



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE
YEAR ENDED DECEMBER 31, 2014**

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
InZinc Mining Ltd.

We have audited the accompanying consolidated financial statements of InZinc Mining Ltd., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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 Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of InZinc Mining Ltd. 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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

April 21, 2015



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian funds)

	December 31, 2014	December 31, 2013
ASSETS		
Current		
Cash (Note 4)	\$ 1,153,325	\$ 350,771
Receivables (Note 5)	10,475	22,248
Prepays	14,067	14,118
Marketable securities (Note 6)	1,603	2,047
	1,179,470	389,184
Reclamation deposit (Note 7)	93,433	78,585
Exploration and evaluation assets (Note 7)	5,553,639	5,376,930
	\$ 6,826,542	\$ 5,844,699
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 52,038	\$ 111,612
	52,038	111,612
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	13,928,534	12,429,212
Reserves - share-based	451,020	1,483,559
Reserves - accumulated other comprehensive income/(loss)	(686)	(242)
Deficit	(7,604,364)	(8,179,442)
	6,774,504	5,733,087
	\$ 6,826,542	\$ 5,844,699

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board:

"C.F. Staargaard"

"K.M. Curtis"

C.F. Staargaard, Director

K.M. Curtis, Director

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian funds)

	For the year ended	
	December 31, 2014	December 31, 2013
EXPENSES		
Communication and investor relations	\$ 162,610	\$ 81,176
Filing and regulatory	21,989	15,878
Foreign exchange gain	(13,671)	(2,209)
Management fees	140,000	168,000
Office and miscellaneous	38,414	29,848
Professional fees	80,594	61,694
Rent	23,136	21,600
Share-based compensation (<i>Note 9</i>)	43,865	13,780
Travel	30,681	7,278
	(527,618)	(397,045)
Interest income	1,886	5,454
Loss for the year	(525,732)	(391,591)
Other comprehensive loss:		
Unrealized loss on marketable securities	(444)	(1,077)
Loss and comprehensive loss for the year	\$ (526,176)	\$ (392,668)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding	65,774,975	63,178,019

The accompanying notes are an integral part of the consolidated financial statements

InZinc Mining Ltd.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Expressed in Canadian funds)

	Shares Issued	Share Capital	Reserves – Share- Based	Reserves - Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance December 31, 2012	60,178,019	\$12,251,191	\$1,469,779	\$835	\$(7,787,851)	\$ 5,933,954
Issuance of shares	3,000,000	180,000	-	-	-	180,000
Cost of share issuance	-	(1,979)	-	-	-	(1,979)
Share-based compensation	-	-	13,780	-	-	13,780
Unrealized loss on marketable securities	-	-	-	(1,077)	-	(1,077)
Loss for the year	-	-	-	-	(391,591)	(391,591)
Balance December 31, 2013	63,178,019	\$12,429,212	\$1,483,559	\$(242)	\$(8,179,442)	\$5,733,087
Issuance of shares	9,027,400	1,624,932	-	-	-	1,624,932
Cost of share issuance – cash	-	(101,204)	-	-	-	(101,204)
Cost of share issuance – warrants	-	(24,406)	24,406	-	-	-
Share-based compensation	-	-	43,865	-	-	43,865
Unrealized loss on marketable securities	-	-	-	(444)	-	(444)
Allocation of expired options	-	-	(1,100,810)	-	1,100,810	-
Loss for the year	-	-	-	-	(525,732)	(525,732)
Balance December 31, 2014	72,205,419	\$13,928,534	\$451,020	\$(686)	\$(7,604,364)	\$6,774,504

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian funds)

	For the year ended	
	December 31, 2014	December 31, 2013
OPERATING ACTIVITIES		
Loss for the year	\$ (525,732)	\$ (391,591)
Items not involving cash:		
Share-based compensation	43,865	13,780
Unrealized foreign exchange loss (gain) on reclamation deposit	(3,449)	(2,285)
Change in operating assets and liabilities:		
Decrease (increase) in receivables	11,773	(2,203)
Decrease (increase) in prepaids	51	267
Decrease in accounts payable and accrued liabilities	(34,510)	39,561
Cash used in operating activities	(508,002)	(342,471)
FINANCING ACTIVITIES		
Proceeds from share issuance	1,624,932	180,000
Share issue costs	(101,204)	(1,979)
Cash provided by financing activities	1,523,728	178,021
INVESTING ACTIVITIES		
Reclamation deposit	(11,399)	-
Exploration and evaluation assets	(201,773)	(189,358)
Cash used in investing activities	(213,172)	(189,358)
Increase(decrease) in cash during the year	802,554	(353,808)
Cash, beginning of year	350,771	704,579
Cash, end of year	\$ 1,153,325	\$ 350,771
For the year ended		
Supplemental cash flow information	December 31, 2014	December 31, 2013
Interest paid	\$ -	\$ -
Income taxes paid	-	-

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

On February 19, 2014, Lithic Resources Ltd. changed its name to InZinc Mining Ltd. (the "Company"). The Company was incorporated on October 24, 1997 under the laws of British Columbia and was continued under the Canada Business Corporations Act in June, 2002. The Company's head office is at 912 - 510 West Hastings Street, Vancouver, B.C., Canada, V6B 1L8. The Company is listed on the TSX Venture Exchange under the trading symbol IZN.V.

