative	*17*	**4,115,281**	4,259,155
Professional fees		**405,521**	753,494
Exploration expenses		**260,228**	252,783
Property maintenance		**503,140**	526,950
Long term debt accretion	*9*	**617,355**	1,311,618
Environmental rehabilitation accretion	*10*	**82,760**	49,519
Loss before the following		**(55,166,806)**	(32,146,271)
Investment and other income		**589,253**	778,440
Unrealized gain / (loss) on investments	*5*	**20,015,816**	(28,866,557)
Loss on sale of investments	*5*	**(15,962,732)**	(10,031,876)
Gain on sale of Premier Royalty	*15*	**-**	37,978,038
Interest expense		**-**	(21,142)
Foreign exchange gain / (loss)		**(51,512)**	112,553
Loss on disposal of property, plant and equipment	*7*	**-**	(15,065)
		4,590,825	(65,609)
Loss before income taxes		**(50,575,981)**	(32,211,880)
Current tax expense	*16*	**(608)**	(29,538)
Deferred tax recovery	*16*	**3,102,605**	2,996,945
Loss for the year from continuing operations		**(47,473,984)**	(29,244,473)
Loss for the year from discontinued operations	*15*	**-**	(82,230)
Loss for the year		**(47,473,984)**	(29,326,703)
Loss for the year attributable to:			
Non-controlling interest	*15*	**-**	(29,018)
Owners of the parent		**(47,473,984)**	(29,297,685)
Loss for the year		**(47,473,984)**	(29,326,703)
Basic and diluted loss per share			
Loss from continuing operations	*12*	(0.31)	(0.19)
Loss from discontinued operations	*12*	-	-
Total		(0.31)	(0.19)

See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Stated in Canadian Dollars)

For the years ended December 31,

	Note	**2014** **$**	2013 $
Loss for the year		**(47,473,984)**	(29,326,703)
Exchange difference on translation of foreign operations		**6,184,556**	3,858,685
Deferred tax expense	*16*	**(2,188,764)**	(1,446,895)
Total comprehensive loss for the year		**(43,478,192)**	(26,914,913)
Comprehensive loss for the year			
From continuing operations		**(43,478,192)**	**(26,832,683)**
From discontinued operations	*15*	**-**	**(82,230)**
Loss and comprehensive loss for the year		**(43,478,192)**	**(26,914,913)**
Comprehensive loss for the year attributable to:			
Non-controlling interest		**-**	**(29,018)**
Owners of the parent	*15*	**(43,478,192)**	**(26,885,895)**
Loss and comprehensive loss for the year		**(43,478,192)**	**(26,914,913)**

See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)

For the years ended December 31,

	Note	**2014** $	2013 $
OPERATING ACTIVITIES			
Loss for the year from continuing operations		**(47,473,984)**	(29,244,473)
Items not affecting cash			
Depreciation and impairment loss on property, plant and equipment	*7*	**2,528,312**	2,537,509
Impairment loss on exploration and evaluation assets	*8*	**43,461,699**	17,758,606
Share-based payments	*11*	**3,331,875**	4,677,871
Long term debt accretion	*9*	**617,355**	1,311,618
Environmental rehabilitation accretion	*10*	**82,760**	49,519
Unrealized (gain) / loss on investments	*5*	**(20,015,816)**	28,866,557
(Gain) / loss on sale of investments	*5*	**15,962,732**	(27,946,162)
Foreign exchange loss		**51,512**	129,799
Loss on disposal of property, plant and equipment	*7*	**-**	15,065
Deferred tax recovery	*16*	**(3,102,605)**	(2,996,945)
		(4,556,160)	(4,841,036)
Changes in non-cash working capital balances related to operations			
Accounts receivable		**391,953**	(684,846)
Prepaids and deposits		**(552,011)**	(57,501)
Accounts payable and accrued liabilities		**439,740**	(26,685)
Taxes payable		**-**	(24,806)
Cash used in operating activities		**(4,276,478)**	(5,634,874)
INVESTMENT ACTIVITIES			
Addition to exploration and evaluation assets	*8*	**(43,001,908)**	(34,417,830)
Costs associated with sale of Premier Royalty Inc.		**-**	(39,384)
Proceeds from the sale of investments	*5*	**17,792,541**	12,121,463
Net change in restricted cash and cash equivalents	*6*	**41,116**	(1,025,868)
Purchase of property, plant and equipment		**(19,297)**	(206,716)
Cash used in investment activities		**(25,187,548)**	(23,568,335)
FINANCING ACTIVITIES			
Shares issued in private placement	*11*	**9,187,500**	-
Proceeds from the exercise of stock options	*11*	**4,398,370**	889,450
Share issue costs		**(377,081)**	-
Repayment of long term debt	*9*	**(5,054,500)**	(5,049,508)
Cash provided by (used in) financing activities		**8,154,289**	(4,160,058)
Decrease in cash and cash equivalents during year		**(21,309,737)**	(33,363,267)
Cash and cash equivalents, beginning of the year		**52,552,321**	85,101,642
Effect of exchange rate changes on cash and cash equivalents		**898,429**	813,946
Cash and cash equivalents, end of the year		**32,141,013**	52,552,321

Supplemental cash flow information [Note 13]
See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)

		Share capital		Reserves							
Issued and outstandings:	Note	Number of shares	Share capital	Warrants	Equity settled employee benefits	Contributed surplus	Foreign currency translation	Deficit	Equity attributable to owners of the parent	Non-controlling interest	Total equity
Balance as at December 31, 2012		149,027,712	410,425,866	750,933	24,358,107	7,539,763	(1,229,637)	(68,047,891)	373,797,141	40,637,143	414,434,284
Exercise of stock options	12	472,000	1,330,145	-	(440,695)	-	-	-	889,450	-	889,450
Shares issued for Broulan Reef	12	160,000	323,200						323,200		323,200
Shares issued for Cove debt repayment	12	2,142,612	5,000,000	-	-	-	-	-	5,000,000	-	5,000,000
Shares based payments	12	-	-	-	4,546,060	-	-	-	4,546,060	-	4,546,060
Surrender of shares by Goldstone Resources Inc.	12	(400,000)	-	-	-	-	-	-	-	-	-
Share issued as compensation		94,151	131,811	-	-	-	-	-	131,811	-	131,811
Non-controlling interest arising from Premier Royalty / Bridgeport arrangement		-	-	-	-	-	-	-	-	(40,608,125)	(40,608,125)
Comprehensive loss for the year		-	-	-	-	-	2,411,790	(29,297,685)	(26,885,895)	(29,018)	(26,914,913)
Balance as at December 31, 2013		151,496,475	417,211,022	750,933	28,463,472	7,539,763	1,182,153	(97,345,576)	357,801,767		357,801,767
Private placement	12	3,750,000	9,187,500	-	-	-	-	-	9,187,500	-	9,187,500
Exercise of stock options	12	1,686,390	6,905,063	-	(2,506,693)	-	-	-	4,398,370	-	4,398,370
Deferred tax recovery on share issue costs	16	-	2,544,661	-	-	-	-	-	2,544,661	-	2,544,661
Shares issued for Cove debt repayment	12	2,204,488	5,000,000	-	-	-	-	-	5,000,000	-	5,000,000
Share-based payments	12	-	-	-	3,331,875	-	-	-	3,331,875	-	3,331,875
Share issue costs	-	-	(377,081)	-	-	-	-	-	(377,081)	-	(377,081)
Deferred flow-through premium	-	-	(525,000)	-	-	-	-	-	(525,000)	-	(525,000)
Comprehensive loss for the year	-	-	-	-	-	-	3,995,792	(47,473,984)	(43,478,192)	-	(43,478,192)
Balance as at December 31, 2014		**159,137,353**	**439,946,165**	**750,933**	**29,288,654**	**7,539,763**	**5,177,945**	**(144,819,560)**	**337,883,900**	**-**	**337,883,900**

See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

For the years ended December 31, 2014 and 2013

1. NATURE OF BUSINESS

Premier Gold Mines Limited (the "Corporation"), a Canadian based mineral exploration company publicly listed on the Toronto Stock Exchange, is focused on exploring for and development of gold deposits in Canada, the United States and Mexico. The Corporation's principal assets include the Hardrock and Brookbank properties located along the Trans-Canada highway and the Rahill-Bonanza property in the Red Lake mining district within Northwestern Ontario, Canada and the McCoy-Cove property located in Nevada in the United States.

Premier Gold Mines Limited's head office is located at Suite 200, 1100 Russell Street, Thunder Bay, Ontario, P7B 5N2.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Corporation have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Corporation for the year ended December 31, 2014 were approved and authorized for issue by the Board of Directors on March 27, 2015.

Basis of presentation

The consolidated annual financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. Measurement bases are more fully described in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Basis of consolidation

The Corporation's financial statements consolidate those of the parent Corporation and all of its subsidiary undertakings drawn up to December 31, 2014. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of December 31. The Corporation's subsidiaries are:

	Percentage of ownership	Jurisdiction	Principal activity
Premier Gold Mines USA Inc.	100%	United States	Mineral exploration
Premier Gold Mines Nevada Inc.	100%	United States	Mineral exploration
Au-reka Gold Corporation	100%	United States	Mineral exploration
Goldstone Resources Inc.	100%	Canada	Mineral exploration
Premier Gold Mines Hardrock Inc.	100%	Canada	Mineral exploration
Premier Gold Mines Brookbank Inc.	100%	Canada	Mineral exploration
Premier Gold Mines NWO Inc.	100%	Canada	Mineral exploration
Cherbourg Gold Inc.	85.7%	Canada	Mineral exploration
Barraute Gold Inc.	100%	Canada	Mineral exploration
Oro Premier de Mexico S.A. de C.V.	100%	Mexico	Mineral exploration

In January, 2014 the Corporation filed articles of amendment to change the names of the subsidiary companies, 2295196 Ontario Inc. and 2295197 Ontario Inc. to Premier Gold Mines Hardrock Inc. and Premier Gold Mines Brookbank Inc. respectively.

