SULTAN MINERALS INC.

(an exploration stage company)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed in Canadian Dollars)

MORGAN & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sultan Minerals Inc.

Report on the financial statements

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sultan Minerals Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada — *"Morgan & Company LLP"*

April 20, 2015 — Chartered Accountants

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SULTAN MINERALS INC.

(an exploration stage company)
Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2014	2013
Assets		
Current assets		
Cash	**$ 7,030**	$ 32,689
Short-term investments (Note 6)	**531,000**	52,500
Receivables	**4,004**	28,889
Prepaid expenses	**9,452**	8,305
Total current assets	**551,486**	122,383
Exploration and evaluation assets (Note 5)	**5,889,032**	7,004,403
Investments (Note 7)	**–**	31
Credit card deposit (Note 8)	**17,250**	17,250
Reclamation deposits	**30,120**	36,120
Total assets	**$ 6,487,888**	$ 7,180,187
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**$ 57,337**	$ 107,381
Accounts payable to related parties (Note 11)	**–**	91,000
Deposit received (Note 5(b))	**–**	50,000
Loan from related party (Note 11)	**–**	15,000
Total liabilities	**57,337**	263,381
Equity		
Share capital (Note 9)	**22,861,534**	22,861,534
Warrants reserve (Note 9)	**429,049**	429,049
Share-based payments reserve	**3,505,692**	3,505,692
Accumulated other comprehensive loss	**–**	(3,886)
Deficit	**(20,365,724)**	(19,875,583)
Total equity	**6,430,551**	6,916,806
Total liabilities and equity	**$ 6,487,888**	$ 7,180,187

Going concern (Note 2)
Commitment (Note 15)

Approved on Behalf of the Board of Directors:

/s/ "*Arthur G. Troup*"
Arthur G. Troup, Director

/s/ "*Robin Merrifield*"
Robin Merrifield, Director

SULTAN MINERALS INC.
(an exploration stage company)
Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Years ended December 31, 2014	Years ended December 31, 2013
Expenses		
Depreciation	**$ –**	$ 453
Exploration costs	**18,238**	–
Insurance	**1,625**	–
Interest	**1,085**	574
Legal, accounting and audit	**46,950**	52,564
Management fees	**3,000**	6,000
Office and administration	**86,280**	109,006
Salaries and benefits	**185,048**	183,855
Shareholder communications	**87,348**	104,307
Share-based compensation	**–**	1,223
Travel and conferences	**275**	1,280
Total expenses	**429,849**	459,262
Loss before other income (expenses)	**(429,849)**	(459,262)
Impairment loss on investments (Note 7)	**(3,917)**	–
Interest income	**3,625**	827
Write-down of exploration and evaluation assets	**–**	(1,554,434)
Unrealized loss on short-term investments (Note 6)	**(60,000)**	(147,500)
Net loss for the year	**(490,141)**	(2,160,369)
Other comprehensive income (loss)		
Reclassification to realized loss upon impairment of investments (Note 7)	**3,886**	–
Unrealized loss on investments (Note 7)	**–**	(39)
Comprehensive loss for the year	**$ (486,255)**	$ (2,160,408)
Loss per share, basic and diluted	**$ (0.00)**	$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	**134,771,918**	134,771,918

SULTAN MINERALS INC.

(an exploration stage company)
Statements of Changes in Equity
Years ended December 31, 2014 and 2013
(Expressed in Canadian dollars)

	Common Shares Without Par Value						
	Shares	**Amount**	**Warrants Reserve**	**Share-based Payments Reserve**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total Equity**
Balance, December 31, 2012	134,771,918	$ 22,861,534	$ 429,049	$ 3,504,469	$ (3,847)	$ (17,715,214)	$ 9,075,991
Stock options granted	–	–	–	1,223	–	–	1,223
Other comprehensive loss	–	–	–	–	(39)	–	(39)
Net loss for the year	–	–	–	–	–	(2,160,369)	(2,160,369)
Balance, December 31, 2013	134,771,918	22,861,534	429,049	3,505,692	(3,886)	(19,875,583)	6,916,806
Other comprehensive income	–	–	–	–	3,886	–	3,886
Net loss for the year	–	–	–	–	–	(490,141)	(490,141)
Balance, December 31, 2014	**134,771,918**	**$ 22,861,534**	**$ 429,049**	**$ 3,505,692**	**$ –**	**$ (20,365,724)**	**$ 6,430,551**

