Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)

Financial Statements

December 31, 2014 and 2013

Management's Responsibility for Financial Reporting

The preparation and presentation of the accompanying financial statements are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

"*Gerald G Carlson*" *(signed)*
Gerald G. Carlson
President and Chief Executive Officer

"*Lei Wang*" *(signed)*
Lei Wang
Chief Financial Officer

January 27, 2015

January 27, 2015

Independent Auditor's Report

To the Shareholders of Pacific Ridge Exploration Ltd.

We have audited the accompanying financial statements of Pacific Ridge Exploration Ltd., which comprise the statements of financial position as at December 31, 2014 and December 31, 2013 and the statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers LLP
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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 on the Company's ability to continue as a going concern.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian dollars)

			December 31, 2014		December 31, 2013
Assets					
Current assets					
Cash and cash equivalents		$	127,897	$	151,606
Other receivables			8,643		-
Marketable securities	Note 4		32,015		126,000
Prepaid			2,000		2,000
			170,555		279,606
Equipment			-		18,922
Resource properties	Note 5		682,964		833,567
		$	853,519	$	1,132,095
Liabilities					
Current liabilities					
Trade payable and accrued liabilities		$	17,352	$	30,379
Shareholders' Equity					
Share capital	Note 6		43,066,428		42,963,593
Contributed surplus			3,134,022		3,073,379
Accumulated other comprehensive loss			(17,985)		(6,000)
Deficit			(45,346,298)		(44,929,256)
			836,167		1,101,716
		$	853,519	$	1,132,095

(The accompanying notes are an integral part of the financial statements)

Nature of operations and going concern – Note 1

Approved by the Board of Directors and authorized for issue on January 27, 2015

"Gerald G. Carlson" (signed)
Gerald G. Carlson

"Douglas Proctor"(signed)
Douglas Proctor

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

			Year ended December 31,		
			2014		2013
Administration expenses					
Depreciation		$	4,257	$	8,112
Insurance			6,105		13,630
Professional and consulting fees			80,545		68,180
Management and administrative services			86,196		124,090
Office operations and facilities			49,228		96,631
Shareholder communications and investor relations			19,229		50,251
Share-based payments			-		38,461
Transfer agent and regulatory fees			21,422		38,599
			266,982		437,954
Other expenses (income)					
Exploration and evaluation costs	Note 5(g)		83,528		282,954
Gain on sale of property	Note 5(e)		-		(181,324)
Gain on sale of marketable securities			(1,204)		-
Government grant	Note 7		(50,000)		(70,000)
Property option payment	Note 5 (d)		(29,409)		-
Impairments	Notes 5(a)(f)		135,712		468,500
Interest			(232)		(3,932)
Recognition of flow through share premium	Note 6 (a)		-		(24,550)
Write-off of equipment			7,333		-
Loss on sale of equipment			4,332		-
			150,060		471,648
Net loss for the year			(417,042)		(909,602)
Other comprehensive loss for the year					
Items that may be reclassified to profit and loss					
Reclassification of realized gain on marketable securities			(1,204)		-
Net change in fair value of available-for-sale financial assets			(10,781)		(6,000)
Comprehensive loss for the year			(429,027)		(915,602)
Basic and diluted loss and comprehensive loss per common share		$	(0.02)	$	(0.05)
Weighted average number of common shares outstanding			21,424,062		17,219,597

(The accompanying notes are an integral part of the financial statements)

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars)