All transactions and balances between the Corporation and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Business combinations

For business combinations occurring since January 1, 2010, the requirements of IFRS 3 have been applied. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized as profit immediately.

Joint operations

Operations that are jointly controlled by the Corporation and other venturers independent of the Corporation (joint ventures) are accounted for by recognizing the Corporation's share of the assets, liabilities, income and expenses included line by line in the consolidated financial statements.

Amounts reported in the financial statements for joint operations have been adjusted where necessary to ensure consistency with the accounting policies of the Corporation.

The Corporation participates in co-ownership agreements with other parties which are labelled joint venture agreements. These agreements do not constitute joint arrangements for purposes of applying IFRS 11 in that the percentage ownership in the jointly held property is such that control resides with the majority ownership interest. In that case, the Corporation records their share of the assets, liabilities, income and the expenses related to the venture.

Foreign currency translation

<u>Functional and presentation currency</u>

The consolidated financial statements are presented in Canadian dollars (CDN), which is also the functional currency of the parent Corporation.

<u>Foreign currency transactions</u>

Foreign currency transactions are translated into the functional currency of the respective Corporation, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at period-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Foreign currency translations

In the Corporation's consolidated financial statements, all assets, liabilities and transactions of the Corporation's subsidiaries with a functional currency other than the $CDN (the Corporation's presentation currency) are translated into $CDN upon consolidation. The functional currency of the entities in the Corporation has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into $CDN at the closing rate at the reporting date. Income and expenses have been translated into the Corporation's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into $CDN at the closing rate.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- held-to-maturity investments
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that the recoverable amount of a financial asset or a group of financial assets exceeds its carrying amount. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'investment income' or 'other income'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash and cash equivalents, accounts receivables and restricted cash and cash equivalents fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty may default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The Corporation's investments fall into this category of financial instrument.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity. The Corporation currently does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. The corporation currently does not hold any investments designated into this category.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial liabilities

The Corporation's financial liabilities include borrowings and accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'general and administrative costs'.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where 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 flow of the investment have been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default of delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization

For certain categories of financial assets, such as amounts receivable and deposits, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment loses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Non-current assets and liabilities classified as held for sale and discontinued operations

When the Corporation intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probably, the asset or disposal group is classified as held for sale and presented separately in the statement of financial position. Liabilities are classified as held for sale and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Corporation's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

Exploration and evaluation

Exploration and evaluation assets include the costs of acquiring rights and licenses, costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset purchase. The Corporation follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting revenue received until production is achieved against the cost of related claims. Costs incurred before the Corporation has obtained the legal rights to explore an area are recognized in the statement of comprehensive loss.

Capitalized costs, including general and administrative 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 reserves.

Exploration and evaluation assets are assessed for impairment if (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. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

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

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.

Property, plant and equipment

Buildings and equipment are stated at historical cost less accumulated depreciation and any provision for impairment in value. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in buildings and equipment if it is probable that future economic benefits associated with the expenditure will flow to the Corporation. Depreciation commences on property plant and equipment when the asset is available for use.

Depreciation on buildings, exploration equipment and office equipment is recognized on a declining balance basis to write down the cost or valuation less estimated residual value. The rates generally applicable are:

Buildings	4 - 10%
Exploration equipment	20%
Office equipment	30%

Depreciation on leasehold improvements is recognized on a straight-line basis over the estimated useful life of the assets, which is fifteen years.

Depreciation on mill and mining equipment is done using the unit-of-production method once commercial production begins.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the equipment and are recognized in profit or loss within 'other income' or 'other expenses'.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Corporation's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less that its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

Share capital

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Corporation. Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation’s common shares, stock options, and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, options or warrants are also shown in equity as a deduction.

The Corporation periodically issues units to investors consisting of common shares and warrants in non-brokered private placements. Each whole warrant issued entitles the holder to acquire a common share of the Corporation, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Corporation’s investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. “bifurcation”) of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

Share-based payment transactions

The Corporation operates equity-settled share-based remuneration plans for its employees, directors and consultants. None of the Corporation's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are fewer then that estimated on vesting.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit or other current tax activities, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilised against future taxable income. To the extent that the Corporation does not consider it probable that a future tax asset will be recovered, it is not recognized in the financial statements.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Provisions

Provisions are recognized when the Corporation or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed each reporting period for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in profit and loss.

Loss from discontinued operations

A discontinued operation is a component of the Corporation that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale

Loss from discontinued operations, including prior year components of loss, is presented in a single amount in the statement of loss. This amount, which comprises the post-tax loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale. The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date of the latest period presented.

Loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Corporation has identified its reportable segments on the basis of their geographic location. As a result the Corporation discloses information geographically based on the location of each of its operations.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

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 Corporation allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in deferred tax expense. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Significant accounting judgements and estimates

In the application of the Corporation's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant judgements in applying the Corporation's accounting policies

Exploration and evaluation assets

The most significant judgement that members of management have made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements is the policy on exploration and evaluation assets.

In particular, management is required to assess exploration and evaluation assets for impairment. Note 8 discloses the carrying values of such assets. As part of this assessment, management has carried out an assessment whether there are indicators of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

The recoverability of exploration and evaluation assets is dependent on a number of factors common to the natural resource sector. These include the extent to which the Corporation can continue to renew its exploration and future development licenses with local or other authorities, establish economically recoverable reserves on its properties, the availability of the Corporation to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Corporation will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining and processing. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralisation.

Functional currency of foreign subsidiaries

Another significant judgement that members of management have made in the process of applying the Corporation's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements is the policy on functional currency of foreign subsidiaries.

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Significant estimates

The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Significant estimates include:

- the inputs used in accounting for share purchase option expense in the consolidated statements of loss
- the provision for income taxes which is included in the consolidated statements of loss and comprehensive loss and composition of deferred income tax liabilities included in the consolidated statements of financial position which have not yet been confirmed by the taxation authorities
- the provision for environmental rehabilitation which is included in the consolidated statements of financial position
- the estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss and comprehensive loss
- the discount rate used to determine the carrying value of long term debt

3. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at January 1, 2014.

Accounting standards issued and effective January 1, 2014

The following standards were applied for the period beginning on January 1, 2014 and had no effect on the Corporation's financial performance:

- IAS 32, Financial Instruments: Presentation clarifies the application of offsetting rules and requires additional disclosure on financial instruments subject to netting arrangements
- IAS 36, Impairment of Assets modifies some of the disclosure requirements regarding the recoverable amount of non-financial assets
- IFRIC 21, Levies provides guidance on when to recognise a liability for a levy imposed by a government, other than those levies within the scope of the other standards

The additional required disclosures of applying the above standards were incorporated in the notes to these consolidated financial statements.

Accounting standards issued and effective for the annual periods beginning on or after July 1, 2014

The Corporation has not applied the following revised or new IFRS that have been issued but were not yet effective at December 31, 2014. These accounting standards are not expected to have a significant effect on the Corporation's accounting policies or consolidated financial statements:

- IFRS 2, Share-based Payments clarifies the definition of a vesting condition and separately defines performance and service conditions
- IFRS 3, Business Combinations requires that an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a financial liability or as equity on the basis of definitions of IAS 32 and additionally clarifies that IFRS 3 does not apply to the formation of any joint arrangement and that the scope exemption only applies in the financial statements of the joint arrangement itself
- IFRS 8, Operating Segments requires disclosure of the judgements made by management in aggregating operating segments, and a reconciliation of segment assets to the total assets when segment assets are reported
- IFRS 13, Fair Value Measurement clarifies that the portfolio exception in IFRS 13, which allows fair measurement as a group of financial assets and liabilities on a net basis, applies to all contracts within the scope of IAS 39 or IFRS 9
- IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets clarify the requirements for the revaluation method in these standards to address concerns about the calculation of the accumulated depreciation or amortization at the date of revaluation
- IAS 19, Employee Benefits clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service
- IAS 24, Related Party Disclosures requires a reporting entity to include as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity

Accounting standards issued and effective January 1, 2015

The Corporation is currently assessing the impact that the change to IFRS 7, Financial Instruments Disclosures may have on the consolidated financial statements. The change to IFRS 7 requires new disclosures on gross amounts subject to rights of set-off, amounts set-off and net credit exposure.

Accounting standards issued and effective January 1, 2016

The Corporation is currently assessing the impact that the changes to the following standards may have on the consolidated financial statements:

- amendment to IFRS 11, Joint Arrangements which requires an acquirer of a joint operation in which the activity constitutes a business to apply all of the business combinations accounting principles and disclosures in IFRS 3 and IFRSs, except for those principles that conflict with the guidance in IFRS 11, to be applied prospectively
- amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets prohibiting entities from using a revenue-based depreciation method for items of property, plant and equipment as well as intangible assets except in limited circumstances, to be applied prospectively
- amendment to IAS 27, Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- amendments to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture

At present, the Corporation does not anticipate that the application of these amendments would have a significant impact on the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

For the years ended December 31, 2014 and 2013

Accounting standards issued and effective January 1, 2017

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

As the Corporation is presently in the exploration and development stage of operations and currently has no revenue producing properties, the application of IFRS 15 would not have a material impact on the amounts reported and disclosures made in the consolidated financial statements. The Corporation will reassess the application of this standard when circumstances dictate.

Accounting standards issued and effective January 1, 2018

The Corporation continues to assess the impact that the changes to IFRS 9, Financial Instruments may have on the consolidated financial statements. The changes to IFRS 9 introduce new requirements for the classification and measurement, impairment, general hedge accounting and derecognition of financial assets and liabilities.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in banks including money market savings accounts and short term deposits that have a one year maturity but that are cashable within 30 days or less into a known amount of cash.