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

SULTAN MINERALS INC.
(an exploration stage company)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31, 2014	2013
Operating Activities		
Net loss for the year	**$ (490,141)**	$(2,160,369)
Items not involving cash:		
Depreciation	**-**	453
Share-based compensation	**-**	1,223
Write-down of exploration and evaluation assets	**-**	1,554,434
Impairment loss on investments	**3,917**	-
Unrealized loss on short-term investments	**60,000**	147,500
Changes in non-cash operating working capital		
Receivables	**24,885**	24,945
Prepaid expenses	**(1,147)**	5,801
Accounts payable and accrued liabilities	**(10,044)**	(11,095)
Accounts payable to related parties	**(91,000)**	91,000
Cash used in operating activities	**(503,530)**	(346,108)
Investing Activities		
Mineral property exploration and evaluation costs	**(52,129)**	(46,753)
Mineral property option payments received	**1,050,000**	200,000
Short-term investments redeemed	**295,000**	183,000
Short-term investments purchased	**(800,000)**	-
Investment in reclamation bonds	**-**	(15,000)
Deposit received	**-**	50,000
Cash provided by investing activities	**492,871**	371,247
Financing Activity		
Loan from related party	**(15,000)**	15,000
Cash (used in) provided by financing activity	**(15,000)**	15,000
(Decrease) increase in cash during the year	**(25,659)**	40,139
Cash (cheques written in excess of funds on deposit), beginning of year	**32,689**	(7,450)
Cash, end of year	**$ 7,030**	$ 32,689
Supplemental information		
Shares received from option proceeds	**$ 27,500**	$ 20,000
Interest paid	**$ –**	$ –
Interest received	**$ 3,625**	$ 827
Income tax paid	**$ –**	$ –

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

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Sultan Minerals Inc. (the "Company"), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol SUL. The address of the Company's corporate office and its principal place of business is 1066 West Hastings Street, Suite 2000, Vancouver, British Columbia, Canada.

The Company is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties in Canada. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The amounts shown as mineral properties and related capitalized exploration costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC")

The financial statements were authorized for issuance by the Board of Directors on April 20, 2015.

b) Going Concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for the next fiscal year. The Company has incurred losses since its inception and had an accumulated deficit of $20,365,724 at December 31, 2014, which has been funded primarily by issuance of shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future. These factors comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Measurement Basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

b) Use of Estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets, decommissioning liabiities, deferred income tax assets and liabilities, and assumptions used in valuing options and warrants in share-based compensation calculations. Actual results could differ from these estimates.

c) Cash

Cash includes cash and short-term money market investments that are readily convertible to cash with original maturities of 90 days or less from the original date of acquisition. Interest from cash is recorded on an accrual basis. The Company has designated cash as fair value through profit or loss. All gains and losses are recognized in income in the period in which they arise.

d) Short-term Investments

Short-term investments are classified as fair value through profit or loss and recorded at fair value with realized and unrealized gains and losses recognized in income. All guaranteed investment certificates (“GICs”) have original maturity dates ranging from 91 days to 1 year from acquisition.

e) Mineral Exploration and Evaluation Expenditures

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the accounts upon payment.

Option payments received are treated as a reduction of the carrying value of the related mineral property until the Company’s option and/or royalty payments received are in excess of costs incurred and then are recognized in income.

All expenditures related to the cost of exploration and evaluation of mineral properties including acquisition costs for interests in mineral claims are classified and capitalized as intangible assets until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned or determined to be impaired.

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Mineral Exploration and Evaluation Expenditures (continued)

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

f) Impairment of Non-financial Assets

Exploration and evaluation assets are regularly tested for recoverability or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment of an exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures and planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale.

The recoverable amount is the higher of an asset’s fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units (“CGU’s”).

