



(A Development Stage Enterprise)

Financial Statements

For the years ended December 31, 2014 and 2013

(Stated in Canadian Dollars)

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

December 31, 2014 and 2013

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Wasserman Ramsay

3601 Hwy 7 East, Suite 1008, Markham, Ontario L3R 0M3
Tel. 905-948-8637 Fax 905.948.8638
email: wram@wassermanramsay.ca

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

**To the Shareholders of
Metals Creek Resources Corp.:**

We have audited the accompanying financial statements of Metals Creek Resources Corp. which comprise the statements of financial position as at December 31, 2014 and 2013 and the statements of loss 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 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 Metals Creek Resources Corp. as at December 31, 2014 and 2013 and the results of its operations, changes in equity and 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 1 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.

Wasserman Ramsay

Markham, Ontario
April 9, 2015

Chartered Accountants
Licensed Public Accountants

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

STATEMENTS OF FINANCIAL POSITION**For the years ended December 31**

	2014	2013
	\$	\$
ASSETS		
Current		
Cash	58,637	400,687
Short term investments (note 3)	1,018,948	1,442,405
Staking security deposits (note 9)	41,257	28,180
H.S.T. and other receivables	19,892	45,368
Prepaid expenses	12,253	18,895
	1,150,987	1,935,535
Property and equipment (note 4)	44,132	54,282
Long term investments (note 5)	270,134	712,104
Exploration and evaluation assets (note 6)	4,751,531	6,727,258
	6,216,784	9,429,179
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 8)	71,832	87,818
	71,832	87,818
Equity		
Share Capital (note 7)	11,728,403	11,728,403
Reserves (note 7)	5,051,615	5,015,754
Deficit	(10,635,066)	(7,402,796)
	6,144,952	9,341,361
	6,216,784	9,429,179

Nature and Continuance of Operations – Note 1

These financial statements are authorized for issue by the Board of Directors on April 9, 2015. They are signed on the Corporation's behalf by:

“Alexander Stares” Director

“Nick Tsimidis” Director

The accompanying notes form an integral part of these financial statements

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

STATEMENTS OF COMPREHENSIVE LOSS**For the years ended December 31**

	2014	2013
	\$	\$
EXPENSES		
Business development	79,080	113,789
Depreciation	18,461	18,229
Office and general	101,922	114,832
Professional fees (note 8)	62,960	81,338
Salaries and benefits	340,058	354,845
Share-based payments (note 7(iii))	35,861	58,115
Amounts earned on exploration and evaluation assets	-	(19,399)
Write-down of exploration and evaluation assets	2,139,865	195,968
Pre-acquisition exploration and evaluation expenses	100,300	52,368
Adjustment to fair value for fair value through profit and loss investments	356,836	642,746
	(3,235,343)	(1,612,831)
Loss before the following:	(3,235,343)	(1,612,831)
Gain on sale of exploration and evaluation assets, net	9,851	1,067,701
Grant and other revenue	1,515	18,480
Loss on sale of long term investments	(34,333)	-
Interest and investment income	26,040	35,791
Loss and comprehensive loss for the year	(3,232,270)	(490,859)
Loss per share – basic and diluted	(0.03)	-
Weighted Average Shares Outstanding – basic and diluted	98,571,214	98,571,214

The accompanying notes form an integral part of these financial statements

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

STATEMENTS OF CHANGES IN EQUITY**(Prepared by Management – Unaudited)****For the years ended December 31, 2014 and 2013**

	<u>Share Capital</u>		<u>Reserves</u>		<u>Deficit</u>	<u>Total</u>
	<u>Number of Shares</u> #	<u>Share Capital</u> \$	<u>Warrants</u> \$	<u>Equity Settled Benefits</u> \$		
Balance at December 31, 2012	98,571,214	11,728,403	2,185,202	2,772,437	(6,911,937)	9,774,105
Share-based payments	-	-	-	58,115	-	58,115
Expiration of warrants	-	-	(362,675)	362,675	-	-
Comprehensive loss for the period	-	-	-	-	(490,859)	(490,859)
Balance at December 31, 2013	98,571,214	11,728,403	1,822,527	3,193,227	(7,402,796)	9,341,361
Balance at December 31, 2013	98,571,214	11,728,403	1,822,527	3,193,227	(7,402,796)	9,341,361
Share-based payments	-	-	-	35,861	-	35,861
Expiration of warrants	-	-	(1,822,527)	1,822,527	-	-
Loss and comprehensive loss for the year	-	-	-	-	(3,232,270)	(3,232,270)
Balance at December 31, 2014	98,571,214	11,728,403	-	5,051,615	(10,635,066)	6,144,952

The accompanying notes form an integral part of these financial statements

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

STATEMENTS CASH FLOWS
For the years ended December 31

	2014	2013
	\$	\$
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Loss and comprehensive loss for the year	(3,232,270)	(400,859)
Depreciation	18,461	18,229
Share-based payments	35,861	58,115
Adjustment to fair value for fair value through profit and loss investments	356,836	642,746
Write-down of exploration and evaluation assets	2,139,865	195,968
Gain on sale of exploration and evaluation assets	-	(1,062,701)
Loss on sale of long term investments	34,333	-
Decrease in H.S.T. and other receivables	25,476	24,219
Decrease (increase) in prepaid expenses	6,642	(3,033)
Increase (decrease) in accounts payable and accrued liabilities	(15,986)	6,783
Cash flows used in operating activities	(630,782)	(610,533)
FINANCING ACTIVITIES		
Redemption of short term investments	421,258	1,468,579
Cash flows from financing activities	421,258	1,468,579
INVESTING ACTIVITIES		
Increase in staking security deposits	(13,077)	(5,899)
Net proceeds on sale of long term investments	129,000	-
Expenditures on exploration and evaluation assets	(240,138)	(514,273)
Acquisition of property and equipment	(8,311)	(17,000)
Cash flows used in investing activities	(132,526)	(537,172)
Increase (decrease) in cash	(342,050)	320,874
Cash - beginning of year	400,687	79,813
Cash - end of year	58,637	400,687

Supplemental information (see note 10)

The accompanying notes form an integral part of these financial statements

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Metals Creek Resources Corp. (the “Company”) was incorporated on June 21, 2004 under the Business Corporations Act (Ontario).