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its subsidiary, unless otherwise indicated.

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets. Its current focus is on a mineral property domiciled in the United States. The Company has not yet determined whether this exploration and evaluation asset contains ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The Company estimates it has sufficient working capital to continue operations for the next year.

The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Financial Statements" and utilize accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the audit committee and Board of Directors on April 21, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the following accounting policies. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

Basis of consolidation

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary N.P.R. (US) Inc., a Nevada corporation. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation.

Foreign currency transactions

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the year, except for amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, determination of functional currency, valuation of share-based compensation and other equity based payments, and the recoverability and measurement of deferred tax assets and liabilities.

Critical judgments exercised in apply accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets:

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Determination of functional currency:

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Valuation of share-based compensation:

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes:

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and amortized over the estimated useful life of the property following commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Capitalized amounts include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of exploration and evaluation assets. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The Company does not accrue estimated future costs of maintaining its exploration and evaluation assets in good standing.

Capitalized costs as reported on the statements of financial position represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the exploration and evaluation property interests.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Management evaluates each mineral interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write-downs due to impairment in value are charged to profit or loss.

Exploration and evaluation assets, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to profit or loss in the year in which they are incurred.

Restoration and environmental obligations

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

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

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

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

The Company has no restoration and environmental obligations for the years presented.

Impairment of assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements:

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the issuance date, the balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Share-based compensation:

The Company uses the fair value based method of accounting for stock options granted to employees and directors and for compensatory warrants. Under this method, the fair value of the stock options and compensatory warrants are determined using the Black-Scholes option pricing model. The fair value of stock options is recognized to expense over the vesting period, and the fair value of compensatory warrants is recognized as share issuance costs, with the offsetting credit to reserves. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value of the options or warrants exercised are reclassified from reserves to share capital. If stock options expire unexercised, the value attributed to the options is transferred to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Options and warrants were excluded from diluted loss per share as they proved to be anti-dilutive.

Financial instruments

Financial assets:

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies receivables and reclamation deposit as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized profit or loss. The Company classifies marketable securities as available-for-sale.

All financial assets except those measured 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 objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities:

The Company classifies its financial liabilities into one of two categories as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

For the years presented, the Company did not have any derivative financial assets and liabilities.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred tax:

Deferred taxes are recognized in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company has not recognized any deferred tax assets for the years presented.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

New and amended IFRS pronouncements effective January 1, 2014

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 Financial Instruments: Presentation ("Amended IAS 32") was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of Amended IAS 32 did not have a significant impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**New and New and amended IFRS pronouncements effective January 1, 2014 (continued)**

IAS 36 Impairment of Assets ("Amended IAS 36") was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of Amended IAS 36 did not have a significant impact on the Company's consolidated financial statements.

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 was issued by the IASB in May 2013. 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. IFRIC 21 is effective prospectively for annual periods commencing on or after January 1, 2014. The adoption of IFRIC 21 did not result in an adjustment to the Company's consolidated financial statements.

Accounting pronouncements not yet effective

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 single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

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. The IASB has determined that the revised effective date for IFRS 9 will be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

4. CASH

Cash is comprised of cash in Canadian and US financial institutions:

	December 31, 2014	December 31, 2013
Cash in US financial institutions	\$ 2,136	\$ 4,152
Cash in Canadian financial institutions	1,151,189	346,619
Total cash	\$ 1,153,325	\$ 350,771

5. RECEIVABLES

Trade and other receivables were comprised of the following:

	December 31, 2014	December 31, 2013
GST receivable	\$ 10,475	\$ 14,349
Receivable from vendor	-	7,899
	\$ 10,475	\$ 22,248

6. MARKETABLE SECURITIES

Marketable securities are classified as available for sale financial instruments, which are adjusted to market value. As at December 31, 2014 the fair market value of the securities held was \$1,603 (2013 - \$2,047).

7. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves inherent risks due to difficulties of determining the validity of certain mineral claims and leases as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to its exploration and evaluation asset and, to the best of its knowledge, title is in good standing.