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

g) Government Assistance and Tax Credits

Any federal or provincial tax credits received by the Company, with respect to exploration or evaluation work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which the credits related. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

h) Investments

Long-term investments are classified as available-for-sale, and are carried at quoted market value, where applicable, or at an estimate of fair value. Resulting unrealized gains net of applicable future income taxes, or losses, are reflected in other comprehensive income while realized gains, net of income taxes, or losses are recognized in income.

i) Income Taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect 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. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

k) Share Capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted price on the TSX-V on the date the shares are issued unless the fair value of goods or services received is determinable.

l) Loss per Common Share

Basic loss per common share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

m) Share-based Payments

The Company records all share-based payments at their fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the granted date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of operations. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to the Company's reserve accounts. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Flow-through Shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of operations within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares.

o) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. All transactions related to financial instruments are recorded on a trade date basis.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The mandatory adoption of the following new and revised accounting standards on January 1, 2014 had no significant impact on the Company's financial statements for the years presented.

IAS 32 – Financial Instruments: Presentation

In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 – Impairment of Assets

In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

4. **RECENT ACCOUNTING PRONOUNCEMENTS** (continued)

Accounting Standards and Amendments Issued But Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2015.

The following standard will be adopted by the Company effective January 1, 2017:

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017.

The following standard will be adopted effective January 1, 2018:

IFRS 9 – Financial Instruments: Classification and Measurement

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments (“IFRS 9”) which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

Management is currently evaluating any impact that the above standards may have on the Company’s financial statements and this assessment has not yet been finished.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	TOTAL 2014
Acquisition costs					
As at December 31, 2013	$ 40,091	$ -	$ -	$ -	**$ 40,091**
Incurred during the year	122	-	-	-	**122**
As at December 31, 2014	40,213	-	-	-	**40,213**
Exploration and evaluation costs					
Incurred during the year					
Site activities	12,007	-	-	-	**12,007**
Options proceeds received	(227,500)	(900,000)	-	-	**(1,127,500)**
	(215,493)	(900,000)	-	-	**(1,115,493)**
As at December 31, 2013	2,964,312	4,000,000	-	-	**6,964,312**
As at December 31, 2014	2,748,819	3,100,000	-	-	**5,848,819**
Balance, December 31, 2014	$ 2,789,032	$ 3,100,000	$ -	$ -	**$5,889,032**

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	TOTAL 2013
Acquisition costs					
As at December 31, 2012	$ 40,091	$ 687,669	$ -	$ 1	$ 727,761
Incurred during the year	-	53,712	-	-	53,712
Write-down of exploration and evaluation assets	-	(741,381)	-	(1)	(741,382)
As at December 31, 2013	40,091	-	-	-	40,091
Exploration and evaluation costs					
Incurred during the year					
Rent and administration	4,620	28,421	-	-	33,041
Mineral exploration tax credit received	(7,963)	(15,201)	-	-	(23,164)
Option proceeds received	(220,000)	-	-	-	(220,000)
Write-down of exploration and evaluation assets	-	(786,205)	(26,708)	(140)	(813,053)
	(223,343)	(772,985)	(26,708)	(140)	(1,023,176)
As at December 31, 2012	3,187,655	4,772,985	26,708	140	7,987,488
As at December 31, 2013	2,964,312	4,000,000	-	-	6,964,312
Balance, December 31, 2013	$ 3,004,403	$ 4,000,000	$ -	$ -	$7,004,403

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) Kena Property, Ymir, British Columbia, Canada

The Kena Property is comprised of the original Kena claims and additional properties under option. The properties are contiguous. Kena property is located near the community of Ymir in southeastern British Columbia.

Option Agreement with Altair Gold Inc. (formerly Altair Ventures Inc.)

On December 30, 2011, the Company entered into an option Letter Agreement with Altair Gold Inc. ("Altair"), which was amended on December 28, 2012, June 30, 2013, December 3, 2013 and July 23, 2014. Under the amended terms, Altair has an option to earn a 60% interest in 7,000 hectares of mineral claims that comprise the Kena and Toughnut portions of the Company's Kena Gold-Copper Property (the "Project") in British Columbia by completing $7,500,000 in Project related exploration expenditures over six years. The Altair Option has a term of six years commencing on December 30, 2011 (the "Effective Date").