The Company is an exploration stage company, and is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The accompanying financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company’s investment in exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has working capital in the amount of \$1,259,385 (December 31, 2013 - \$1,847,717) and has a deficit in the amount of \$8,274,703 (December 31, 2013 - \$7,402,796). The Company has not earned any significant revenues to date and is considered to be in the exploration stage.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation and statement of compliance with IFRS**

These financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued by the IASB (“International Accounting Standards Board”). These financial statements were authorized for issue by the Board of Directors on April 9, 2015.

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements including comparatives have been prepared on the basis of IFRS standards that were in effect on December 31, 2014.

The standards that are effective in the annual financial statements for the year ending December 31, 2014 are subject to change and may be affected by additional interpretation(s).

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

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

Investments in Joint Ventures

Entities whose economic activities are controlled jointly by the Company and other ventures independent of the Company (joint ventures) are accounted for using the proportionate consolidation method, whereby the Company's share of the assets, liabilities, income and expenses is included line by line in the financial statements.

Unrealized gains and losses on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

Amounts reported in the financial statements of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

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, which differs from profit or loss in the financial statements. Calculation of current tax 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 joint ventures is not provided if the reversal of these temporary differences can be controlled by the Company 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 utilized against future taxable income. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset only when the Company 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 (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Flow-Through Financing

The Company raises equity through the issuance of flow-through shares. Under this arrangement, shares are issued which transfer the tax deductibility of mineral property exploration expenditures to 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 pro-rata as expenditures are made and are recorded in the statement of loss and comprehensive loss. The

spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a maximum period. The Company has no flow-through obligations at December 31, 2014.

Property and Equipment

Purchased property and equipment are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is recognized on a declining balance basis to write down the cost or valuation less estimated residual value of property and equipment. The periods generally applicable are:

Furniture and fixtures and general equipment	20%
Computer equipment	55%
Computer software	100%
Automobile	30%
Leasehold improvements	20%

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

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

Environmental Rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest and can be the result of a legal or constructive obligation. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Impairment

At each financial position reporting date the carrying amounts of the Company's 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 values 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 to their present value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss

for the period. For 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.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. 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 Company has only one single reportable operating segment.

Share capital

Share capital represents the fair value of consideration received.

Operating Expenses

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

Share-based payment transactions

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

All goods and services received in exchange for the grant of any share-based payments 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 appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

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 different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Interest

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

Cash and cash equivalents

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

Exploration and Evaluation Assets

Exploration and evaluation assets include the 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. The Company follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenue received against the cost of related claims. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the income statement.

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 or an 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 within property, plant and equipment.

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

Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 (“AFS”) 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 a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within ‘office and general’, or ‘finance income’, except for impairment of trade receivables which is presented within ‘other expenses’.

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 Company's cash and cash equivalents, short-term investments, deposits, trade and most other receivables 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 will 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 (see below).

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 Company has the intention and ability to hold them until maturity. The Company 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 investments

Available-for-sale 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. The Corporation does not hold any available-for-sale 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'.

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 Company's financial liabilities include trade and other payables.

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 'office and general expenses' or 'finance income'.

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, deposits and prepayments, 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 losses 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.

The Company does not have any derivative instruments.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed 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 assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. the recoverability of amounts receivable and prepayments which are included in the statements of financial position;
- ii. the estimated useful lives of property and equipment which are included in the statements of financial position and the related depreciation included in the statement of comprehensive loss for the year ended December 31, 2014;
- iii. the inputs used in accounting for share purchase option expense in the statement of comprehensive loss; and
- iv. the provision for income taxes which is included in the statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the statement of financial position at December 31, 2014.

Future accounting pronouncements

IFRS 9, Financial Instruments effective for annual periods beginning after January 31, 2018. The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement. The Company is currently assessing the impact, if any, adoption of this standard will have on the financial statements.

3. SHORT TERM INVESTMENTS:

	<u>Dec 31, 2014</u>	<u>Dec. 31, 2013</u>
Money Market Mutual funds	924,448	1,345,705
Investment Trust	<u>94,500</u>	<u>96,700</u>
	<u>\$ 1,018,948</u>	<u>1,442,405</u>

These funds are available for exploration and operations upon the request of the Company.

The money market mutual funds consist of fully liquid, managed money market fund units that yield regular monthly dividends at market rates.

The Investment Trust is a fully liquid senior loan fund bearing interest at 6.75%.