West Desert Property

The Company holds a 100% interest in various mining claims and a mineral lease referred to as the West Desert Property, located in Utah, USA.

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2014:

	West Desert
Acquisition costs	
Balance, beginning and end of year	\$ 394,127
Deferred exploration costs	
Balance, beginning of year	4,982,803
Additions during the year:	
Analysis	1,311
Engineering	105,214
Field costs	5,922
Geological wages, fees and costs	3,595
Metallurgical	10,423
Property holding costs, taxes and fees	50,244
	<u>176,709</u>
Balance, December 31, 2014	<u>5,159,512</u>
Total	\$ 5,553,639

7. EXPLORATION AND EVALUATION ASSETS (continued)

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2013:

	West Desert
Acquisition costs	
Balance, beginning of year	\$ 381,905
Additions during the year	<u>12,222</u>
Balance, December 31, 2013	394,127
Deferred exploration costs	
Balance, beginning of year	<u>4,786,177</u>
Additions during the year:	
Analysis	21,411
Engineering	91,186
Field costs	5,971
Geological wages, fees and costs	14,285
Metallurgical	28,607
Property holding costs, taxes and fees	<u>35,166</u>
	<u>196,626</u>
Balance, December 31, 2013	<u>4,982,803</u>
Total	\$ 5,376,930

Reclamation deposit

The Company has reclamation bonds of \$93,433 (2013 - \$78,585) to cover potential disturbances on the property.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following:

	December 31, 2014	December 31, 2013
Trade payables	\$ 34,955	\$ 47,382
Due to related parties	17,083	64,230
Total	\$ 52,038	\$ 111,612

9. SHARE CAPITAL AND RESERVES**[a] Common shares**

The Company has authorized share capital of unlimited common shares without par value.

During the year ended December 31, 2013, the Company completed a non-brokered private placement for gross proceeds of \$180,000 through the issuance of 3,000,000 shares at a price of \$0.06 per share. Share issuance costs were \$1,979.

9. SHARE CAPITAL AND RESERVES (continued)**[a] Common shares (continued)**

On August 29, 2014 the Company closed a non-brokered private placement consisting of 3,333,400 units at a price of \$0.18 per unit for proceeds of \$600,012. Each unit consisted of one common share and one-half of one common share purchase warrant. Each full warrant entitles its holder to subscribe for one share at \$0.30 per share until August 29, 2016.

On September 30, 2014 the Company closed a non-brokered private placement consisting of 5,694,000 units at a price of \$0.18 per unit for gross proceeds of \$1,024,920. Each unit consisted of one common share and one-half of one common share purchase warrant. Each full warrant entitles its holder to acquire one additional common share of the Company at a price of \$0.30 per share until September 30, 2016. In connection with the private placement, the Company paid a finders' fee on a portion of the placement consisting of a cash fee of \$101,204 and issued 353,119 warrants, valued at \$24,407, having the same attributes as the warrants comprised in the units. The finder's warrants were valued using the Black-Scholes option pricing model assuming a life expectancy of 2-years, a risk free rate of 1.13%, a forfeiture rate of nil, and volatility of 111%.

[b] Stock options

The Company grants stock options to employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the "Plan"). Options issued must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's stock on the grant date. Options have a maximum expiry period of up to five years from the grant date and vest at such time as may be determined by the Board of Directors at the date of the grant. Options granted to consultants performing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

During the year ended December 31, 2014, the Company did not grant any options.

Share-based compensation expense of \$43,865 in fiscal 2014 relates to vesting of options granted in a prior period.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the variables as follows:

Volatility was computed using historical volatility over the preceding periods equal to the expected life of the options.

	Year-ended December 31, 2014	Year-ended December 31, 2013
Risk-free interest rate	-	1.14%
Expected option life in years	-	2 years
Expected stock price volatility	-	128%
Expected dividend yield	-	0%
Expected forfeiture rate	-	0%

9. SHARE CAPITAL AND RESERVES (continued)**Stock Options (continued)**

A summary of stock options activities are as follows:

	Number of Options	Exercise Price (\$)
Balance – December 31, 2012	4,200,000	\$ 0.15 ⁽¹⁾
Granted in the year	400,000	0.10
Expired during the year	(300,000)	0.23
Balance – December 31, 2013	4,300,000	\$ 0.14 ⁽¹⁾
Expired during the year	(450,000)	0.10
Balance – December 31, 2014	3,850,000	\$ 0.15 ⁽¹⁾
Exercisable	3,450,000	\$ 0.15 ⁽¹⁾

⁽¹⁾ weighted average

The Company has outstanding options entitling the holder to purchase an aggregate number of common shares at December 31, 2014 as follows:

Number of Options	Exercise Price	Expiry Date	Contractual life remaining (years)
400,000	0.10	February 2, 2015	0.09 ⁽²⁾
800,000	0.33	January 7, 2015	0.02 ⁽²⁾
2,650,000	0.10	November 2, 2017	2.84
3,850,000	\$ 0.15 ⁽¹⁾		1.97 ⁽¹⁾

⁽¹⁾ weighted average

⁽²⁾ options expired unexercised subsequent to year-end

[c] Warrants

Warrant transactions are summarized as follows:

In conjunction with the August 29, 2014 financing the Company issued 1,666,700 warrants, each exercisable into one common share of the Company at a price of \$0.30 for 24-months.