To exercise the Option and earn its (60%) interest in the Project, Altair will:

i) make the following cash option payments to the Company:

(A) within 5 business days of receiving the TSX-V acceptance, $195,000 (received);
(B) within six months from the Effective Date, an additional $200,000 (received);
(C) by July 21, 2013, an additional $50,000 (received);
(D) by September 15, 2013, an additional $150,000 (received);
(E) by April 30, 2014, an additional $200,000 (received);
(F) by June 30, 2014, an additional $300,000 (extended to November 30, 2014 and cancelled in December 2014)
(G) by June 30, 2015, an additional $300,000;
(H) by June 30, 2016, an additional $400,000; and
(I) by June 30, 2017, an additional $600,000;

for total cash option payments of $2,400,000 including $5,000 received on signing of Letter Agreement;

ii) issue common shares of Altair to the Company as follows:

(A) within 5 business days of receiving the TSX-V acceptance, 500,000 shares (received);
(B) by June 30, 2012, an additional 500,000 shares (received);
(C) by June 30, 2013, an additional 500,000 shares (received);
(D) by June 30, 2014, an additional 500,000 shares (received);
(E) by June 30, 2015, an additional 500,000 shares;
(F) by June 30, 2016, an additional 500,000 shares; and
(G) by June 30, 2017, an additional 666,667 shares;

for a total of 3,666,667 shares; and

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) Kena Property, Ymir, British Columbia, Canada (continued)

iii) incur exploration expenditures as follows:

(A) by December 30, 2012, $1,350,000 (incurred);
(B) by December 30, 2015, an additional $1,650,000;
(C) by December 30, 2016, an additional $2,000,000; and
(D) by December 30, 2017, an additional $2,500,000;

for total exploration expenditures of $7,500,000.

After Altair has earned its 60% interest in the Project, Altair may elect to extend the option (the “First Option Extension Notice”) and earn a 70% interest in the Project by completing a Feasibility Report within 72 months following the Effective Date. If Altair completes a Feasibility Report within 72 months of the Effective Date, then Altair may elect to earn an additional 5% interest in the Project (the “Second Option Extension Notice”), making Altair’s aggregate interest in the Project 75% by electing to continue funding all of the Project development expenditures up to the achievement of Commercial Production from the Project.

In addition to the other payments provided for in the agreement, Altair will make bonus payments to the Company as follows:

(A) If, at the end of 51 months following the Effective Date, Altair has elected not to give the First Option Extension Notice, and the Parties have then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off, then Altair will pay a one-time lump sum $2.0 million Reported Resource Bonus to the Company.

(B) If, Altair elects to give the First Option Extension Notice, then at the end of 76 months following the Effective Date, Altair will pay a Reported Resource Bonus to the Company equal to the greater of:

i) $5.00 per ounce of probable and proven mineral reserves on the Project, determined at a 0.3 gram/tonne cut-off; or

ii) a one-time lump sum amount of $2.0 million, provided that the Parties have by then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off.

The Company will retain approximately 550 hectares of claims and crown granted mineral claims adjacent to the northwest corner of the Kena Project, which are not included in the Option Agreement with Altair. The retained property includes the recently acquired Daylight property, the Sand property and several adjacent historic gold mines.

On December 5, 2014, the agreement with Altair was terminated by both parties due to difficult funding environment.

As at December 31, 2014, $1,057,500 in cumulative option payments from Altair were deducted from the acquisition and exploration costs for the Kena and Toughnut portions of the Company’s Kena Property.

5. EXPLORATION AND EVALUATION ASSETS (continued)

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada

The Company holds a 100% interest in the Jersey Claim Group located near Salmo, British Columbia. The property is comprised of the original 28 crown granted mineral claims, four 2-post claims and 80 mineral units acquired by option in 1993 and several additional properties acquired by staking or by option. Additional claims forming part of the properties include the Tungsten King Prospect consisting of 14 crown-granted mineral claims, the Truman Hill and Leroy North properties consisting of 17 mineral units, the Summit Gold Property consisting of 4 mineral units and 1 reverted crown grant, the Jumbo 2 and Boncher crown grants, the Invincible Tungsten Mine Tenure Number 2345, the Victory Tungsten Property consisting of 6 reverted crown grants, the Aspen Silver Mine comprised of 7 mineral claims, and approximately 10,000 hectares of adjacent staked mineral tenures.

The Property is subject to various NSR's associated with the various claims. In particular, the Jersey property is subject to a 3.0% NSR that can be reduced to 1.5% by making payments of $500,000 and issuing 50,000 common shares. Annual advance royalty payments of $50,000 were to commence in October 2000. The agreement was amended in October 2000, 2004, 2009, and May 2009 extending the commencement of these royalty payments to October 20, 2013.