4. PROPERTY AND EQUIPMENT

	Cost	Acc. Depr.	Dec. 31, 2014 Net
Computer equipment	\$ 24,163	\$ 22,026	\$ 2,137
Furniture and fixtures	13,467	10,290	3,177
Computer software	63,020	59,965	3,055
General equipment	33,028	20,434	12,594
Automobile	54,882	31,713	23,169
Leasehold improvements	4,812	4,812	-
	<u>\$ 193,372</u>	<u>\$ 149,240</u>	<u>\$ 44,132</u>

	Cost	Acc. Depr.	Dec. 31, 2013 Net
Computer equipment	\$ 22,511	\$ 20,423	\$ 2,088
Furniture and fixtures	13,467	9,495	3,972
Computer software	56,911	56,911	-
General equipment	32,478	17,354	15,124
Automobile	54,882	21,784	33,098
Leasehold improvements	4,812	4,812	-
	<u>\$ 185,061</u>	<u>\$ 130,779</u>	<u>\$ 54,282</u>

5. LONG TERM INVESTMENTS

	December 31, 2014		December 31, 2013	
	Market \$	Cost \$	Market \$	Cost \$
Canadian Equities				
Spruce Ridge Resources Ltd. (i)	2,500	56,250	5,000	56,250
U.S. Gold & Silver Inc. (i)	2,384	21,249	2,521	21,249
Noble Mineral Exploration Inc. (ii)	3,750	58,125	26,250	58,125
Sokoman Iron Corp. (iii)	19,000	585,000	76,000	585,000
GTA Resources and Mining Inc. (iv)	10,000	28,000	30,000	28,000
Gold Royalties Corporation (v)	90,000	490,000	533,333	653,333
Xmet Inc. (vi)	138,000	83,500	39,000	13,500
White Metal Resources Corp. (vii)	1,000	2,500	-	-
Benton Resources Inc. (viii)	3,500	3,500		
	<u>270,134</u>	<u>1,328,124</u>	<u>712,104</u>	<u>1,415,457</u>

- (i) The Spruce Ridge shares are valued at the December 31, 2014 closing price of \$0.01 per common share (December 31, 2013 - \$0.02). The shares of U.S. Gold & Silver Inc. (TSX:USA) were received from Spruce Ridge originally as shares of RX Gold & Silver (which later merged with U.S. Gold & Silver Inc.) as a dividend-in-kind based on the Company's pro-rata ownership of Spruce Ridge and are valued at the December 31, 2014 closing price of \$0.35 per common share (December 31, 2013 - \$0.37).
- (ii) The shares of Noble are traded on the TSX-V exchange under the symbol "NOB" and are valued at the December 31, 2014 closing price of \$0.005 per common share (December 31, 2013 - \$0.035).
- (iii) The shares of Sokoman Iron Corp. (formerly Golden Dory Resources Corp.) are valued at the December 31, 2014 closing price of \$0.01 (December 31, 2013 - \$0.04). See note 6(f) for further details on the nature of the agreement that resulted in the receipt of the shares by the Company. During 2013, Golden Dory completed a share consolidation on a 1 for 10 basis as well as a name change to Sokoman Iron Corp. ("Sokoman") which trades under the symbol "SIC" on the TSX Venture Exchange. As a result of the consolidation, the Company holds 1,900,000 shares of Sokoman.

- (iv) The GTA Resources ("GTA") (TSX-V:GTA) shares are valued at the December 31, 2014 closing price of \$0.05 per common share (December 31, 2013 - \$0.15). The 200,000 GTA shares were received pursuant to an option agreement in 2013 on the Company's Squid East property in the Yukon but the agreement was terminated by GTA during the 2014 fiscal year.
- (v) During the year ended December 31, 2013, the Company entered into an agreement with Gold Royalties Corporation ("Gold Royalties") in which Gold Royalties acquired a 1.0% royalty interest in the Iron Horse Project. The purchase price of \$1,000,000 was payable through the issuance of 1,333,333 common shares of Gold Royalties (the "Gold Royalties Shares") at a deemed price of \$0.75 per Gold Royalties Share (the "Share Consideration"). The Company has agreed to a contractual escrow period whereby the Share Consideration will be subject to escrow with a 25% release every six (6) months from the date of closing of the Transaction. The common shares of Gold Royalties trade on the TSX Venture Exchange under the symbol "GRO" and are valued at the December 31, 2014 closing price of \$0.09 per common share (December 31, 2013 - \$0.40). During the year ended December 31, 2014, the Company sold 333,333 common shares of Gold Royalties for gross proceeds of approximately \$130,000. The Company still holds 1 million common shares of Gold Royalties of which 333,334 are restricted from trading until August 2, 2015.
- (vi) During the year ended December 31, 2013, the Company executed an agreement with Xmet Inc. ("Xmet") pursuant to which Xmet has the option to purchase a 100% interest in 24 claim units staked by the Company. Under the agreement, Xmet will pay the Company \$10,000 (\$5,000 on regulatory approval (received) and \$5,000 ninety days after regulatory approval (received)) and issue 2 million common shares of Xmet (300,000 upon regulatory approval (received) and 1,700,000 within four months after regulatory approval, provided Xmet decides to continue with the option following an EM airborne survey. During the year, Xmet informed the Company that they would not be proceeding with the EM airborne survey and therefore the second share payment was not made.

In addition, during the year ended December 31, 2014, the Company executed an option agreement with Xmet pursuant to which Xmet has the option to earn a 60% interest in the Feagan Lake Graphite project. In order to earn a fifty percent (50%) interest in the claims, Xmet has agreed (a) to make a cash payment of \$5,000 (received) and issue 1,000,000 common shares (received) to Metals Creek, forthwith after receiving the approval of the Exchange (received); (b) carry out \$60,000 in work obligations (completed), make a cash payment of \$15,000 (received) and issue a further 1,000,000 shares (received) to Metals Creek within five months of Exchange approval; (c) carry out a further \$150,000 in work obligations and perform a minimum 500m of drilling within one year of Exchange approval; (d) carry out a further \$250,000 in work obligations and issue 500,000 shares to Metals Creek within two years of Exchange approval; and (e) carry out a further \$425,000 in work obligations and issue 500,000 shares to Metals Creek within three years of Exchange approval. Xmet may then increase its interest from fifty percent to sixty percent within 90 days after earning its fifty percent interest by making a cash payment of \$100,000, issuing 1,500,000 shares to the Optionor and conducting \$1,000,000 in work obligations over the next year. Xmet may at any time accelerate its obligations to earn its interest earlier. Once Xmet's interest is earned, the project will continue as a joint venture with Metals Creek.