	2014	2013
	$	$
Cash	**17,698,585**	7,374,587
Short-term money market investments	**14,442,428**	45,177,734
	32,141,013	52,552,321

5. INVESTMENTS

	2014		2013	
	Market	**Cost**	Market	Cost
	$	**$**	$	$
Equities				
Canadian equities held for sale	**3,632,955**	**12,099,607**	17,381,833	45,854,880
Canadian equities	**144,278**	**1,283,775**	134,857	1,283,775
	3,777,233	**13,383,382**	17,516,690	47,138,655

Canadian equities consist of common shares held in Canadian publicly traded corporations. Fair values of equities are determined as the bid price at December 31, 2014. Investments that are held for short term trading are classified as held for sale and are included in current assets.

On January 28, 2013 the Corporation entered into a share purchase agreement with Sandstorm Gold Ltd. ("Sandstorm") pursuant to which Sandstorm acquired 33,655,821 common shares and 6,965,676 warrants of Premier Royalty Inc. from the Corporation, representing the Corporation's entire position in Premier Royalty Inc. The resulting consideration for the Premier Royalty Units was satisfied by the issuance of 5,604,277 special warrants in the capital of Sandstorm, all of which have been exercised for no additional consideration into one common share each of Sandstorm in accordance with the terms thereof.

Included on the statement of loss is an unrealized gain of $20,036,042 and a realized loss of $15,953,681 on the Sandstorm shares for the year ended December 31, 2014 (2013 - unrealized loss of $27,119,042 and a realized loss of $9,844,840). Sandstorm shares held at period end are included in Canadian equities held for sale.

(Stated in Canadian Dollars)

6. RESTRICTED CASH AND CASH EQUIVALENTS

Property	**2014**	2013
	$	$
Hardrock, Ontario (i)	**633,089**	633,089
Saddle, Nevada (ii)	**-**	11,106
Northern Empire Mill, Ontario (iii)	**2,228,973**	2,225,789
McCoy-Cove, Nevada (iv)	**1,132,928**	1,065,288
	3,994,990	3,935,272

(i) The Corporation has a $633,089 standby letter of credit outstanding in favour of the Ontario Ministry of Northern Development and Mines relating to reclamation obligations of the Hardrock property in Ontario. Security for the standby letter of credit is held with the Royal Bank of Canada.

(ii) The Saddle property was transferred to Newmont Mining Corporation (Newmont) during the period as discussed in Note 8. As a result of this transfer the Corporation is no longer liable for the reclamation obligation.

(iii) The Corporation has a total of $2,228,973 in restricted cash and cash equivalents relating to reclamation obligations associated with the Northern Empire mill in Ontario including:

- a $150,000 standby letter of credit with the Toronto Dominion Bank in the name of the Corporations' wholly owned subsidiary, Goldstone Resources Inc., and payable in favour of the Ontario Ministry of Northern Development and Mines (MNDM)
- a $1,678,493 standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM
- $400,480 in financial assurance held directly by the MNDM

(iv) The Corporation's wholly owned subsidiary, Au-reka Gold Corporation has $976,584USD ($1,132,928CAD) in restricted cash related to reclamation obligations associated with the McCoy-Cove property in Nevada including:

- $976,584USD ($1,132,928CAD) held in trust with the United States Department of the Interior, Bureau of Land Management
- as a result of the purchase of McCoy-Cove from Newmont the $25,000USD deposit previously held by Newmont was returned to the Corporation during the period

(Stated in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

Costs	Building	Leasehold improvements	Exploration equipment	Mill and mining equipment	Office equipment	Total
	$	$	$	$	$	$
Balance, December 31, 2012	260,976	227,994	140,090	4,910,285	343,645	5,882,990
Assets acquired	50,695	103,447	-	-	52,573	206,715
Provision for rehabilitation	-	-	-	(147,338)	-	(147,338)
Assets disposed	-	-	-	-	(32,282)	(32,282)
Foreign currency adjustment	-	-	3,886	-	-	3,886
Balance, December 31, 2013	311,671	331,441	143,976	4,762,947	363,936	5,913,971
Assets acquired	-	30,261	19,297	-	-	49,558
Currency adjustment	-	7,999	5,465	-	-	13,464
Balance, December 31, 2014	**311,671**	**369,701**	**168,738**	**4,762,947**	**363,936**	**5,976,993**

Accumulated depreciation	Building	Leasehold improvements	Exploration equipment	Mill and mining equipment	Office equipment	Total
	$	$	$	$	$	$
Balance, December 31, 2012	8,032	8,078	23,278	-	106,021	145,409
Depreciation for the year	12,146	21,059	23,740	-	70,098	127,043
Impairment loss	17,340	-	39,350	2,353,776	-	2,410,466
Assets disposed	-	-	-	-	(17,217)	(17,217)
Foreign currency adjustment	-	172	552	-	-	724
Balance, December 31, 2013	37,518	29,309	86,920	2,353,776	158,902	2,666,425
Depreciation for the year	20,248	27,982	13,910	-	57,001	119,141
Impairment loss	-	-	-	2,409,171	-	2,409,171
Currency adjustment	-	1,090	1,788	-	-	2,878
Balance, December 31, 2014	**57,766**	**58,381**	**102,618**	**4,762,947**	**215,903**	**5,197,615**

Carrying amounts	Building	Leasehold improvements	Exploration equipment	Mill and mining equipment	Office equipment	Total
	$	$	$	$	$	$
Balance, December 31, 2013	274,153	302,132	57,056	2,409,171	205,034	3,247,546
Balance, December 31, 2014	**253,905**	**311,320**	**66,120**	**-**	**148,033**	**779,378**

The Corporation had previously assessed the carrying value of the mill and mining equipment based on facts and circumstances existing at the time which resulted in an impairment charge in 2013 of $2,353,776. An additional impairment of $2,409,171 was taken in September, 2014 as a potential sale of these assets did not materialize resulting in a revaluation of the recoverable amount of the assets.

During the previous year the Corporation recognized an impairment loss of $56,690 from buildings and exploration equipment. The Corporation determined there was evidence that the carrying value of the assets was impaired and the loss was recorded to reduce the carrying cost to the estimated fair value less the cost to sell.

During the previous year the Corporation wrote off computer equipment and office furniture with a net book value of $15,065.

All depreciation and impairment charges are included in depreciation and impairment loss on the consolidated statements of loss.

(Stated in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

Property	December 31, 2013 $	Additions $	Impairment / Disposal $	Currency Adjustment $	**December 31, 2014 $**
Rahill-Bonanza, Ontario	35,837,625	856,466	-	-	**36,694,091**
East Bay, Ontario	7,893,540	217,599	-	-	**8,111,139**
PQ North, Ontario	12,674,857	156	-	-	**12,675,013**
Hardrock, Ontario	173,944,156	17,778,226	-	-	**191,722,382**
Brookbank, Ontario	16,639,298	27,218	-	-	**16,666,516**
McCoy-Cove, Nevada	39,928,245	32,405,132	-	3,622,262	**75,955,639**
Saddle, Nevada	40,126,726	13,508	(40,741,383)	601,149	**-**
Other areas	2,658,635	56,175	(2,720,316)	5,506	**-**
	329,703,082	51,354,480	(43,461,699)	4,228,917	**341,824,780**

Property	December 31, 2012 $	Additions $	Impairment $	Currency Adjustment $	December 31, 2013 $
Rahill-Bonanza, Ontario	33,074,799	2,762,826	-	-	35,837,625
East Bay, Ontario	7,531,970	361,570	-	-	7,893,540
PQ North, Ontario	12,674,857	-	-	-	12,674,857
Hardrock, Ontario	151,403,519	22,540,637	-	-	173,944,156
Brookbank, Ontario	16,062,085	577,213	-	-	16,639,298
Cove, Nevada	29,183,911	8,729,802	-	2,014,532	39,928,245
Saddle, Nevada	39,140,569	14,025	-	972,132	40,126,726
Other areas	19,340,098	1,037,280	(17,758,606)	39,863	2,658,635
	308,411,808	36,023,353	(17,758,606)	3,026,527	329,703,082

The amounts shown represent costs incurred to date, and do not necessarily represent present or future values as these are entirely dependent upon the economic recovery of future ore reserves.

Impairment and disposal on exploration and evaluation assets

The Corporation regularly reviews the carrying amount if its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Mineral property interests are tested for impairment when facts and circumstances suggest that the carrying amount of the mineral property interests exceed their recoverable amount. In the absence of other factors, a mineral property that has not been actively explored within the past three years and for which no future exploration plans exist will be considered to be impaired.

2014

Saddle

As a result of the transfer of the Saddle property in Nevada in the acquisition discussed below, the Corporation recognized both an impairment loss of $31,473,441 and a loss on disposal of $9,267,942 on the related exploration and evaluation assets.

Other areas

As a result of the transfer of the Blue Sage property in Nevada in the acquisition discussed below, the Corporation recognized an impairment loss of $2,166,988 on the related exploration and evaluation assets. The Corporation had previously identified certain other mineral properties as non-core assets as they had not been actively explored within the past three years and had no future exploration plans. The resulting evaluation of the carrying value of those mineral properties resulted in an impairment charge in 2013 of $17,758,606. An additional impairment of $553,328 was taken in September, 2014 as a potential sale of these properties did not materialize during the period resulting in a revaluation of the recoverable amount of the properties.

Acquisitions

2014

McCoy-Cove

On September 11, 2014, the Corporation acquired a 100% ownership interest in the McCoy gold property adjacent to the Cove property and located along the Eureka-Battle Mountain Trend in Nevada from Newmont for a total of $21,153,088USD ($23,691,459CAD). The Corporation paid $15,000,000USD on closing, will pay an additional $6,000,000USD within 18 months or on publishing a resource and transferred all land sections that comprise its South Carlin project, including the Saddle and Blue Sage properties. In addition, the Corporation assumed existing reclamation and environmental liabilities associated with the property of $877,272USD ($1,017,717CAD) and replaced the existing financial surety with the United States Bureau of Land Management in the amount of $4,417,691USD.