		Year ended December 31, 2014	2013
Operating activities			
Loss for the year		$ (417,042)	$ (909,602)
Items not affecting cash			
Depreciation		4,257	8,112
Gain on sale of marketable securities		(1,204)	-
Gain on sale of property	Note 5(e)	-	(181,324)
Property option payment	Note 5(d)	(29,409)	-
Recognition of flow through share premium		-	(24,550)
Impairments		135,712	468,500
Share-based payments		-	38,461
Write-off of equipment		7,333	-
Loss on sale of equipment		4,332	-
		(296,021)	(600,403)
Changes in non-cash working capital items			
Other receivables		(8,643)	19,384
Prepaid		-	13,000
Trade payable and accrued liabilities		(13,027)	(99,547)
		(21,670)	(67,163)
		(317,691)	(667,566)
Investing activities			
Resource property acquisition costs		(30,000)	(158,855)
Proceeds on sale of marketable securities		133,204	-
Proceeds on property option payment/sale		50,000	49,324
Proceeds from sale of equipment		3,000	-
		156,204	(109,531)
Financing activities			
Proceeds from share issuance, net of share issue costs		137,778	334,493
Decrease in cash and cash equivalents		(23,709)	(442,604)
Cash and cash equivalents - beginning of year		151,606	594,210
Cash and cash equivalents - end of year		$ 127,897	$ 151,606
Cash and cash equivalents comprises			
Cash		$ 127,897	$ 41,920
Term deposits cashable at any time		-	109,686
		$ 127,897	$ 151,606

(The accompanying notes are an integral part of the financial statements)

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares			Other Comprehensive		
	Shares	Amount	Contributed Surplus	Loss	Deficit	Total Shareholders' Equity
Balance at December 31, 2012	14,162,987	$ 42,667,978	$ 2,981,590	$ -	$ (44,019,654)	$ 1,629,914
Equity offering, net of issuance costs	6,058,000	281,165	53,328	-	-	334,493
Value attributed to flow-through premium		(24,550)				(24,550)
Adjustment for fractional rounding in share consolidation	(103)					-
Shares issued for property	580,000	39,000				39,000
Share-based payments			38,461			38,461
Other comprehensive loss for the year				(6,000)		(6,000)
Net loss for the year					(909,602)	(909,702)
Balance at December 31, 2013	20,800,884	42,963,593	3,073,379	(6,000)	(44,929,256)	1,101,716
Equity offering, net of issuance costs	3,000,000	77,135	60,643	-	-	137,778
Shares issued for property	590,000	25,700				25,700
Other comprehensive loss for the year				(10,781)		(10,781)
Reclassification of marketable securities				(1,204)		(1,204)
Net loss for the year					(417,042)	(417,042)
Balance at December 31, 2014	24,390,884	$ 43,066,428	$ 3,134,022	$ (17,985)	$ (45,346,298)	$ 836,167

(The accompanying notes are an integral part of the financial statements)

1. Nature of operations and going concern

Pacific Ridge Exploration Ltd. (the "Company" or "Pacific Ridge") is in the business of acquiring and exploring resource properties in Canada. Pacific Ridge is incorporated and domiciled in Canada under the *Business Corporations Act* (British Columbia). The address of its registered office is 1710 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary capital to finance operations including contribution from future joint venture partners.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharges its liabilities in the normal course of business. As at December 31, 2014, the Company had an accumulated deficit of $45,346,298 (2013 - $44,929,256) and working capital of $153,203 (2013 - $249,227). Completion of the acquisition, exploration and development of the Company's resource properties is dependent on the ability to obtain the necessary on going financing.

The Company intends to fund its plan of operations from existing working capital and the proceeds of future financings, but lacks sufficient committed funding for the next 12 months. Future financings are expected to be obtained through joint ventures, equity financing, and/or other means. While the Company has been successful in raising sufficient funding in the past, there can be no assurance it will be able to do so in the future. These conditions give rise to a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realize its assets and discharge its liabilities in the normal course of business.

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

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Except for available for sale investments, which are recorded at fair value, these financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, the Company's functional currency.

The financial statements were approved by the Board of Directors on January 27, 2015.