The first annual royalty payment was due in 2013. The Company has paid the $50,000 annual royalties. Any subsequent royalty payments are now the responsibility of Margaux Resources Ltd.

During 2014, the Company entered into an option agreement with Margaux Resources Ltd. ("Margaux") to option its 100% interest in the Jersey and Emerald Properties (excluding the Garnet, HB, and HB2 Lead-Zinc Property) for total proceeds of $4,000,000 over the next three years.

To exercise the Option and earn its 100% interest in the Project, Margaux will:

i) make the following cash payments to the Company:

(A) deposit of $50,000 (received);
(B) on or before January 24, 2014, $150,000 (received);
(C) on or before January 24, 2014, $300,000 (received);
(D) on or before November 8, 2014, $400,000 (received);
(E) on or before March 15, 2015, $350,000 (extended to July 31, 2015);
(F) on or before November 8, 2015, $1,250,000; and
(G) on or before November 8, 2016, $1,500,000;

ii) incur aggregate exploration expenditures as follows:

(A) on or before November 8, 2016, $2,000,000.

c) McLeese Lake Property, British Columbia, Canada

During the year ended December 31, 2013, the Company wrote-off its interest in the McLeese Lake Property as it has no exploration programs planned.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

d) Stephens Lake Property, Manitoba, Canada

The Company is in a joint venture with ValGold Resources Ltd. and Agave Silver Corp. (formerly Cream Minerals Ltd.) (the "Companies"). The Companies have 75% of the Trout Claim Group, which are internal to the claims forming the Stephens Lake Property. Under the terms of the Trout Claim Group agreement, the Companies each made cash payments of $36,667 and issued 66,667 common shares to the optionor over a 36-month period from July 22, 2004. During the year ended December 31, 2013, the Company wrote-off its interest in the Stephens Lake Property as it has no exploration programs planned.

6. SHORT-TERM INVESTMENTS

Short-term investments are summarized as follows:

	Number of Shares	Historical Cost	Fair Value December 31, 2014	Fair Value December 31, 2013
Altair Gold Inc. (Note 5 (a))	2,000,000	$ 257,500	**$ 20,000**	$ 52,500
GICs	–	511,000	**511,000**	–
Total Investments		$ 768,500	**$ 531,000**	$ 52,500

These investments are classified as fair value though profit or loss and measured at fair value with fair value gains and losses recognized in income.

7. INVESTMENTS

	Number of Shares	Historical Cost	Fair Value December 31, 2014	Fair Value December 31, 2013
Emgold Mining Corporation	1,565	$ 3,913	**$ –**	$ 31

As at December 31, 2014, investments in available-for-sale securities consist of marketable securities which have a market value of $Nil (2013 - $31). The carrying amount of these securities are subject to revaluation on a mark-to-market basis at the end of each reporting period, and the increases or decreases arising on revaluation are recorded in Accumulated Other Comprehensive Loss ("AOCL"), a component of equity.

The share price of Emgold Mining Corporation has declined significantly and the shares are considered permanently impaired. The amount of the cumulative unrealized loss that is reclassified from AOCL to profit or loss represents the difference between the acquisition costs and the current fair value.

8. CREDIT CARD DEPOSIT

The amount of $17,250 (2013 - $17,250) represents a three-year guaranteed investment certificate with interest at prime minus 1.95% (2013 – 1.80%), held by the bank as security for the Company's credit card usage and is classified as restricted cash.

(Expressed in Canadian dollars)

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Issued and Outstanding

See Statements of Changes in Equity.

c) Stock Options

The Company has a stock option plan which allows for the grant of options to purchase up to 20,390,173 common shares. The following table summarizes information about the stock options outstanding at December 31, 2014:

Weighted Average Exercise Price	Number Outstanding at December 31, 2014	Weighted Average Remaining Contractual Life
$0.10	6,425,000	2.8 years

A summary of the changes in stock options for the years ended December 31, 2014 and 2013 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2012	11,455,000	$0.10
Expired	(100,000)	$0.29
Balance, December 31, 2013	11,355,000	$0.10
Expired	(4,930,000)	$0.10
Balance, December 31, 2014	**6,425,000**	**$0.10**
Balance vested, December 31, 2014	6,425,000	$0.10

d) Share Purchase Warrants

The following table summarizes changes in the number of warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2013 and 2012	20,062,199	$0.11
Expired	(20,062,199)	$0.11
Balance, December 31, 2014	**–**	**–**

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

e) Shareholder Rights Plan

The Company's Board of Directors adopted a Shareholder Rights Plan on September 23, 2013.