The acquisition includes the following:

- 100% interest in the consolidated McCoy-Cove property package (now totaling 31,000 acres or 48 square miles)
- elimination of “back-in” rights previously held by Newmont as well as a revision of the royalty terms held by Newmont from a “potential” 5.0% royalty (NSR) to a 1.5% NSR
- the potential to define near-surface heap leachable mineralization at McCoy that could be prioritized towards development
- existing infrastructure, including lined heap leach pads that could potentially be utilized under a renewed development scenario
- a “good faith efforts” processing arrangement with Newmont over a 10-year period within a 12-year window for ores mined at McCoy-Cove
- the Corporation will retain a 1.5% Net Smelter Royalty (“NSR”) in the South Carlin property interests

2013

Broulan Reef

On May 6, 2013, the Corporation acquired the Broulan Reef Project from Cypress Development Corp. and Skyharbour Resources Ltd. The project, which is located in the Dome Township, of Red Lake Mining District, is immediately adjacent to Goldcorp Inc.'s Bruce Channel deposit and the Corporation / Goldcorp's Rahill-Bonanza Joint Venture. The Corporation acquired the Broulan Reef project for a payment of $1,750,000 cash and the issuance of 160,000 common shares of the Corporation. The property is subject to an existing 2.0% NSR and the vendors shall retain a 0.5% NSR. The Corporation shall have the right to purchase the entire 0.5% NSR at any time for aggregate purchase price of $500,000. Goldcorp Inc. acquired a 51% interest in the Broulan Reef Project by funding 51% of the acquisition costs under the terms of the Rahill-Bonanza Joint Venture Agreement between the Corporation and Goldcorp Inc. in the amount of $1,076,459.

Argonaut Claims

On September 12, 2013, the Corporation acquired the Argonaut claims from Argonaut Gold Inc. The claims which are located in the Errington Township, of the Thunder Bay Mining District, are located under the Hardrock project. The Corporation acquired the Argonaut claims for a payment of $40,000 cash. This property is subject to a 3% NSR. The Corporation shall have the right to purchase up to 2% NSR at any time for an aggregate purchase price of $1,000,000 for the first 1% and $1,500,000 for the second 1%.

Transfer of exploration and evaluation assets

During 2012, $11,220,000 of mineral property acquisition costs were transferred from exploration and evaluation assets to royalty interests related to the Saddle property in Nevada and subsequently sold to Premier Royalty Corporation. The costs were transferred when the property began issuing royalty payments. The royalty interest was included in the disposal group assets classified as held for sale and royalty operations included in discontinued operations as discussed in Note 15.

Rahill-Bonanza

The Bonanza property, located in Dome township within the Red Lake mining district of Ontario, is comprised of 12 patented mining claims; 6 of which were formerly known as the Follansbee property.

The property is subject to a 1.7% net smelter return (NSR) in favour of Pure Gold Minerals Inc. ("Pure Gold"), a 0.3% NSR in favour of Eugenic Corp ("Eugenic") which relates to the 6 Bonanza claims, and a 2% NSR in favour of Interquest Incorporated relating to the 6 Follansbee claims.

The Corporation has retained a right to purchase a portion, namely a 1% NSR for $1,000,000 and a first right of refusal to purchase the remaining 0.7% NSR from Pure Gold. The Corporation has also retained a first right of refusal to purchase Eugenic's 0.3% NSR.

On March 1, 2007 the Corporation acquired the Meunier Claim in Red Lake, Ontario from an unrelated party. As consideration, the Corporation paid $50,000 on execution and issued 50,000 common shares, valued at the trading price of the Corporation's shares at the time the agreement was entered into. An additional $50,000 cash and 50,000 common shares were paid on the 18th month anniversary of the agreement. Costs associated with this acquisition are included within the Rahill-Bonanza Project. On February 13, 2012 the Corporation paid Meunier $75,000 cash in lieu of making any annual advance royalty payments. Goldcorp Inc. agreed to participate and reimbursed the Corporation its respective portion.

On May 9, 2007 the Corporation signed an Asset Exchange Agreement (the "Agreement") with Red Lake Gold Mines, an affiliate of Goldcorp Inc. Under the terms of the Agreement, Red Lake Gold Mines agreed to transfer to the Corporation an undivided 50% interest in and to certain mining claims in the Red Lake District known as the Rahill-Wilmar and Kostynuk Properties, and the Corporation agreed to transfer to the Partnership an undivided 50% interest in and to certain mining claims in the Red Lake District known as the Bonanza and Marathon Properties.

On May 29, 2007 the Corporation signed the definitive joint venture Agreement. Pursuant to the agreement, the Corporation funded the initial $1,000,000 in exploration on the project commencing December 1, 2006; the date the original letter of intent was signed. Exploration expenditures in excess of the initial $1,000,000 have been funded on a 50:50 basis. The Corporation was the operator during the initial period of $5,000,000 in exploration.

On January 18, 2008, Goldcorp exercised its option pursuant to the joint venture agreement to increase its interest in the joint venture by 1% to 51% by paying the Corporation $440,000. By doing this, Goldcorp took over as primary operator of the joint venture. The Corporation now holds a 49% interest in the property and will continue to participate in the ongoing exploration program.

On May 6, 2013 the Corporation acquired the Broulan Reef Project from Cypress Development Corp. and Skyharbour Resources Ltd. The project, which is located in the Dome Township, of Red Lake Mining District, is immediately adjacent to Goldcorp Inc.'s Bruce Channel deposit and the Corporation / Goldcorp's Rahill-Bonanza Joint Venture. The Corporation acquired the Broulan Reef project for a payment of $1,750,000 cash and the issuance of 160,000 common shares of the Corporation. The property is subject to an existing 2.0% NSR and the vendors shall retain a 0.5% NSR. The Corporation shall have the right to purchase the entire 0.5% NSR at any time for aggregate purchase price of $500,000. Goldcorp Inc. acquired a 51% interest in the Broulan Reef Project by funding 51% of the acquisition costs under the terms of the Rahill-Bonanza joint venture Agreement between the Corporation and Goldcorp Inc. in the amount of $1,076,459.

East Bay

The East Bay property, a joint venture with Goldcorp Canada Ltd. ("Goldcorp"), is comprised of 80 unpatented mineral claims located in Bateman township within the Red Lake mining district of Ontario.

Pursuant to the joint venture agreement, Goldcorp increased its proportionate interest in the joint venture from 50% to 65% by completing, at its own expense, a feasibility study during the year ended December 31, 2007.

On March 22, 2012 the Corporation acquired two patented claims from Belmont Resources and International Montoro Resources Inc., located in the East Bay region of Red Lake. As consideration, the Corporation paid $20,000 in cash and issued 5,000 shares valued at $21,300. These claims have a 3% Net Smelter Return royalty subject to a 1% buy-back for $500,000.

On March 22, 2012 the Corporation entered into an option agreement to acquire four key patented claims from William Ehlers, located in the Easy Bay region of Red Lake. As consideration, the Corporation paid $20,000 in cash and issued 4,000 shares valued at $20,280. These claims have a 2% Net Smelter Return royalty subject to a 1% buy-back for $500,000.

PQ North

The PQ North Project is located in the Musselwhite District of Northwestern Ontario, some 300 kilometres northeast of Red Lake, proximal to Goldcorp's Musselwhite Mine. The property is within 10 kilometres of the Musselwhite Mine surface infrastructure and is accessed by road in winter and by road and lake in summer. The Corporation holds the right to a 100% interest in the PQ North Property subject to a 2% net smelter return royalty.

On April 4, 2011 the Corporation exercised its option to acquire the 2% Net Smelter Returns Royalty from the vendor. As compensation, the Corporation paid $100,000 cash and issued 150,000 shares as well as 50,000 common share purchase warrants exercisable at $6.62 which expired during the year (see Note 11).

Hardrock

The Hardrock project is located in the Greenstone district of Northwestern Ontario, some 300 kilometres east of Thunder Bay Ontario and is comprised of the Corporation's Hardrock and Key Lake properties.

The Hardrock property was acquired from Lac Properties Inc. ("Lac"), a wholly-owned subsidiary of Barrick Gold Corporation in 2008. The property which is comprised of the mining claims commonly known as Geraldton, Ozone Creek and Eva Summers is subject to a ranging royalty obligation from 1.0% net smelter return royalty (the "NSR Royalty") to 5.0% net profit interest ("NPI") on production from the property.

The Corporation retains a 100% interest in the Key Lake property located in Lindsley Township near Geraldton, Ontario. The property is contiguous to the Hardrock property and is subject to a varying NSR in the range of 1.0% to 2.25% under certain conditions.

On September 12, 2013 the Corporation acquired the Argonaut claims from Argonaut Gold Inc. The claims which are located in the Errington Township, of the Thunder Bay Mining District, are included with the Hardrock project. The Corporation acquired the Argonaut claims for a payment of $40,000 cash. This property is subject to a 3% NSR. The Corporation has the right to purchase up to 2% NSR at any time for an aggregate purchase price of $1,000,000 for the first 1% and $1,500,000 for the second 1%.

Brookbank

The Brookbank project is located in the Greenstone district of Northwestern Ontario some 250 kilometers east of Thunder Bay, Ontario and is comprised of the Brookbank and Cherbourg Fox properties.

The Corporation has a 100% interest in the Brookbank property subject to a 1% NSR in favour of Metalore Resources Limited on certain mineral claims.

The Corporation has a 74% interest in the Cherbourg-Fox Ear property. The remaining 26% interest which is held by Metalore can be acquired by the Corporation at the incremental rate of 1% for each $20,000 in exploration expenditures incurred by the Corporation for which Metalore does not remit its proportionate share of the expenditures. The Corporation and Metalore are currently in discussion regarding adjustments to the relative ownership percentages in relation to exploration expenditures incurred in 2009 and 2010.