In conjunction with the September 30, 2014 financing the Company issued 2,847,000 warrants, each exercisable into one common share of the Company at a price of \$0.30 for 24-months. The Company also issued 353,119 finder's warrants.

	Number of Warrants	Exercise Price
Balance – December 31, 2012 and 2013	nil	\$ nil
Issued in the year	4,866,819	\$ 0.30
Balance – December 31, 2014	4,866,819	\$ 0.30

9. SHARE CAPITAL AND RESERVES (continued)**[c] Warrants (continued)**

Warrants outstanding as at December 31, 2014 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Contractual life remaining (years)
1,666,700	0.30	August 29, 2016	1.66
2,847,000	0.30	September 30, 2016	1.75
353,119	0.30	September 30, 2016	1.75
4,866,819	\$ 0.30 ⁽¹⁾		1.72 ⁽¹⁾

⁽¹⁾ weighted average

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended December 31, 2014:

Summary of key management personnel compensation:

	For the year ended December 31,	
	2014	2013
Short-term benefits paid or accrued:		\$
Professional fees	\$ 30,000	36,000
Management fees	140,000	168,000
Share-based compensation	43,865	-
	\$ 213,865	\$ 204,000

Included in rent is \$23,136 (2013 - \$21,600) paid or accrued at cost to a company related by a common director.

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$17,083 (2013 - \$64,230).

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended December 31, 2014, the Company's significant non-cash transactions consisted of:

- Warrants issued as finder's fees of \$24,407;
- Change in fair market value of marketable securities of \$444;
- Exploration and evaluation assets in account payable of \$461; and
- Allocation of expired options from reserves to deficit of \$1,100,810.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (continued)

For the year ended December 31, 2013, the Company's significant non-cash transactions consisted of:

- a) Share issue costs in accounts payable of \$224;
- b) Change in fair market value of marketable securities of \$1,077; and
- c) Exploration and evaluation assets in account payable of \$25,525.

12. SEGMENTED INFORMATION

The Company operates in one industry, being mineral exploration – in two geographic segments, being Canada and the United States.

	Canada	United States	Total
December 31, 2013			
Exploration and evaluation assets	-	\$ 5,376,930	\$ 5,376,930
December 31, 2014			
Exploration and evaluation assets	-	\$ 5,553,639	\$ 5,553,639

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 Inputs that are not based on observable market data.

Cash and marketable securities are measured at fair value using level 1 inputs. The value of receivables, reclamation deposit, and accounts payable and accrued liabilities approximates their carrying values.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables are due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of December 31, 2014, the Company held an interest bearing demand deposit with a face value \$959,511. A change in interest rates of 1% will change income by \$9,595 per annum.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payables and accrued liabilities that are denominated in United States Dollars. However, management believes the risk is not currently significant.

Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

15. INCOME TAXES

The following table reconciles the amount of income taxes at statutory rates:

	December 31, 2014	December 31, 2013
	\$	\$
Loss for the year	(525,732)	(391,591)
Expected income tax (recovery)	(137,000)	(101,000)
Change in statutory, foreign tax, foreign exchange rates and other	(131,000)	(218,000)
Permanent difference	(40,000)	3,000
Share issuance cost	(26,000)	(4,000)
Adjustment to prior year provision vs tax authority assessment	(302,000)	-
Change in unrecognized deductible temporary differences	636,000	320,000
Total income tax expense (recovery)	-	-

The Canadian income tax rate increased during the year due to changes in the law that increased corporate income tax rates in Canada.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2014	December 31, 2013
	\$	\$
Deferred tax assets:		
Property and equipment	29,000	29,000
Non-capital losses	905,000	829,000
Exploration and evaluation assets	1,721,000	1,176,000
Share issuance costs	28,000	13,000
Total unrecognized deferred tax assets	2,683,000	2,047,000

Tax attributes are subject to review and potential adjustment by tax authorities.

The Company has non-capital losses of approximately \$3,460,000 available to offset against taxable income in future years, which if unutilized will expire through 2034. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately \$4,889,000 available to offset taxable income in future years. Deferred tax benefits that may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these financial statements due to a lack of probability of their realization.