The Shareholder Rights Plan has been designed to protect shareholders from unfair, abusive or coercive take-over strategies including the acquisition of control of the Company by a bidder in a transaction or series of transactions that may not treat all shareholders fairly nor afford all shareholders an equal opportunity to share in the premium paid upon an acquisition of control. The Shareholder Rights Plan was adopted to provide the Board with sufficient time, in the event of a public take-over bid or tender offer for the common shares, to pursue alternatives which could enhance shareholder value.

This Shareholder Rights Plan is not being adopted in response to any proposal to acquire control of the Company.

The Rights will not, however, be triggered by a "Permitted Bid", which is defined as a bid which is outstanding for a minimum of 60 days made to all of the shareholders of the Company for all of their common shares and, subject to other specified conditions, is accepted by a majority of independent shareholders (as detailed in the Rights Plan).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are comprised of:

	December 31,	
Accounts payable and accrued liabilities	**2014**	**2013**
Accounts payable	**$ 1,337**	$ 51,381
Accrued liabilities	**56,000**	56,000
	$ 57,337	$ 107,381

11. RELATED PARTY TRANSACTIONS AND BALANCES

	Years ended December 31,	
Services rendered:	**2014**	**2013**
Lang Mining Corporation (a)	**$ 3,000**	$ 6,000
Directors' fees (included in office and administration)	**15,500**	22,000
Shareholder communications	**72,000**	72,000
Salaries (c)	**$ 185,048**	$ 180,000

	December 31,	
Balances payable to: (b)	**2014**	**2013**
Directors' fees	$ –	$ 22,000
Short term employee benefit (c)	–	45,000
Shareholder communications	–	18,000
Lang Mining Corporation (a)	–	6,000
	$ –	$ 91,000

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties as follows:

a) Lang Mining Corporation ("Lang Mining") is a private company controlled by the former chairman and director of the Company. Lang Mining received a management fee of $3,000 (2013 – $6,000) for the services of Frank A. Lang, a former chairman and director of the Company.

b) Balances payable to related parties are included in accounts payable to related parties on the statement of financial position. These amounts are non-interest bearing and are due on demand.

c) Key management personnel compensation.

On June 17, 2013, the Company entered into a loan agreement with its director in the amount of $15,000. During the year ended December 31, 2014, the Company has repaid the loan in full. As at December 31, 2014, the loan payable balance was $ Nil (2013 - $15,000).

12. INCOME TAXES

The following table reconciles the amount of income tax recovery on application of the combined statutory Canadian federal and provincial income tax rates:

		December 31, 2014		December 31, 2013
Combined statutory tax rate		**26%**		26%
Income tax recovery at combined statutory rate	**$**	**(123,000)**	$	(556,000)
Non-deductible expenses		**9,000**		19,000
Change in estimates and other		**3,000**		14,000
Difference between current and future rate		**–**		(158,000)
Expiry of tax losses		**140,000**		–
Tax benefits not recognized		**(29,000)**		681,000
Tax recovery for the year	**$**	**–**	$	–

The Company's unrecognized deductible temporary differences and unused tax losses are attributable to the following items:

		December 31, 2014		December 31, 2013
Non-capital losses	**$**	**1,760,000**	$	1,781,000
Capital losses		**4,000**		4,000
Temporary difference in value for exploration and evaluation assets		**2,617,000**		2,629,000
Short-term investments		**31,000**		23,000
Other deductible temporary differences		**212,000**		216,000
Unrecognized deferred tax assets		**(4,624,000)**		(4,653,000)
	$	**-**	$	-

(Expressed in Canadian dollars)

12. INCOME TAXES (continued)

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax assets have been recognized for accounting purposes.

The Company has Canadian non-capital losses carried forward of approximately $6,769,000 (2013 - $6,852,000) that may be available for tax purposes. The losses expire as follows:

Year	$
2015	489,000
2026	626,000
2027	659,000
2028	853,000
2029	988,000
2030	856,000
2031	751,000
2032	563,000
2033	527,000
2034	457,000
	6,769,000

The Company has resource pools of approximately $15,971,000 (2013 - $17,114,000) available to offset future taxable income. The tax benefit of these amounts is available to be carried forward indefinitely. The Company also has investment tax credits totalling approximately $251,000 (2013 - $251,000).