The Corporation has a 79% interest in certain Staked Claims (the "Staked Claim Option"). The remaining 21% interest which is held by Metalore can be acquired by the Corporation at the incremental rate of 1% for each $20,000 in exploration expenditures incurred by the Corporation for which Metalore does not remit its proportionate share of the expenditures. The Corporation and Metalore are currently in discussion regarding adjustments to the relative ownership percentages in relation to exploration expenditures incurred in 2009 and 2010.

The Corporation also has a right of first refusal with respect to the mineral rights for six leased claims in Walters Township owned by Metalore.

McCoy-Cove

On June 13, 2012 the Corporation's wholly owned subsidiary Au-reka Gold Corporation acquired a 100% interest in the Cove Gold Project, located in the Battle Mountain-Eureka Trend in Nevada, U.S.A from Victoria Gold Corp.

Total consideration for the acquisition included a $20,000,000 non-interest bearing promissory note issued in favour of Victoria Gold, $4,000,000 in cash, and the issuance 892,857 common shares valued at $4,223,214. In addition, the Corporation also reimbursed Victoria $1,206,277USD in respect of actual exploration costs incurred by Victoria between March 15, 2012 and the closing date of the acquisition.

On September 11, 2014, the Corporation acquired a 100% ownership interest in the McCoy gold property adjacent to the Cove property and located along the Eureka-Battle Mountain Trend in Nevada from Newmont for a total of $21,153,088USD ($23,691,459CAD). The Corporation paid $15,000,000USD on closing, will pay an additional $6,000,000USD within 18 months or on publishing a resource and transferred all land sections that comprise its South Carlin project including the Saddle and Blue Sage properties. In addition, the Corporation assumed existing reclamation and environmental liabilities associated with the property of $829,446USD ($928,935CAD) and replaced the existing financial surety with the United States Bureau of Land Management in the amount of $4,417,691USD. The McCoy-Cove property is subject to a 1.5% NSR.

Saddle

On June 14, 2010 the Corporation acquired Saddle Gold Inc. ("Saddle"). Saddle owns, among other things, the mineral rights in respect of a majority portion of the Saddle Gold Deposit (the "Saddle Property"). The Saddle Property is located in the heart of the Carlin Trend in Elko, County, Nevada.

On September 11, 2014 the Corporation transferred the Saddle property in Nevada to Newmont Gold as discussed above in acquisitions. The Corporation will retain a 1.5% NSR in the Saddle property interest.

Other areas

Other mineral interests held by the Corporation include:

- a 100% interest in the Faymar property located in Deloro Township in the Timmins Gold Camp subject to a 1% NSR
- a 100% interest in the Bartec property located in Barraute township, in the Val d'Or district of Quebec
- a 100% interest in the Nortoba-Tyson property located in Dorothea Township in the Thunder Bay Mining District
- a 100% interest in Northern Empire West Extension property subject to a 3% NSR for which the Corporation has retained the right to purchase up to 1% of the NSR under certain conditions
- a 100% interest in the Northern Empire property located in McComber and Summers Township in the

(Stated in Canadian Dollars)

Thunder Bay Mining District subject to a 2.75% NSR

- a 100% interest in the Leitch-Sand River property located near Beardmore, Ontario subject to a varying NSR in the range of 1 - 2% on certain claims under certain conditions, for which the Corporation has retained the right to purchase up to one half of the ranging NSR's under prescribed conditions
- a 100% interest in the Santa Teresa Mineral Concession and Quasaro located in Mexico
- a 100% interest in Raingold Property, comprised of 6 Patented mining claims

On September 11, 2014 the Corporation transferred the Blue Sage mineral claim in Nevada to Newmont Gold as discussed above in acquisitions. The Corporation will retain a 1.5% NSR in the Blue Sage mineral claims interest.

9. LONG-TERM DEBT

(a) The Corporation, through its wholly owned subsidiary, Premier Gold Mines Nevada Inc. holds a non-interest bearing promissory note issued by various parties related to the acquisition of South Africa Platinum Inc. The promissory note was secured by a deed of trust on the Blue Sage property. At December 31, 2014, the outstanding principal of the promissory note is $200,000USD ($232,020CAD). The current portion of the promissory note is $50,000USD (discounted at a rate of 15% $44,331CAD). The remaining balance of the promissory note of $150,000USD (discounted at a rate of 15% $132,437CAD), will be repaid over the next 4 years. The present value of the debt, using a discount rate of 15% is $176,768CAD. The value of the debt is being accreted to the face value of the promissory note at its maturity date, with the charge to the statement of comprehensive loss as a form of interest expense over the term of the note.

Anniversary Date	Total payment ($USD)	Total payment ($CAD)	Discounted principal ($CAD)	Accreted interest ($CAD)
July 19, 2015	50,000	58,005	44,331	13,674
July 19, 2016	50,000	58,005	38,138	19,867
July 19, 2017	50,000	58,005	43,860	14,145
July 19, 2018	50,000	58,005	50,439	7,566
Total	200,000	232,020	176,768	55,252

(b) Pursuant to the acquisition of the Cove Gold Project, the Corporation issued a non-interest bearing promissory note in favour of Victoria Resources (US) Inc., through its wholly owned subsidiary, Au-reka Gold Corporation in the amount of $20,000,000CAD of which $10,000,000 was repaid on June 13, 2013 and the remaining $10,000,000 on June 13, 2014. The Corporation made one-half of the payment in consideration shares issued by the Corporation on behalf of Au-reka Gold Corporation in both years.

(c) As a result of the acquisition of the McCoy-Cove Property described in Note 8, the Corporation agreed to an additional long term payable in favour of Newmont, through its wholly owned subsidiary, Au-reka Gold Corporation in the amount of $6,000,000USD ($6,960,557CAD). The payment is due within 30 days of the earlier of: a published one million ounce mineral resource estimate or the completion of a positive feasibility study. In accordance with the purchase agreement the Corporation shall make reasonable effort to complete a mineral resource estimate within 18 months of September 11, 2014 and as such, the present value of the debt over the eighteen months and using a discount rate of 8%, is $6,334,300CAD. The value of the debt is being accreted to the face value of the payable at its maturity date, with the charge to the statement of comprehensive loss as a form of interest expense over the term of the debt.

Anniversary Date	Total payment ($USD)	Total payment ($CAD)	Discounted principal ($CAD)	Accreted interest ($CAD)
March 11, 2016	6,000,000	6,960,557	6,334,300	626,257

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For the years ended December 31, 2014 and 2013

10. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Corporation's provision for environmental rehabilitation results from an ownership interest in a mill, mining equipment and previously mined property interests. The provision consists primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for decommissioning the mill complex and related infrastructure, physical and chemical stability of the tailings area and post-closure site security and monitoring costs. In determining the estimated costs, the Corporation considers such factors as changes in laws and regulations and requirements under existing permits. Such analysis is performed on an ongoing basis.

The Corporation estimates that the future value of the cash flows required to settle the provision is $4,093,509 for the Northern Empire Mill and the Faymar Delora property in Canada and $1,003,063USD ($1,163,653CAD) for the McCoy-Cove property in the United States. In calculating the fair value of the Corporation's provision, management used risk free interest rates ranging from 1.998% to 2.381%. A reconciliation of the discounted provision is provided below:

	2014			
	$ Northern Empire Mill	**$ Faymar Delora property**	**$ McCoy-Cove property**	**$ Total**
Balance, beginning of the period	**2,351,185**	**1,352,195**	**-**	**3,703,380**
New obligation	**-**	**-**	**1,017,717**	**1,017,717**
Accretion expense	**47,615**	**30,061**	**5,084**	**82,760**
Adjustment due to change in estimate and interest rate	**31,602**	**6,305**	**-**	**37,907**
Reclamation expenditures	**-**	**-**	**(10,967)**	**(10,967)**
Currency adjustment	**-**	**-**	**(295)**	**(295)**
	2,430,402	**1,388,561**	**1,011,539**	**4,830,502**

	2013			
	$ Northern Empire Mill	$ Faymar Delora property	$ McCoy-Cove property	$ Total
Balance, beginning of the period	2,449,004	-	-	2,449,004
New obligation	-	1,352,195	-	1,352,195
Accretion expense	49,519	-	-	49,519
Adjustment due to change in interest rate	(147,338)	-	-	(147,338)
	2,351,185	1,352,195	-	3,703,380

The additional obligation accounted for during the year is related to the McCoy-Cove mineral property interest acquired on September 11, 2014 as described in Note 8.

The additional obligation accounted for during the year ended December 31, 2013 is related to the Faymar mineral property interest acquired as a result of the 2011 Goldstone acquisition and referenced in Note 8 of the December 31, 2013 audited consolidated financial statements under “Other areas”. The property was subject to a site visit by the MNDM during 2013 and identified as requiring reclamation including building foundations, crown pillar and tailings basin stability. These costs were capitalized to the related mineral property which was subsequently impaired as further discussed in Note 8 of the December 31, 2013 statements.

As the Northern Empire Mill and Faymar Delora properties are considered fully impaired, the change in estimate and interest rates are expensed as property maintenance. In 2013 the adjustment due to a change in interest rate was related to the existing Northern Empire Mill provision and resulted in a decrease to the related asset.

11. CAPITAL AND RESERVES

Authorized

The Corporation is authorized to issue an unlimited number of common shares.

Details of share issuances

2014

Private Placement

On November 25, 2014 the Corporation issued 3,750,000 flow-through common shares, on a "bought deal" basis, at a price of $2.45 per common share for gross proceeds of $9,187,000. In consideration of the agents' services in connection with the offering, the agents were paid an aggregate cash fee equal to 5 per cent of the gross proceeds raised in the offering.

Shares issued as payment

On June 13, 2014, the Corporation issued 2,204,488 common shares, valued at $5,000,000 on behalf of it's wholly owned subsidiary Au-reka Gold Corporation for partial repayment of the promissory note pursuant to the Cove property acquisition completed in 2012.

2013

Shares issued for mineral property

On May 6, 2013 the Corporation issued 160,000 common shares, valued at $323,200 for the Broulan Reef property located in the Red Lake Mining District. Goldcorp Inc. acquired a 51% interest in the Broulan Reef Project under the terms of the Rahill-Bonanza Joint Venture Agreement between the Corporation and Goldcorp Inc. Purchase details are described in Note 8.