The summary of significant accounting policies used in the preparation of these financial statements is described below:

2. Summary of significant accounting polices (continued)

a) Foreign currency translation

The presentation currency and the functional currency of the Company is the Canadian dollar ("$"). The Company's foreign currency transactions are translated into the Canadian dollar at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results.

b) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and highly-liquid investments that are readily convertible to known amounts of cash with no penalties and have initial maturities of three months or less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

c) Equipment

Equipment is recorded at cost less accumulated amortization and impairment. Depreciation is provided on a declining balance basis at the annual rate of 30% for all equipment.

d) Resource property acquisition costs

Resource properties consist of payments to acquire exploration and mining claims and property option payments. Acquisition costs are capitalized and deferred until such a time as the property is put into production or the property is disposed of either through sale or abandonment, or the property becomes impaired. If a property is put into production the costs of the acquisition will be amortized over the life of the property on a unit-of-production basis based on the estimated proven and probable reserves. Proceeds received from the sale or option of an interest in a property will be credited against the carrying value of the property, with any difference recorded as a gain or loss on sale. Option payments received related to a project are recorded as exploration recovery in the profit & loss. If a property is abandoned or has become impaired, the acquisition costs will be written off or written down to operations.

Recorded costs of resource properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

e) Exploration and evaluation costs

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. Once rights to resource properties are obtained, all direct acquisition-related costs are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

2. Summary of significant accounting polices (continued)

f) Government grants

Government grants are assistance in cash based on eligible mineral exploration expenditures incurred. Government grants are recorded in profit and loss in the same period as the relevant exploration expenditures when reasonable assurance of their receipt has been obtained.

g) Flow-through shares

The Company finances a portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon qualifying expenditures being incurred, the premium liability is de-recognized to other income.

h) Share-based payments

The Company has a stock option plan that is described in note 6. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

i) Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets or liabilities are calculated using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized. Deferred tax assets are recognized only to the extent that it is probable that they will be realized.

j) Earnings/(loss) per common share

Basic earnings (loss) per share are computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and accordingly, basic and diluted loss per share are the same.

2. Summary of significant accounting polices (continued)

k) Financial instruments

Financial instruments are classified as one of the following: fair value through profit and loss, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss accordingly.

l) Impairment

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

m) Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following is the area of estimate and judgment applied by management that most significantly affects the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Resource properties: The carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that its carrying amount may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

3. Future accounting changes

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on the dates described below:

a) Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB has previously issued versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication of IFRS 9 is the complete version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”).

IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. The determination is made at initial recognition. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets are dependent on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Additionally, IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets, and some modifications to the standards related to hedge accounting.

This final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the effect of this standard and its related amendments on the financial statements.

b) Revenue from Contracts with Customers

In May 2014, the IASB and the Financial Accounting Standards Board (“FASB”) completed their joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and United States Generally Accepted Accounting Principles (“US GAAP”). As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) to replace IAS 18, Revenue and IAS 11, Construction Contracts and the related interpretations on revenue recognition.

The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer: identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price and recognize revenue when a performance obligation is satisfied. IFRS 15 also results in enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and improves the comparability of revenue from contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the effect, if any, of this standard on the financial statements.

(Expressed in Canadian dollars)

4. Marketable securities

Date	Kivaliq Energy No. of shares	Kivaliq Energy Fair Value	MinQuest Resources No. of shares	MinQuest Resources Fair Value	Total Fair Value
December 31, 2012	-	$ -	-	$ -	$ -
Additions	600,000	132,000	-	-	132,000
Disposals			-	-	-
Revaluation		(6,000)	-	-	(6,000)
December 31, 2013	600,000	126,000	-	-	126,000
Additions	-	-	1,608,338	50,000	50,000
Revaluation	-	7,204		(17,985)	(10,781)
Disposals	(600,000)	(133,204)	-	-	(133,204)
December 31, 2014	-	$ -	1,608,338	$ 32,015	$ 32,015

During the year, the Company sold all of its 600,000 shares of Kivalliq Energy Corporation for proceeds of $133,204 and recorded a gain of $1,204 on the sale.