13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at December 31, 2014, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2013, are shown in the table below:

	December 31, 2014		**December 31, 2013**	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Financial assets				
Cash	**$ 7,030**	**$ 7,030**	$ 32,689	$ 32,689
Short-term investments	**531,000**	**531,000**	52,500	52,500
Investments	**-**	**-**	31	31
Credit card deposit	**17,250**	**17,250**	17,250	17,250
Reclamation deposits	**30,120**	**30,120**	36,120	36,120
Financial liabilities				
Accounts payable	**1,337**	**1,337**	51,381	51,381
Accounts payable to related parties	**-**	**-**	91,000	91,000
Deposit received	**-**	**-**	50,000	50,000
Loan from related party	**-**	**-**	15,000	15,000

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS (continued)

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

i) Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

ii) Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly, such as quoted prices for similar assets or liabilities in active markets, or indirectly, such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 - Applies to assets or liabilities for which there are unobservable market data.

The fair values of the Company's financial instruments measured at December 31, 2014, constitute Level 1 measurements for its cash, short-term investments, investments, credit card deposit and reclamation deposits within the fair value hierarchy.

The Company recognized interest income during the year ended December 31, 2014, totaling $3,625 (2013 - $827). This is primarily interest income from the Company's short-term investments. The balance represents interest income from all sources.

<u>Credit Risk</u>

Those financial assets that potentially subject the Company to credit risk are from any investments in term deposits and any receivables. The Company has increased its focus on credit risk given the impact of the current economic climate. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where any term deposits are held. The Company's maximum exposure to credit risk is equal to the carrying value of any terms deposits and receivables.

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 14, in normal circumstances. The Company's financial liabilities are comprised of its accounts payable, accounts payable to related parties and amounts due to related parties, the contractual maturities of which at December 31, 2014 and 2013, are summarized as follows:

	December 31,	
	2014	**2013**
Accounts payable with contractual maturities –		
Within 90 days or less	**$ 1,337**	$ 51,381
In later than 90 days, not later than one year	**-**	-
Accounts payable and due to related parties with contractual maturities –		
Within 90 days or less	**-**	91,000
In later than 90 days, not later than one year	**-**	15,000

13. FINANCIAL INSTRUMENTS (continued)

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments, and unfavourable markets conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in markets prices, such that changes in market prices results in a proportionate change in the carrying value of the Company's investments.

The Company's ability to raise capital to fund exploration or evaluation activities is subject to risk associated with fluctuations in the market prices of gold, copper, zinc, lead, molybdenum and tungsten, and the outlook for these metals. The Company's ability to raise capital is affected by the prices of commodities that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for these metals have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

Interest Rate Risk

At December 31, 2014 and 2013, the Company has no significant exposure to interest rate risk through its financial instruments.

Currency Risk

Fluctuations in United States dollars would not significantly impact the operations and the values of its assets and shareholders' equity at this time. If the Company were to go into production, the Company would be subject to more foreign currency risk from fluctuations in the Canadian dollar relative to the United States dollar, due to metals prices and their denomination in United States dollars.

14. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests in British Columbia and to maintain a flexible capital structure which will optimize the costs of capital.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

14. MANAGEMENT OF CAPITAL (continued)

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk. The Company currently has a working capital of $494,149 (2013 – deficiency of $140,998) and must rely on equity financings, or forms of joint venture or other types of financing to fund operations and to continue exploration and evaluation work and to meet its administrative overhead costs in future years (see Note 2(b)).

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities allowing the Company to withdraw funds at intervals needed for the expected timing of expenditures in its operations.

15. COMMITMENT

On October 1, 2014, the Company signed an office lease agreement in which the Company is committed to make $3,108 monthly lease payments for one year starting November 1, 2014.

16. SUBSEQUENT EVENT

On March 9, 2015, the Company reached an agreement with Margaux to amend the Option Agreement dated November 8, 2013 between the Company and Margaux granting Margaux an option to purchase 100% of the Jersey and Emerald Properties. Pursuant to the Amending Agreement, the option payment of $350,000 due March 15, 2015 has been extended to July 31, 2015.