Shares issued as payment

On June 13, 2013 the Corporation issued 2,142,612 common shares, valued at $5,000,000 on behalf of its wholly owned subsidiary Au-reka Gold Corporation for partial repayment of the promissory note pursuant to the Cove property acquisition completed in 2012.

Shares issued as compensation

On December 31, 2013 the Corporation issued 94,151 common shares valued at $131,811 to officers and management as compensation.

Warrants

The Corporation had 50,000 warrants outstanding at an exercise price of $6.62. The warrants were issued on April 5, 2011 and expired on April 5, 2014.

The Corporation applies the fair value method of accounting for all warrants issued. There were no warrants issued during the year ended December 31, 2014 or 2013.

Share option plan

The Corporation has a share option plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

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(Stated in Canadian Dollars)

For the years ended December 31, 2014 and 2013

The following table reflects the stock options outstanding as at December 31, 2014:

Expiry Date	Exercise Price $	2014 Opening Balance #	Granted #	Exercised #	Expired/ Cancelled #	2014 Closing Balance #
January 6, 2014	2.34	34,136	-	-	(34,136)	-
May 27, 2014	2.50	47,640	-	(42,640)	(5,000)	-
June 17, 2014	2.66	1,741,500	-	(1,550,000)	(191,500)	-
November 21, 2014	4.95	194,200	-	-	(194,200)	-
April 13, 2015	4.20	2,648,000	-	-	-	2,648,000
September 17, 2015	3.44	48,003	-	-	-	48,003
October 5, 2015	3.69	22,401	-	-	-	22,401
October 16, 2015	4.25	20,001	-	-	-	20,001
December 8, 2015	7.45	60,000	-	-	-	60,000
June 24, 2016	5.25	16,001	-	-	-	16,001
July 28, 2016	6.01	1,327,000	-	-	-	1,327,000
August 10, 2016	6.05	630,000	-	-	-	630,000
August 25, 2016	6.20	431,666	-	-	-	431,666
October 19, 2016	5.27	220,000	-	-	-	220,000
December 20, 2016	4.43	35,000	-	-	-	35,000
March 5, 2017	5.20	125,000	-	-	-	125,000
May 2, 2017	4.78	150,000	-	-	-	150,000
May 8, 2017	4.50	550,000	-	-	-	550,000
June 13, 2017	4.69	300,000	-	-	-	300,000
August 13, 2017	4.45	715,000	-	-	-	715,000
October 24, 2017	5.40	60,000	-	-	-	60,000
January 28, 2018	3.65	250,000	-	-	-	250,000
February 22, 2018	2.95	150,000	-	-	-	150,000
March 6, 2018	2.75	685,000	-	-	-	685,000
March 18, 2018	3.11	125,000	-	-	-	125,000
April 8, 2018	2.60	150,000	-	-	-	150,000
August 8, 2018	1.79	1,379,500	-	(89,750)	(9,500)	1,280,250
August 13, 2018	2.27	150,000	-	-	-	150,000
September 20, 2018	2.41	150,000	-	-	-	150,000
September 24, 2018	2.03	8,000	-	(4,000)	-	4,000
October 22, 2018	2.14	150,000	-	-	-	150,000
December 18, 2018	1.40	250,000	-	-	-	250,000
March 7, 2019	2.51	-	100,000	-	-	100,000
May 2, 2019	2.01	-	150,000	-	-	150,000
April 15, 2018	2.23	-	15,000	-	-	15,000
August 29, 2019	2.83	-	1,682,500	-	-	1,682,500
September 22, 2019	2.85	-	25,000	-	-	25,000
		12,823,048	1,972,500	(1,686,390)	(434,336)	12,674,822
Weighted average exercise price		3.91	2.75	2.61	3.64	3.92

(Stated in Canadian Dollars)

Total exercisable stock options at December 31, 2014 were 12,239,822 with a weighted average exercise price of $3.96 (2013, 11,928,048 with a weighted average exercise price of $3.98).

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $3,331,875 was recorded for options and shares issued as compensation during the year (2013 - $4,677,871 was recorded as compensation for the year). As of December 31, 2014 there were 435,000 unvested stock options (895,000 at December 31, 2013).

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2014	2013
Risk-free interest rate	1.58% - 1.99%	1.34% - 1.89%
Annualized volatility	61% - 66%	58% - 64%
Expected dividend yield	Nil	Nil
Expected option life	3.75 - 5 years	5 years

Treasury shares

In 2013 Goldstone Resources Inc., a wholly owned subsidiary of the Corporation, surrendered 400,000 shares of the Corporation previously held by it for $nil consideration.

12. LOSS PER SHARE

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Corporation as the numerator. No adjustments to loss were necessary in 2014 or 2013.

	2014	2013
Numerator:		
Loss from continuing operations	**(47,473,984)**	(29,244,473)
Loss from discontinued operations	**-**	(82,230)
	(47,473,984)	(29,326,703)
Denominator:		
Weighted Average number of common shares	**153,727,702**	150,480,513
Basic and diluted loss per share:		
Loss from continuing operations	**(0.31)**	(0.19)
Loss from discontinued operations	**-**	-
Total	**(0.31)**	(0.19)

(Stated in Canadian Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash financing and investing activities during the period are as follows:

As at December 31,	Note	**2014** **$**	2013 $
Increase in accounts payable and accrued liabilities included in capitalized exploration and evaluation assets		**310,538**	-
Fair value of debt issued for the purchase of exploration and evaluation assets		**5,987,367**	-
Fair value of shares issued for compensation	*11*	**-**	131,811
Fair value of stock options allocated to share capital upon exercise	*11*	**2,506,693**	440,695
Fair value of shares issued for the purchase of evaluation and exploration assets	*11*	**-**	323,200
Fair value of shares issued for repayment of promissory note	*11*	**5,000,000**	5,000,000

14. SEGMENTED INFORMATION

The Corporation's significant segments that are represented by its separately identifiable exploration and evaluation properties as described in Note 8 that operate in three distinct geographic areas. The Canadian operations, which are located in Ontario, are managed from the Corporation's head office in Thunder Bay. The United States of America (U.S.A.) operations are managed from an office in Nevada. The Mexican operations are managed from an office in Mexico City.

For the year ended December 31,		**2014**		
	Canada $	U.S.A. $	Mexico $	**Total** **$**
Depreciation and impairment	(3,060,312)	(42,929,699)	-	**(45,990,011)**
Net finance costs	-	(617,355)	-	**(617,355)**
Overhead costs	(7,652,374)	(40,051)	(20,887)	**(7,713,312)**
Exploration and maintenance	(766,007)	(39,877)	(40,244)	**(846,128)**
Other income	4,580,254	10,571	-	**4,590,825**
Loss before income taxes	(6,898,439)	(43,616,411)	(61,131)	**(50,575,981)**
Current tax	(582)	(26)	-	**(608)**
Deferred tax	877,202	2,225,403	-	**3,102,605**
Loss for the year	(6,021,819)	(41,391,034)	(61,131)	**(47,473,984)**
Exploration and evaluation asset additions (net)	18,379,666	(6,257,968)	-	**12,121,698**

(Stated in Canadian Dollars)

For the year ended December 31,		2013		
	Canada	U.S.A.	Mexico	Total
	$	$	$	$
Depreciation and impairment	(19,485,860)	(129,689)	(695,630)	(20,311,179)
Net finance costs	-	(1,332,760)	-	(1,332,760)
Overhead costs	(9,601,481)	(87,446)	(20,359)	(9,709,286)
Exploration and maintenance	(829,252)	-	-	(829,252)
Other income/(expenses)	99,982	(129,385)	-	(29,403)
Loss before income taxes	(29,816,611)	(1,679,280)	(715,989)	(32,211,880)
Current tax	(29,476)	(62)	-	(29,538)
Deferred tax	(1,931,630)	4,928,575	-	2,996,945
Net earnings	(31,777,717)	3,249,233	(715,989)	(29,244,473)
Loss for the year from discontinued operations	(82,230)	-	-	(82,230)
Loss for the year	(31,859,947)	3,249,233	(715,989)	(29,326,703)
Exploration and evaluation asset additions (net)	10,244,052	11,675,297	(628,075)	21,291,274

As at December 31,		**2014**		
	Canada	U.S.A.	Mexico	**Total**
	$	$	$	**$**
Exploration and evaluation assets	265,869,141	75,955,639	-	**341,824,780**
Total assets	306,043,703	78,144,444	26,692	**384,214,839**
Total liabilities	(38,515,539)	(7,808,610)	(6,790)	**(46,330,939)**

As at December 31,		2013		
	Canada	U.S.A.	Mexico	Total
	$	$	$	$
Exploration and evaluation assets	247,489,475	82,213,607	-	329,703,082
Total assets	322,476,025	86,009,531	6,742	408,492,298
Total liabilities	(40,466,269)	(10,224,262)	-	(50,690,531)

15. DISCONTINUED OPERATIONS

The incorporation of Premier Royalty Corporation and the subsequent reverse takeover transaction with Bridgeport was intended to disaggregate Premier's royalty interests from its core exploration and evaluation business with a view to a possible future sale of the resulting entity. Consequently, the assets and liabilities held by Premier Royalty Inc. at December 31, 2012 and included in the audited consolidated financial statements of the Corporation were classified as a disposal group. As discussed above, the sale of the Premier Royalty Inc. shares was completed on January 28, 2013.

Revenue and expenses relating to the discontinuation of this disposal group have been eliminated from the continuing operations of the Corporation and are shown as a single line item on the face of the consolidated statements of loss and comprehensive loss (see loss for the year from discontinued operations).