The aggregate of 2.3 million shares held by the Company are valued at the December 31, 2014 closing price of \$0.06 per common share (December 31, 2013 - \$0.13). The common shares of Xmet trade on the TSX Venture Exchange under the symbol "XME".

- (vii) During the year ended December 31, 2014, the Company sold two claim blocks totaling 210 claim units in southwest Labrador known as the Senecal Lake Property ("SL") to White Metal Resources Corp., ("WHM") (formerly Trillium North Minerals Ltd.) a company associated by common directorship. Pursuant to the sale, WHM issued 500,000 common shares for a 100% ownership interest. In addition, WHM has granted a 1% N.S.R. on the SL property as well as a 1% N.S.R. on adjacent claims already owned by WHM. WHM may buy-back up to 0.5% of each respective N.S.R. for \$500,000 each (or \$1 million for both claim groups). Pursuant to a share escrow agreement, the Company received an initial 50,000 shares upon TSX-V acceptance and will receive the remainder in accordance with the escrow release schedule which is 15% every six months. The initial 50,000 shares of WHM (TSXV: WHM) were valued at the December 31, 2014 closing price of \$0.02 per share. Receipt of the shares was recorded as a reduction in the carrying cost of the property.

- (viii) During the year ended December 31, 2014, the Company executed an Option/Joint Venture agreement with Benton Resources Inc. (“Benton”) (a company related to Metals Creek by common directorships) (see note 6(e) for details of the agreement). The 100,000 shares of Benton currently held by the Company are valued at the December 31, 2014 closing price of \$0.035 per share. The shares of Benton trade on the TSX Venture Exchange under the symbol “BEX”.

6. EXPLORATION AND EVALUATION ASSETS

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property for the years ended December 31, 2014 and 2013 is summarized in the tables below:

For the year ended December 31, 2014

	Dog Paw (a)	Ogden (b)	Yukon (c)	Jackson's Arm (d)	Staghorn (e)	Iron Horse (f)	Other (g)	Total
Dec. 31, 2013 - Acquisition Costs	\$ 176,891	415,709	57,237	2,054	7,450	-	301,573	960,914
Additions	-	15,458	-	-	3,110	-	34,259	52,827
Writedowns/Recoveries	-	-	-	-	(10,560)	-	(98,075)	(108,635)
<i>Subtotal</i>	\$ -	15,458	-	-	(7,450)	-	(63,816)	(55,808)
Dec. 31, 2014 - Acquisition Costs	\$ 176,891	431,167	57,237	2,054	-	-	237,757	905,106
Dec. 31, 2013 - Exploration and Evaluation Expenditures	\$ 1,150,696	3,742,482	129,740	357,585	1,500	-	384,341	5,766,344
Assaying	1,613	330	684	-	2,730	-	3,241	8,598
Prospecting	3,259	-	180	915	29,807	-	14,678	48,839
Geological	20,317	39,487	18,925	719	19,645	-	43,217	142,310
Geophysical	-	-	-	-	-	-	5,918	5,918
Line Cutting	-	-	-	-	-	-	-	-
Trenching	-	-	-	-	-	-	-	-
Diamond Drilling	-	9,646	1,705	-	1,800	-	-	13,151
Miscellaneous	-	-	-	-	-	-	538	538
Writedowns/Recoveries	(1,175,885)	-	-	(359,219)	(55,482)	-	(548,687)	(2,139,273)
<i>Subtotal</i>	\$ (1,150,696)	49,463	21,494	(357,585)	(1,500)	-	(481,095)	(1,919,919)
Dec. 31, 2014 - Exploration and Evaluation Expenditures	\$ -	3,791,945	151,234	-	-	-	(96,754)	3,846,425
Dec. 31, 2014 - Total	\$ 176,891	4,223,112	208,471	2,054	-	-	141,003	4,751,531

For the year ended December 31, 2013

	Dog Paw (a)	Ogden (b)	Yukon (c)	Jackson's Arm (d)	Staghorn (e)	Iron Horse (f)	Other (g)	Total
Dec. 31, 2012 - Acquisition Costs	\$ 176,891	403,807	65,406	2,054	-	8,205	264,188	920,551
Additions	-	11,902	330	-	7,962	-	44,043	64,237
Writedowns/Recoveries	-	-	(8,499)	-	(512)	(8,205)	(6,658)	(23,874)
<i>Subtotal</i>	\$ -	11,902	(8,169)	-	7,450	(8,205)	37,385	40,363
Dec 31, 2013 - Acquisition Costs	\$ 176,891	415,709	57,237	2,054	7,450	-	301,573	960,914
Dec. 31, 2012 - Exploration and Evaluation Expenditures	\$ 1,121,430	3,291,104	276,784	427,526	-	113,579	415,112	5,645,535
Assaying	-	19,595	36,369	-	453	-	-	56,417
Prospecting	7,635	-	3,103	7,679	7,184	-	715	26,316
Geological	20,468	16,774	29,776	10,784	5,389	1,014	37,375	121,580
Geophysical	1,163	900	20,087	1,000	-	-	-	23,150
Line Cutting	-	-	-	-	-	-	-	-
Trenching	-	-	79,227	1,009	-	-	-	80,236
Diamond Drilling	-	414,409	216,722	-	1,650	-	-	632,481
Miscellaneous	-	-	5,161	-	1,500	-	1,594	8,255
Writedowns/Recoveries	-	-	(537,489)	(90,413)	(14,676)	(114,593)	(70,455)	(827,626)
<i>Subtotal</i>	\$ 29,266	451,378	(147,044)	(69,941)	1,500	(113,579)	(30,771)	120,809
Dec. 31, 2013 - Exploration and Evaluation Expenditures	\$ 1,150,696	3,742,482	129,740	357,585	1,500	-	384,341	5,766,344
Dec. 31, 2013 - Total	\$ 1,327,587	4,148,191	186,977	359,639	8,950	-	685,914	6,727,258