As at December 31, 2014, the Company owned 1,608,338 shares of MinQuest Limited ("MinQuest", formerly Merah Resources Limited) (Note 5). The decline in fair value of the shares since acquisition of $17,985 is recorded in accumulated other comprehensive loss.

5. Resource properties

The Company has interests in mineral properties in Yukon, Canada. A summary of capitalized acquisition costs is as follows:

	Mariposa	Gold Cap	Polar Stewart	Eureka Dome	Fyre Lake Straw	King Solomon	Sophie Property	Total
Balance, December 31, 2012	$ 566,561	$ 10,300	$ 415,000	$ 41,790	$ 70,561	$ -	$ -	$ 1,104,212
Additions during the year	31,378	-	-	-	22,530	123,212	20,735	197,855
Impairments	(53,500)	-	(415,000)	-	-	-	-	(468,500)
Balance, December 31, 2013	544,439	10,300	-	41,790	93,091	123,212	20,735	833,567
Additions during the year	22,700	-	-	-	17,500	12,500	3,000	55,700
Option payment received					(70,591)			(70,591)
Impairments	-	-	-	-	-	(135,712)	-	(135,712)
Balance, December 31, 2014	$ 567,139	$ 10,300	$ -	$ 41,790	$ 40,000	$ -	$ 23,735	$ 682,964

a) Mariposa property, Yukon

In October 2009, the Company entered into an option agreement to acquire a 100% interest in 203 claims, located in Dawson Mining District, Yukon, known as the Mariposa property. The principal terms of the option agreement require the Company to pay $120,000 (paid) in cash, issue 800,000 (400,000 issued) common shares and incur $600,000 (incurred) exploration expenditures over five years as below.

The Company acquired a 100% interest of the property in 2014.

(Expressed in Canadian dollars)

5. Resource properties (continued)

a) Mariposa property, Yukon (continued)

	Cash	Common Shares	Cumulative work expenditures
On initial date (paid and issued)	$ 20,000	50,000	$ 100,000
On or before October 1, 2010 (paid and issued)	20,000	40,000	200,000
On or before October 1, 2011 (paid and issued)	20,000	60,000	300,000
On or before October 1, 2012 (paid and issued)	20,000	80,000	400,000
On or before October 1, 2013 (paid and issued)	20,000	80,000	600,000
On or before October 1, 2014 (paid and issued)	20,000	90,000	-
Upon production notice being given	-	200,000	-
Upon commencement of commercial production	-	200,000	-
	$ 120,000	800,000	$ 600,000

The property is subject to a 2% net smelter return ("NSR") that may be purchased, at any time after a production notice has been given in amounts of $1,000,000 for each 1% of NSR.

On May 27, 2011, the Company entered into an option agreement with a private vendor to earn a 100% interest in 39 mineral claims located in the Dawson Mining District, Yukon, north-western area of the Mariposa property, known as the PTL property for a total consideration of $85,000 and 40,000 of common shares over four years.

The results of exploration of the PTL property did not meet the Company's expectations, thus during the year ended December 31, 2013 the Company terminated the PTL option agreement and wrote off the $53,500 acquisition cost.

b) King Solomon property, Yukon

On May 8, 2014, the Company entered into an option agreement with Shawn Ryan and Wildwood Exploration Inc. ("Wildwood") to acquire a 100% interest in 331 mineral claims located in the Klondike Gold District, Yukon Territory, known as the King Solomon property. To earn a 100% interest, the Company was required to make $500,000 ($100,000 paid) in cash payments, issue 2,000,000 (500,000 issued) common shares in annual tranches of 250,000 on or before May 15th of each year and incur cumulative exploration expenditures of $2,500,000 ($500,000 incurred) over four years starting in 2013.