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The discontinued operations are comprised of the revenue and expenses of royalties held directly by the Corporation and the revenue and expenses related to Premier Royalty Corporation prior to the business combination and the revenue and expenses of Premier Royalty Inc. subsequent to the business combination up to the date of disposition as follows:

As at December 31,	**2014** **$**	2013 $
Revenue	-	441,549
Expenses:		
Depletion	-	(245,654)
General and administration	-	(223,777)
Stock based compensation	-	(104,429)
Other income	-	9,267
Foreign exchange loss	-	40,814
Total expenses	-	(523,779)
Loss for the year	-	(82,230)
Loss and comprehensive loss for the year	-	(82,230)
Discontinued operations attributable to:		
Non-controlling interest in Premier Royalty Inc.	-	(29,018)
Owners of the parent	-	(53,212)
	-	(82,230)

16. INCOME TAXES

(a) The major components of income tax expense (benefit) are as follows:

	2014 **$**	2013 $
Current income tax	**608**	12,712
Origination and reversal of temporary differences	**(1,168,626)**	1,880,566
Effect of change in tax rates	**611**	14,320
Deferred tax liability incurred on renouncement expenses	**265,000**	5,420,728
Reversal of deferred flow-through premium	**(57,143)**	(2,889,206)
Recognition of previously unrecognized tax assets from the renouncement of flow-through expenditures	**-**	(7,059,083)
Recognition of previously unrecognized tax assets from the use of loss carryforwards	**(4,761,710)**	-
Impact of the use of loss carryforwards related to share issue costs charged to equity	**2,544,661**	-
Other	**74,602**	(347,444)
	(3,101,997)	(2,967,407)

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(b) The Corporation's income tax expense (benefit) differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income taxes as a result of the following:

	2014 **$**	2013 $
Loss for the year	**(50,575,981)**	(32,211,880)
Statutory rates (i)	**26.50%**	26.50%
Income tax recovery computed at statutory rates	**(13,402,635)**	(8,536,148)
Difference in foreign tax rates	**(1,573,282)**	(166,304)
Increase in deferred tax assets not recognized	**6,293,634**	10,171,905
Non-deductible items	**7,513,650**	411,113
Effect of change in tax rates	**611**	14,320
Impact of attributes renounced to shareholders (flow-through shares)	**265,000**	5,420,729
Impact of flow-through share premium	**(57,143)**	(2,889,206)
Recognition of previously unrecognized tax assets from the renouncement of flow-through shares	**-**	(7,059,083)
Recognition of previously unrecognized tax assets from the use of loss carryforwards	**(4,761,710)**	-
Impact of the use of loss carryforwards related to share issue costs charged to equity	**2,544,661**	-
Other	**75,217**	(334,733)
	(3,101,997)	(2,967,407)

	2014 **$**	2013 $
Exchange difference on translation of foreign operations through other comprehensive income (ii)	**6,184,556**	3,858,685
Statutory tax rates	**35%**	35%
Income tax expense computed at statutory rates	**2,164,595**	1,350,540
Exchange difference not subject to income tax	**24,169**	96,355
Income tax expense	**2,188,764**	1,446,895

(i) The Corporation operates in multiple industries and jurisdictions, and the related income is subject to varying rates of taxation. The combined Canadian federal and provincial tax rate reflects the tax rate of 26.5% in effect in Ontario, Canada for each applicable tax year. The corporation operates in Mexico, which reflects a 30% tax rate for the current year. As well, the corporation operates in Nevada, USA and reflects a 35% tax rate for each applicable tax year.

(ii) A tax rate of 35% is applicable to the exchange difference on translation of foreign operations as it relates to timing differences originating from the subsidiaries' operations in Nevada, USA.

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(c) The deferred income tax liabilities reported on the balance sheet are comprised of temporary differences as presented below:

As at December 31,	**2014** **$**	2013 $
Deferred income tax assets		
Non-capital losses	**8,956,154**	8,268,794
Deferred tax assets set off against deferred tax liabilities	**(8,956,154)**	(8,268,794)
Deferred tax asset	**-**	-
Deferred income tax liabilities		
Exploration and evaluation	**(36,402,276)**	(41,086,169)
Investments	**(3,265,468)**	(1,232,166)
Other	**(2,160)**	(64,222)
Gross deferred tax liabilities	**(39,669,904)**	(42,382,557)
Deferred tax assets set off against deferred tax liabilities	**8,956,134**	8,268,794
Deferred tax liabilities per balance sheet	**(30,713,770)**	(34,113,763)
Balance at the beginning of the year	**(34,113,763)**	(32,670,536)
Effect of exchange rate differences	**1,836**	(120,270)
Recognized in loss	**3,101,997**	2,967,407
Deferred premium on flow-through shares	**(57,143)**	(2,889,206)
Deferred tax recovery recognized on share issue costs charged to equity	**2,544,661**	-
Deferred tax liability recognized on exchange difference on translation of foreign operations	**(2,188,765)**	(1,446,892)
Other	**(2,593)**	45,734
Balance at the end of the year	**(30,713,770)**	(34,113,763)

(Stated in Canadian Dollars)

(d) Deferred tax assets not recognized

Management believes that it is not probable that sufficient taxable profits will be available in future years to allow the benefit of the following deferred tax assets to be utilized:

	2014 **$**	2013 $
Deferred tax assets not recognized		
Non-capital losses	**9,867,748**	9,865,516
Common share issue costs	**908,744**	1,485,432
Exploration and evaluation	**8,712,709**	5,172,878
Investments	**1,272,815**	3,866,221
Pre-production ITC	**1,073,473**	342,445
Other	**6,360**	6,360
	21,841,849	20,738,852
Unused operating tax losses (i)		
Canada	**22,195,733**	35,172,062
U.S.A	**36,879,656**	25,115,360
Mexico	**121,904**	105,155
	59,197,293	60,392,577
Total unused operating tax losses not recognized		
Potential tax benefit at tax rate between 26.5% and 35%	**18,823,882**	18,140,415
Operating tax losses set off against deferred tax liabilities	**(8,956,134)**	(8,268,794)
Total unused operating tax losses not recognized	**9,867,748**	9,871,621

(i) Unused operating tax losses totaled $59,197,293 as of December 31, 2014. Canadian tax losses will expire between 2022 and 2034; U.S. losses will expire between 2027 and 2034; and Mexican losses will expire between 2020 and 2024.

17. RELATED PARTY TRANSACTIONS

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described in Note 2 and below.

	Nature of transactions
DSA Corporate services	Corporate secretarial services
DSA Filing Services	Filing services
DRAX Services Limited	Corporate secretarial services
The Alyris Group	Corporate accounting and IT services
Alyris Leasing Inc.	Facilities rental
Apex Security and Investigation Inc.	Security services
Mega Precious Metals Inc.	Facilities rental
Wolfden Resources Corporation	Facilities rental

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

(a) Included in general and administrative expenses are amounts totalling $84,271 (2013 - $87,930) for corporate secretarial and filing services provided by DSA Corporate Services, DRA Filing Services and DRAX Services

(Stated in Canadian Dollars)

Limited, all of which are related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

(b) Included in general and administrative expenditures are amounts totalling $108,394 (2013 - $110,358) for charges related to IT consulting and accounting and management services provided by 1752466 Ontario Inc., O/A The Alyris Group a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

(c) Included in other revenue are amounts totaling $2,650 (2013 - $31,800) for rental of a core shack paid by Mega Precious Metals Inc., a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, who is also a director of Mega Precious Metals Inc.

(d) Included in exploration and evaluation assets are amounts totalling $nil (2013 - $12,728) for security related services paid to Apex Security and Investigation Inc., a company related to the Corporation through John Seaman, Director of the Corporation.

e) Included in general and administrative expenditures are amounts totalling $160,949 (2013 - $162,510) for rental charges paid to Alyris Leasing Inc., a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

(f) Included in general and administrative expenses are amounts totaling $7,200 (2013 - $nil) for rental of office space paid by Wolfden Resources Corporation, a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, who is also a director of Wolfden Resources Corporation.

Transactions with key management personnel

Key management personnel remuneration includes the following amounts:

	2014 **$**	2013 $
Salary and wages	**1,494,382**	1,521,782
Share-based payments	**884,170**	1,007,621
	2,378,552	2,529,403

(Stated in Canadian Dollars)

18. COMMITMENTS

(a) Contractual obligations

The Corporation has commitments relating to operating and facilities leases extending to 2017. The minimum annual contractual and lease payments for the five years are as follows:

	$
2015	365,816
2016	224,939
2017	73,258
	664,013

(b) Flow-through commitment

The Corporation has $8,187,500 in remaining flow-through obligations to be spent by December 31, 2015.

(c) Surety Bonds

At December 31, 2014, the Corporation has outstanding surety bonds in the amount of $4,417,691USD ($5,124,963CAD) in favour of the United States Department of the Interior, Bureau of Land Management (BLM) as financial support for environmental reclamation and exploration permitting. The surety bonds are currently unsecured and are subject to fees competitively determined in the market place. The obligations associated with these instruments are generally related to performance requirements that the Corporation addresses through its ongoing operations. As specific requirements are met, the BLM as beneficiary of the instrument will return the instrument to the issuing entity. As these instruments are associated with operating sites with long-lived assets, they will remain outstanding until closure.

19. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Canada, the United States and Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Credit Risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(i) Trade credit risk
The Corporation is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior period.

(ii) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rate.

(iii) Derivative financial instruments
As at December 31 2014, the Corporation has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit risk, it will only enter into derivative financial instruments with highly rate investment grade counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure.

As at December 31, 2014 the Corporation's liabilities that have contractual maturities are as follows:

	2014 $	2015 $	2016 $	2017 $	2018 $	Total $
Accounts payable and accrued liabilities	3,807,742	-	-	-	-	3,807,742
Long term debt	-	58,005	7,018,562	58,005	58,005	7,192,577
	3,807,742	58,005	7,018,562	58,005	58,005	11,000,319

(c) Market risk

(i) Interest rate risk
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 risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

(ii) Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Corporation's measurement currency. The Corporation's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The functional currency and reporting currency of the Corporation is the Canadian dollar. The Corporation's capitalized exploration and evaluation assets and expenses also include amounts incurred in U.S. dollars and to a lesser extent, the Mexican peso which are the functional currencies of these operations. The Corporation's exchange risk is therefore related to movement between these currencies. Changes in the currency exchange rates between the Canadian dollar relative to the U.S. dollar and the Mexican peso have an effect on the Corporation's results of operations through comprehensive loss, financial position or cash flows.