a. Dog Paw Gold Property

In 2007, the Company acquired an option on the Dog Paw Gold project which is located approximately 40 km east of Kenora, Ontario and consists of 23 claims totaling 269 units. The Company entered into an option agreement with Endurance Gold Corp. whereby under the Initial Option the Company could earn a 70% interest in the property by making share payments totaling 400,000 shares (completed in 2008) and completing work commitments of \$200,000 on the property (completed). The Company exercised a Second Option to earn a further 5% in the property by issuing a further 50,000 common shares (completed in 2008) and spent an additional \$250,000 on the property (completed). The Company has now earned a 78% interest and a joint venture has been formed on a 78% (the Company) and 22% (Endurance Gold Corp.) basis. The Company presently has no planned exploration activity on the project due to current market conditions and has written off exploration and evaluation expenditures totaling \$1,175,885 during the current year.

b. Ogden

During 2008, the Company entered into an agreement with Goldcorp Canada Ltd. (“Goldcorp”) to jointly explore Goldcorp’s mining claims located in Ogden and Deloro Townships, located six kilometres south of Timmins, Ontario. The property consists of 84 patented and unpatented claims totaling approximately 1,184 hectares (the “Property”). The agreement allows for the Company to earn 50% of Goldcorp’s interest in the Property by funding total expenditures on the Property of \$3,100,000 over four years as follows: (i) \$400,000 in year one, (ii) \$700,000 in year two and (iii) \$1,000,000 in each of years three and four. The Company was also required to make cash and share payments to Goldcorp as follows: (i) \$40,000 cash and \$25,000 worth of common shares on signing (completed in 2008), (ii) \$35,000 cash and \$25,000 worth of common shares on the first anniversary (completed in 2009), (iii) \$35,000 cash and \$50,000 worth of common shares on the second anniversary (completed in 2010), (iv) \$100,000 worth of common shares on the third anniversary (completed in 2011), and (v) \$150,000 worth of common shares on the fourth anniversary (completed). Within six months of the Company’s vesting its 50% interest in the Property, Goldcorp had the option to buy back a 20% interest from the Company for a cash payment of up to \$310,000, expending \$4,100,000 on the Property within two years, and completing a feasibility study within three years.

The Company was the operator of the Property during the earn-in period and afterwards, provided it holds a 50% or greater interest in the Property. During the year ended December 31, 2012, the Company received notice that Goldcorp did not intend to pursue its back-in right on the Ogden property and as a result, the Company and Goldcorp executed a 50/50 joint venture agreement. If either party becomes diluted to a 10% interest, that interest will be converted into a 2% Net Smelter Return Royalty.

c. Yukon

The Yukon property consists of 242 staked claims in four separate claim blocks in the Dawson Range gold district. Three of the claim blocks are located in the Matson Creek area (Squid East and West properties and Fogo property) and the fourth is located west of the Yukon River (Change property). The Company owns a 100% interest in all claim blocks.

Squid East Property

The Squid East property consists of 82 claims and was acquired by staking and is located in the Matson Creek area of Yukon.

During the year ended December 31, 2013, the Company announced that it has entered into an Option/Joint Venture agreement with GTA Resources (“GTA”) in which GTA can earn a 51% to 70% interest in the Company’s Squid East property in the Matson Creek area of Yukon. The 82 claim property was initially staked by the Company in 2011 and the Company owns a 100% interest. To earn an initial 51% interest, GTA must make cash payments of \$60,000 over three years (\$20,000 received), issue a total of 2,000,000 GTA shares over three years (200,000 shares received) and incur work expenditures of \$2,000,000 over three years (\$500,000 firm including a minimum 400 meters of drilling by 1st anniversary - completed). The Company was be the operator during the earn-in period. Once a 51% interest is earned by GTA, either a 51/49 joint venture will be formed, or GTA may elect to earn an additional 19% interest to bring its total property interest to 70%. The terms to increase its interest from 51% to 70% include payments of \$210,000 and 400,000 GTA

shares within 120 days of the 3rd anniversary date and incurring an additional \$1,000,000 in exploration expenditures by the 5th anniversary. GTA would assume operatorship once it had earned a 51% interest. During the year ended December 31, 2013, the Company recovered \$499,743 in exploration costs incurred under the joint venture. These costs were recorded as a reduction to the deferred exploration and evaluation expenditures with the exception of the operator fee totaling \$19,399 which was recorded in income during the period.

During the year ended December 31, 2014, GTA decided not to proceed with the option and the Company now holds a 100% interest in the property.

d. Jackson's Arm

The Jackson's Arm property consists of 246 staked claim units totaling 6,150 hectares and is located in north-central Newfoundland. The Company owns a 100% interest in the project.

During the year ended December 31, 2013, the Company applied for a grant under the Mineral Incentive Program through the Government of Newfoundland and Labrador for exploration and evaluation work completed on its Jackson's Arm property. The amount of the grant was \$90,413 and the funds were received by the Company during the current period. The grant was recorded as a reduction of deferred exploration and evaluation expenditures. The Company presently has no planned exploration activity on the project due to current market conditions and has written off exploration and evaluation expenditures totaling \$359,219 during the current year.

e. Staghorn

During 2008, the Company entered into an agreement with a group of prospectors to earn a 100% interest in a group of 76 claim units spread over 1,216 hectares in the Wood Lake area in west central Newfoundland. Terms of the option agreement include making a series of staged option payments totaling \$95,000 and issuing 250,000 shares to the optionors over three years. During 2008, 2009 and 2010, the Company issued 50,000, 70,000 and 50,000 common shares respectively to the optionors. The optionors retain a 2% Net Smelter Royalty, 50% of which can be purchased for \$1,000,000. During 2011, the Company reduced the carrying amount of the deferred exploration expenditures on the Staghorn project by \$100,000 as a result of the receipt of a non-repayable grant from the Province of Newfoundland. Also during 2011, the Company paid \$44,000 and issued 50,000 shares to the optionors pursuant to the option agreement and now holds a 100% interest.

During the year ended December 31, 2012, the Company determined that no further work would be conducted on the property and has written off \$48,798 in deferred exploration and evaluation expenditures during the year ended December 31, 2014 (December 31, 2013 - \$15,188).

During the year ended December 31, 2014, the Company executed an Option/Joint Venture agreement on the Staghorn project with Benton Resources Inc. ("Benton") (a company related to Metals Creek by common directorships) whereby Benton can earn up to a 70% interest in Staghorn. Pursuant to the agreement, Benton can earn an initial 60% interest by making cash payments totaling \$50,000 (\$10,000 received on signing), issuing a total of 500,000 shares of Benton (100,000 received on signing) and incurring work expenditures totaling \$500,000, all over a three year period. Benton will be the operator during the earn in period. Once a 60% interest is earned by Benton, either a 60/40 joint venture will be formed, or Benton may elect to earn an additional 10% interest to bring its total property interest to 70% by paying \$50,000 cash and issuing an additional 500,000 Benton shares within 60 days of the 3rd anniversary date and incurring an additional \$500,000 in exploration expenditures by the 5th anniversary date.

f. Iron Horse (formerly Gabbro Lake)

The Iron Horse project consists of 371 claims located approximately 120 km Northeast of Labrador City, Labrador.

During 2008, the Company entered into a formal joint venture agreement with Golden Dory Resources for the Iron Horse Project (the "Property"). Under the terms of the agreement the Company and Golden Dory Resources formed the joint venture on a 50:50 basis with the Company being the primary operator.

During 2012, the Company announced that it had reached an agreement subject to TSX Venture Exchange approval whereby Golden Dory can increase its ownership interest from 50% to 70%. Under the terms of the agreement, Golden Dory will become the operator and can increase its interest by 10% to 60% by issuing 1.5 million shares of Golden Dory to the Company (received) and by completing a \$500,000 exploration program in 2012, which is to include a minimum 1,200 metre diamond drill program. Golden Dory can increase its ownership interest by an additional 10% to 70% by issuing an additional 2.5 million Golden Dory shares to the Company and by providing an NI 43-101 compliant report by the fourth anniversary of the agreement. During the year ended December 31, 2012, Golden Dory successfully met the conditions to earn the initial 10% additional interest and holds a 60% interest in the Project.

During 2013, the Company signed a letter of intent to sell its remaining 30% interest in the Project to Golden Dory subject to entering into a definitive amending agreement and upon receipt of TSX Venture Exchange approval (received). The Company and Golden Dory agreed to amend their existing Option and Joint Venture Agreement dated May 18, 2012 (the "JVOA") to provide for Golden Dory to accelerate its interest in the Property to 70% and then for Golden Dory to purchase the remaining 30% residual interest from the Company (the "Residual 30% Interest"). The JVOA will be amended to provide that Golden Dory will accelerate increasing its interest in the Property to 70% by issuing 2,500,000 common shares to the Company (received) without having to comply with a previous term which required Golden Dory to complete a NI 43-101 report resulting in a minimum of 50 million tonnes of product. Upon Golden Dory acquiring the 70% interest in the Property, the royalty interest in the Property will be reduced to a 0.9% NSR. As part of the amended JVOA, Golden Dory will also purchase the Company's Residual 30% Interest by: a) issuing 15 million common shares to the Company (received); b) paying \$1 million to the Company upon completion of a bankable feasibility study on the Property; and c) issuing to the Company an additional 1% NSR on the Property (received). Upon Golden Dory acquiring all of the Company's interest in the Property, the Company will retain, in the aggregate, a 1.9% NSR in the Property. As a result, the Company owns 19,000,000 shares of Golden Dory, or approximately 15% of its total issued and outstanding, while Golden Dory will have a 100% interest in the Iron Horse project. During 2013, Golden Dory completed a share consolidation on a 1 for 10 basis as well as a name change to Sokoman Iron Corp. ("Sokoman") which trades under the symbol "SIC" on the TSX Venture Exchange. As a result of the consolidation, the Company holds 1,900,000 shares of Sokoman.

In addition, during the year ended December 31, 2013, the Company announced that it had entered into an agreement with Gold Royalties Corporation ("Gold Royalties") in which Gold Royalties will acquire a 1.0% royalty interest in the Iron Horse Project. The purchase price of \$1,000,000 is payable through the issuance of 1,333,333 common shares of Gold Royalties (the "Gold Royalties Shares") (received) at a deemed price of \$0.75 per Gold Royalties Share (the "Share Consideration"). The Company still retains a 0.9% royalty from the Iron Horse Project. The Company has agreed to a contractual escrow period whereby the Share Consideration will be subject to escrow with a 25% release every six (6) months from the date of closing of the Transaction. The common shares of Gold Royalties trade on the TSX Venture Exchange under the symbol "GRO".

g. Other Properties

Included in Other Properties (located in Ontario and Newfoundland) are the Wick's Lake; Tilt Cove; Sops Arm North; Gryba; Tally Pond; Hearst; Feagan Lake; Mealy Intrusion; and Victoria Lake properties. During the year ended December 31, 2014 the Company incurred \$100,300 (December 31, 2013: \$52,368) in pre-acquisition exploration and evaluation costs which were included in expenses for the year. In addition, due to current market conditions and no current work plans, the Company wrote off certain exploration and evaluation expenditures totaling \$548,687 related to the Wick's Lake, Tilt Cove, Gryba, Tally Pond, and Tillex properties.