The Corporation has mitigated this risk by diversifying its cash resources in the U.S. dollar and Mexican peso roughly in proportion to expected future expenditure over the following twelve months. The carrying amounts of the Company's U.S. dollar denominated monetary assets and monetary liabilities in Canadian dollars at the end of the reporting period are as follows:

	2014	2013
	$	$
Cash and cash equivalents	**2,794,550**	7,948,582
Restricted cash and cash equivalents	**1,132,935**	1,076,391
Accounts receivable & prepaids	**97,103**	46,018
Accounts payable	**286,004**	409,959
Long term debt	**6,511,109**	190,288

There are no significant financial instruments in Mexican pesos.

During the year ended December 31, 2014, the Corporation recognized a foreign exchange loss of $51,512 and an exchange gain on the translation of foreign operations in comprehensive income of $6,184,556. As of December 31, 2014, if the Canadian dollar to the U.S. dollar exchange rate increases or decreases by 10%, the Corporation's net loss will increase or decrease by $198,375 and the Corporation's other comprehensive loss will increase or decrease by $535,918.

(iii) Security price risk

Security price risk is the risk that the fair value or future cash flow of the Corporation's financial instruments will fluctuate because of the changes in the market price. In situations where the Corporation has taken a position in the securities of another entity, the Corporation manages its exposure to price risk by monitoring the market(s) where the entity's securities trade and planning the divestiture accordingly.

The Corporation only takes a position in another entity where it has a strategic objective; or as a result of a purchase or sale transaction.

The Corporation does not invest in derivatives to mitigate these risks.

(d) Fair value

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 - quoted prices (unadjusted) 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 (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Corporation's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1		Level 2		Total	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
Investments	**3,777,233**	17,516,690	**-**	-	**3,777,233**	17,516,690

(Stated in Canadian Dollars)

Set out below are the Corporation's financial assets by category:

	Fair value through profit or loss		Loans and receivables		Total	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
Cash and cash equivalents	**-**	-	**32,141,013**	52,552,321	**32,141,013**	52,552,321
Accounts receivable	**-**	-	**893,804**	1,285,757	**893,804**	1,285,757
Investments held for sale	**3,632,955**	17,381,833	**-**	-	**3,632,955**	17,381,833
Restricted cash and cash equivalents	**-**	-	**3,994,990**	3,935,272	**3,994,990**	3,935,272
Investments	**144,278**	134,857	**-**	-	**144,278**	134,857
	3,777,233	17,516,690	**37,029,807**	57,773,350	**40,807,040**	75,290,040

Set out below are the Corporation's financial liabilities by category:

	Fair value through profit or loss		Other financial liabilities		Total	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
Accounts payable and accrued liabilities	**-**	-	**3,807,742**	3,094,360	**3,807,742**	3,094,360
Long term debt	**-**	-	**6,511,068**	9,779,028	**6,511,068**	9,779,028
	-	-	**10,318,810**	12,873,388	**10,318,810**	12,873,388

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying value due to their short term nature. The fair value of the Corporations long term debt is approximated by its carrying value.

20. MANAGEMENT OF CAPITAL

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation 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 Corporation may attempt to issue new shares, acquire or dispose of assets or acquire new debt.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

To effectively manage its capital requirements, the Corporation has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operating and growth objectives. The Corporation expects capital resources will be sufficient to carry out its exploration and evaluation plans through 2015.

21. CONTINGENCIES

Legal claims

In October 2010, prior to the Goldstone Arrangement, Patrick Sheridan, the former President and Chief Executive Officer and a director of Goldstone, and Gary Conn, a former senior officer and director of Goldstone, together with their respective management companies, commenced legal actions against Goldstone. Mr. Sheridan alleged breach of contract and sought damages of up to $1,400,000, including punitive damages, plus costs and interest. Mr. Conn alleged breach of a consulting agreement or, alternatively, wrongful dismissal and other causes of action and is seeking damages of up to approximately $3,400,000, plus costs and interest.

With respect to the Sheridan Action, the parties have agreed to a settlement. Pursuant to such settlement, Goldstone paid a sum to Mr. Sheridan, which was included in general and administrative expenses in 2012. Goldstone had also commenced third party claims against Mr. Conn and three former directors in order to seek contribution and indemnity for any amounts that it may be found liable to pay Mr. Sheridan and his management company in the Sheridan Action - which third party claims have been dismissed.

Goldstone dismissed Mr. Conn for cause on October 1, 2010. In its counterclaim against Mr. Conn (the “Conn Counterclaim”), Goldstone is seeking damages from Mr. Conn and his management company in the amount of $5,000,000 for breach of fiduciary duty and duty of care, fraud, misrepresentation, conflict of interest, unjust enrichment, gross negligence, negligence and breach of contract; and $100,000 in punitive damages. Goldstone has also alleged other causes of action, plus costs and interest.

In February 2014, Mr. Conn first informed Goldstone that he would seek advancement of expenses and indemnification from Goldstone relating to his defence of the Conn Counterclaim. Mr. Conn has commenced an application for this relief, which was scheduled to be heard in February, 2015 and subsequently adjourned and re-scheduled to April, 2015. Goldstone is responding to the application on the basis that Mr. Conn is not entitled to advancement and indemnification because he acted with mala fides (bad faith) towards the corporation.

In January 2011, Mr. Conn commenced a legal action (the “Defamation Claim”) against Goldstone, four of its directors, and other individuals, seeking damages of $2,500,000 based on alleged conspiracy, libel, defamation and intentional infliction of mental suffering arising from alleged improper publication of certain allegations contained in the Conn Counterclaim. On May 24, 2011, the Superior Court of Justice (Ontario) granted Goldstone’s motion for summary judgment. The summary judgment concluded that the allegations in the Conn Counterclaim which, in Goldstone’s view justified Mr. Conn’s termination for cause, but which according to Mr. Conn were allegedly defamatory, were true. Mr. Conn sought to appeal the judgment, but the Ontario Court of Appeal dismissed his appeal on November 18, 2011.

With respect to the Conn Action, Goldstone launched a summary judgment motion on the basis that certain allegations which were relied upon to justify cause for Mr. Conn’s dismissal have already been proven in a related proceeding being the Defamation Claim. Goldstone’s motion for summary judgment was unsuccessful and the parties will now continue with the Conn Action and related Conn Counterclaim. Goldstone expects that the Conn Action and the Conn Counterclaim will be tried in or after September, 2015.

22. SUBSEQUENT EVENTS

Partnership agreement

On February 5, 2015 the Corporation announced that it has signed a definitive agreement to form a 50/50 partnership with Centerra Gold Inc. (“Centerra”) for the joint ownership and development of the Corporation's Trans-Canada Property including the Hardrock and Brookbank Projects located in the Geraldton-Beardmore Greenstone Belt in Ontario.

Centerra and the Corporation have agreed to form a partnership to develop the Trans-Canada Property whereby Centerra will contribute up to $300,000,000 in cash to the partnership in accordance with the terms described below, while the Corporation will contribute all property, assets and rights it holds in respect of the Trans-Canada Property.

Key terms of the agreements and the development strategy for Hardrock include:

- On closing, the Corporation, through a wholly-owned subsidiary, will contributed all property, assets and rights it holds in respect of the Trans-Canada Property to the partnership in consideration for its 50% interest in the partnership and Centerra will make an initial cash contribution to the partnership in the amount of $85,000,000 for its 50% limited partner interest which amount will be distributed to the Corporation on the closing date.
- Centerra has agreed to make capital contributions to the partnership in the aggregate amount of $185,000,000 half of which is on behalf of the Corporation. A portion of these funds will initially be used to complete a comprehensive technical and economic feasibility study including an updated mineral resource calculation for the Hardrock Project at the Trans-Canada Property. Subject to the satisfaction of certain feasibility and project advancement criteria the remainder of the funds will be used towards the construction and development of the Hardrock Project.
- The Corporation will not be required to make any contributions to the partnership until Centerra has provided the full amount of the capital contributions, following which cash calls will be satisfied by each of Centerra and the Corporation on a 50/50 basis pursuant to approved annual programs and budgets. The partnership agreement contains customary dilution mechanisms for failures to meet cash calls and certain other events.
- Centerra has agreed to make an additional contingent capital contribution to the partnership not to exceed $30,000,000 based on the results of the updated mineral resource calculation in respect of the Trans-Canada Property which amount, if any, will be distributed to the Corporation.
- The partnership will be managed by a corporation (the "Managing Partner"), owned 50/50 by Centerra and the Corporation. Initially the board of directors of the Managing Partner will consist of four directors with two nominees from the respective partners. The board of directors of the Managing Partner will be responsible for, among other things, approving the partnership's annual programs and budgets.

On March 9, 2015 Centerra Gold Inc. and the Corporation announced that the 50/50 joint venture partnership was completed and management is currently assessing the impact of the agreement. Assets that will be transferred to the partnership include the Hardrock and Brookbank mineral properties totaling $208,388,898 included in exploration and evaluation assets as well as net assets included in property, plant and equipment totaling $172,289.

Property transfer agreement

On February 11, 2015, the Corporation announced that it had entered into an agreement to obtain a 100% interest in the past-producing Hasaga Property, located in Red Lake, Ontario, from Goldcorp. In exchange, the Corporation will assign to Goldcorp its 35% participating interest in the East Bay Property and its 100% interest in the PQ-North Property located near Goldcorp's Musselwhite Mine in Ontario. Given the nature of the assets involved in the agreement, there will be no gain or loss recognized on the exchange of properties.