Feagan Lake Graphite Property

The Feagan Lake claim block consists of 12 claims totaling 175 contiguous claim units and is located northwest of Hearst, Ontario.

During the year ended December 31 2014, the Company executed an option agreement with Xmet pursuant to which Xmet has the option to earn a 60% interest in the Feagan Lake Graphite project. In order to earn a fifty percent (50%) interest in the claims, Xmet has agreed (a) to make a cash payment of \$5,000 (received) and

issue 1,000,000 common shares (received) to Metals Creek, forthwith after receiving the approval of the Exchange (received); (b) carry out \$60,000 in work obligations (completed), make a cash payment of \$15,000 (received) and issue a further 1,000,000 shares (received) to Metals Creek within five months of Exchange approval; (c) carry out a further \$150,000 in work obligations and perform a minimum 500m of drilling within one year of Exchange approval; (d) carry out a further \$250,000 in work obligations and issue 500,000 shares to Metals Creek within two years of Exchange approval; and (e) carry out a further \$425,000 in work obligations and issue 500,000 shares to Metals Creek within three years of Exchange approval. Xmet may then increase its interest from fifty percent to sixty percent within 90 days after earning its fifty percent interest by making a cash payment of \$100,000, issuing 1,500,000 shares to the Optionor and conducting \$1,000,000 in work obligations over the next year. Xmet may at any time accelerate its obligations to earn its interest earlier. Once Xmet's interest is earned, the project will continue as a joint venture with Metals Creek.

Mealy Intrusion/Senecal Lake Property

During the year ended December 31, 2014, the Company sold two claim blocks totaling 210 claim units in southwest Labrador known as the Senecal Lake Property ("SL") to White Metal Resources Corp., ("WHM") (formerly Trillium North Minerals Ltd.) a company associated by common directorship. Pursuant to the sale, WHM issued 500,000 common shares for a 100% ownership interest. In addition, WHM has granted a 1% N.S.R. on the SL property as well as a 1% N.S.R. on adjacent claims already owned by WHM. WHM may buy-back up to 0.5% of each respective N.S.R. for \$500,000 each (or \$1 million for both claim groups). Pursuant to a share escrow agreement, the Company received an initial 50,000 shares upon TSX-V acceptance and will receive the remainder in accordance with the escrow release schedule which is 15% every six months.

7. CAPITAL AND RESERVES

i. Share Capital

At December 31, 2014, the authorized share capital comprised an unlimited number of common shares and an unlimited number of preferred shares.

To date, no preferred shares have been issued.

ii. Share Purchase Warrants

Details of share purchase warrant transactions for the year ended December 31, 2013 and 2014 are as follows:

	# of Warrants	Amount \$	Wtd. Avg. Ex. Price
Balance, December 31, 2012	12,385,020	2,185,202	
-Expired during the year	(1,900,420)	(362,675)	\$0.28
Balance, December 31, 2013	10,484,500	1,822,527	
-Expired during the period	(10,484,500)	(1,822,527)	\$0.45
Balance, December 31, 2014	-	-	

The following table summarizes information about the warrants outstanding at December 30, 2014 and 2013:

Expiry Dates	Exercise Price	December 31, 2014 # of Warrants	December 31, 2013 # of Warrants
February 2, 2014	\$0.45	-	10,484,500

During the year ended December 31, 2013, the Company received TSX Venture Exchange approval to extend the term of 10,484,500 share purchase warrants initially set to expire on February 2, 2013 by 12 months. The warrants were issued as part of a private placement completed by the Company on February 4, 2011. Each warrant is exercisable into one common share of the Company at a price of \$0.45 per share. The new expiry date of the warrants is February 2,

2014. All other terms of the warrants will remain unchanged. During the year ended December 31, 2014, the 10,484,500 warrants expired unexercised.

iii. Stock Options

Details of stock option transactions for the year ended December 31, 2014 and 2013 are as follows:

	# of Options	Wtd. Avg. Ex. Price
Balance, December 31, 2012	7,515,000	\$0.16
Granted during the year	2,060,000	\$0.10
Cancelled during the year	(145,000)	\$0.14
Balance, December 31,	9,430,000	\$0.15
Granted during the year	1,250,000	\$0.07
Expired during the year	(1,280,000)	\$0.15
Balance, December 31, 2014	9,400,000	\$0.14

The following table summarizes information about the options outstanding at December 31, 2014 and 2013:

Expiry Dates	Exercise Price	December 31,	December 31,
		2014	2013
		# of Options	# of Options
August 2014	\$0.15	-	1,280,000
February 2015	\$0.16	1,260,000	1,260,000
May 2015	\$0.10	100,000	100,000
March 2016	\$0.235	1,475,000	1,475,000
August 2016	\$0.13	2,955,000	2,955,000
July 2017	\$0.13	300,000	300,000
March 2015	\$0.10	100,000	100,000
August 2018	\$0.10	1,960,000	1,960,000
October 2019	\$0.07	1,250,000	-
		<u>9,400,000</u>	<u>9,430,000</u>

The Company applies the fair value method of accounting for share-based payments using an option pricing model.

Stock options granted to directors, officers and employees vested during the year ended December 31, 2014 are as follows:

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
March 1, 2013	4,110	\$0.10	March 1, 2015
August 7, 2013	524,408	\$0.10	August 7, 2018
October 21, 2014	660,262	\$0.07	October 21, 2019
	<u>1,188,780</u>		

The Company has calculated \$35,861 as share-based payments expense and under capital stock as reserves for the 1,188,780 options vesting to directors, officers and employees during the period:

- For the 100,000 options granted on March 1, 2013, the fair value of each vested option is \$0.026 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 147%, a risk-free interest rate of 1.01% and an expected life of approximately 2 years.
- For the 1,960,000 options granted on August 7, 2013, the fair value of each vested option is \$0.036 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 166%, a risk-free interest rate of 1.75% and an expected life of approximately 5 years.

- For the 1,250,000 options granted on October 21, 2014, the fair value of each vested option is \$0.0254 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 144%, a risk-free interest rate of 1.43% and an expected life of approximately 5 years.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

iv. Share Issuance – Mineral Property Option Agreements

The Company has issued no shares in acquiring options on mineral properties at December 31, 2014 and December 31, 2013.

8. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to related parties during the year ended December 31, 2014 and 2013:

Payee	Description of Relationship	Nature of Transaction	December 31, 2014 Amount (\$)	December 31, 2013 Amount (\$)
Stares Prospecting Ltd.	Company controlled by Alexander Stares, Director and Officer	Payments for equipment rentals capitalized in deferred development expenditures	1,028	70,183
Eastrock Exploration/ Wayne Reid	Company controlled by Wayne Reid, Director and Officer	Payments for geological consulting services	32,544	37,402
Nick Tsimidis	Director and Officer	Payments for consulting fees and reimbursement of expenses	27,120	27,120
Stares Contracting Corp.	Company controlled by Michael Stares, Director	Payments for staking services and reimbursement of expenses capitalized in exploration and evaluation assets	7,321	25,000

The purchases from/fees charged by related parties are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended December 31, 2014, the Company received from Benton Resources Inc. \$10,000 and 100,000 common shares of Benton pursuant to an option and joint venture agreement entered into by the Company and Benton on the Company's Staghorn property. Benton is related to the Company by common directorships. The option and joint venture agreement received regulatory approval during the year ended December 31, 2014.

Included in accounts payable and accrued liabilities at December 31, 2014 is:

- \$nil payable to Stares Prospecting Ltd., (2013: \$nil);
- \$2,712 payable to Eastrock Exploration Inc., (2013: \$2,712)
- \$nil payable to Nick Tsimidis, (2013: \$nil)

During the year ended December 31, 2014, the Company recovered \$83,520 in wages from a company related by common directorships for the use of the Company's field geological personnel.

Key management personnel remuneration during the year ended December 31, 2014 included \$367,854 (December 31, 2013 - \$362,117) in salaries and benefits and \$23,310 (December 31, 2013- \$34,401) in share-based payments. There were no post-retirement or other long-term benefits paid to key management personnel during the period.

9. STAKING SECURITY DEPOSITS

Staking security deposits of \$41,257 (December 31, 2013 – \$28,180) represents security amounts paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These staking security deposits are refundable to the company upon submission by the company of a report covering the first year work requirements which meets the requirements of the Government of Newfoundland and Labrador.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2014 \$	December 31, 2013 \$
Shares received for option/sale of mineral properties	76,000	150,798

11. INCOME TAXES

a. Income tax recovery

The provision for (recovery of) income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rates of 26.5% (December 31, 2013 – 26.25%).

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Loss before taxes	\$ (3,232,700)	\$ (490,859)
Expected income tax expense (recovery) calculated using statutory rates	(856,500)	(130,078)
Non-deductible expenses and other	693,500	253,316
Share issue costs	-	(56,172)
Valuation allowance on current taxes recoverable	163,000	(68,072)
Change in effective tax rates	<u>-</u>	<u>1,006</u>
Deferred tax recovery	\$ <u>-</u>	\$ <u>-</u>

b. Deferred Tax Balances

The tax effects of temporary differences that give rise to deferred income tax assets and deferred income tax liabilities at the combined Canadian federal and provincial statutory tax rates are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Non-capital losses	\$ 1,008,046	\$ 854,226
Investments	264,497	176,663
Deferred exploration expenditures	(108,177)	(661,262)
Share issue costs	-	62,343
Property and equipment	6,330	1,715
Valuation allowance	<u>(1,170,6967)</u>	<u>(433,685)</u>
	<u>\$ -</u>	<u>\$ -</u>

c. Income Tax Information

The Company has non-capital losses which will expire, if unused, as follows:

Year of Expiry	Amount
2027	312,501
2028	477,824
2029	628,389
2030	595,537
2031	525,285
2032	877,369
2034	<u>615,280</u>
Total	\$ <u>4,032,185</u>

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation allowance is reflected in current income.

In addition to the above-noted loss non-capital loss carry-forwards, the Company also has approximately \$4.32 million in combined Cumulative Canadian Exploration Expenses (CEE) and Cumulative Canadian Development Expenses (CDE) available for deduction from future taxable income in future years without expiry.

12. LOSS PER SHARE

Basic loss per common share has been calculated using the weighted average number of common shares outstanding in each respective period. As the issue of shares upon the exercise of stock options and warrants would be anti-dilutive, diluted loss per common share is equivalent to basic loss per common share.

13. COMMITMENTS

The Company has entered into a lease agreement for its office premises in Thunder Bay, Ontario expiring September 15, 2016 for \$1,219 per month.

During the year ended December 31, 2013, the Company hired King James Capital Corp. to provide investor relations and financial public relations services in exchange for a fee of \$2,000 per month for a term of twelve months. In addition, the Company granted to King James Capital Corp. 100,000 stock options at an exercise price of \$0.10 for a term of two years with one-quarter of the options granted vesting every three months following the date of grant. The monthly fee was reduced to \$1,000 per month during the 2014 fiscal year. Subsequent to December 31, 2014, the Company discontinued the service in order to conserve capital.