Due to limited funds, the Company was unable to make the 2014 option payment by the amended option agreement. The Company plans to re-negotiate the agreement and the result is unknown at this moment. As a result, the total $135,712 capitalized acquisition costs were written off.

c) Sophie property, Yukon

On July 10, 2014, the Company announced an option agreement with 39242 Yukon Inc. to acquire the Sophie mineral property adjacent to the King Solomon property. To earn a 100% interest, the Company is required to make $100,000 in cash payments ($20,000 paid) and issue 1,000,000 (300,000 issued) common shares over five years as below:

(Expressed in Canadian dollars)

5. Resource properties (continued)

c) Sophie property, Yukon (continued)

		Cash	Common Shares
On initial date (paid and issued)	$	5,000	100,000
On or before December 1, 2013 (paid and issued)		5,000	100,000
On or before December 1, 2014 (paid and issued)		10,000	100,000
On or before December 1, 2015		15,000	200,000
On or before December 1, 2016		25,000	200,000
On or before December 1, 2017		40,000	300,000
	$	100,000	1,000,000

The property is subject to a 2.5% NSR, half of which can be purchased for $750,000.

d) Fyre Lake Massive Sulphide property, Yukon

The Company owns a 100% interest in the Fyre Lake property which was acquired by claim staking.

The Company entered into an option agreement with True North Gems Inc. ("True North") to acquire 43 mineral claims located in the vicinity of the Fyre Lake property in the Watson Lake Mining Division, Yukon, known as the Straw property. As of January 31, 2014, the option agreement has been completed and the Company has earned a 100% interest in the Straw property.

In July 2014, the Company entered into an option agreement with MinQuest Limited for the Fyre Lake property. Pursuant to the terms of the agreement, MinQuest can earn an initial 51% interest in the property by paying $650,000 ($50,000 paid), issuing shares with a value of $650,000 to the Company ($50,000 issued), and completing a minimum of $3,500,000 in exploration over three years. Upon earning a 51% interest in the property, MinQuest will then have the option to increase its interest to 70% by completing an additional $3,000,000 in exploration expenditures by January 10, 2018. Should MinQuest earn a 70% interest, the Company will have the option of retaining a 30% participating joint venture interest or reducing to a 20% interest, carried through to a feasibility study.

The $100,000 option payment, consisting of $50,000 cash and $50,000 of MinQuest shares, was credited against the $70,591 carrying amount of Fyre Lake with the excess of $29,409 recorded in loss for the year.

e) Sale of Baker Basin uranium property, Nunavut

The Company owned a 100% interest in the Baker Basin Uranium Project subject to an underlying agreement with Kivalliq Energy ("Kivalliq") wherein Kivalliq had the option to back-in to a 20% working interest when a prefeasibility study was produced.

On November 1, 2013, the Company closed the sale of the property to Kivalliq for consideration composed of 600,000 common shares of Kivalliq and $55,000 cash payment.

(Expressed in Canadian dollars)

5. Resource properties (continued)

f) Polar Stewart property, Yukon

In July 2009, the Company entered into an option agreement, amended in October 2012, with Ryanwood Exploration Inc. ("Ryanwood") to acquire a 100% interest in 149 mineral claims located in Dawson City, Yukon, known as the Polar Stewart property. In consideration the Company was to pay $300,000 ($250,000 paid), issue 250,000 (issued) common shares and undertake exploration expenditures totalling $1,000,000 by December 31, 2016.

No major exploration activities have been carried out on this property due to the Company's limited cash resources and prevailing market conditions, thus the $415,000 capitalized acquisition cost was written off to nil during the year ended December 31, 2013.

g) The tables below summarize the exploration costs incurred during the year ended December 31, 2014 and 2013:

	Mariposa	Other Properties	General Exploration	Total
Expenditures in 2013				
Analytical and data report	$ 2,854	$ 32,552	$ -	$ 35,406
Field support	6,876	25,321	-	32,197
Fuel and transport	21,411	2,179	-	23,590
Geological services	84,178	43,484	-	127,662
Personnel	77,207	64,980	-	142,187
Travel and other	4,684	7,372	4,313	16,369
Recovery and other	(30,425)	-	(64,032)	(94,457)
Total	166,785	175,888	(59,719)	282,954
Expenditures in 2014				
Analytical and data report	-	-	1,227	1,227
Field support	1,200	-	-	1,200
Fuel and transport	-	-	-	-
Geological services	2,463	-	-	2,463
Personnel	12,734	25,071	14,583	52,388
Travel and other	1,050	-	25,200	26,250
Total	$ 17,447	$ 25,071	$ 41,010	$ 83,528

6. Share capital

a) Common Share

Authorized - unlimited common shares without par value.

On November 18 and December 23, 2014, the Company closed non-brokered private placements in tranches by issuing a total of 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. Each unit comprises one common share and one transferable share purchase warrant exercisable at $0.06 for the first year and $0.075 for the second year.

(Expressed in Canadian dollars)

6. Share capital (continued)

a) Common Share (continued)

The Company paid $3,188 in finders' fees and issued 63,750 finders' warrants with the same terms as those issued in the private placement.

On November 1, 2013, 1,400,000 units consisting of one common share and one-half share purchase warrant were issued to Kivalliq at a price of $0.05. Please see Note 5(e).

On June 10, July 3 and August 29, 2013, the Company closed a private placement in tranches for total gross proceed of $282,000. The Company issued 2,455,000 flow-through shares at a price of $0.07 per share and 2,203,000 non-flow-through units at a price of $0.05 per unit. Each non-flow-through unit consisted of one common share and one-half of a transferable share purchase warrant exercisable at $0.10 per share for a one year period subject to an acceleration provision.

The fair values of the warrants issued in the private placements described above were calculated using the Black-Scholes pricing with the following assumptions:

	2014	2013
Annual volatility	120%	236%
Risk-free rate	1.06%	1.13%
Expected life	2 years	1 year
Annual dividends	0%	0%

b) Share Purchase Warrants

A summary of the warrants outstanding is as follows:

	December 31, 2014		December 31, 2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	1,843,500	$ 0.10	-	$ -
Issued	3,063,750	$ 0.07	1,843,500	$ 0.10
Expired	(1,843,500)	$ (0.10)	-	$ -
Outstanding, end of year	3,063,750	$ 0.07	1,843,500	$ 0.10

On December 31, 2014, 3,063,750 warrants, each entitling the holder to purchase one additional common share at a price of $0.06 per share for the first 12 months and for $0.075 per share for 12 months to 24 months, were outstanding. 2,000,000 and 1,063,750 of these warrants expire on November 18, 2016 and December 23, 2016 respectively.

(Expressed in Canadian dollars)

6. Share capital (continued)

c) Stock Options

The Company has a stock option plan in place authorizing the granting of stock options to qualified optionees to purchase a total of up to 10% of the then issued and outstanding common shares of the Company. Stock options generally are granted for a maximum term of five years and expire 90 days following the termination of the optionee's agreement. The exercise price for the options is set at the closing market price of the common shares on the grant date. The vesting periods of options vary with terms determined by the board of directors. Stock option transactions and the number of stock options outstanding are summarized below:

	December 31, 2014			December 31, 2013		
	Number of Options	Weighted Average Exercise Price		Number of Options	Weighted Average Exercise Price	
Outstanding, beginning of year	1,834,000	$	0.40	722,000	$	0.95
Granted	-	$	-	1,142,000	$	0.05
Expired	(180,500)	$	(0.44)	(30,000)	$	0.50
Outstanding, end of year	1,653,500	$	0.39	1,834,000	$	0.40
Exercisable, end of year	1,653,500	$	0.39	1,834,000	$	0.40

As of December 31, 2014, the weighted average remaining life for stock option outstanding and outstanding was 3.05 years (December 31, 2013 – 4.0 years).

Stock options outstanding and exercisable at the end of the year have the following expiry date and exercise prices:

			December 31, 2014	December 31, 2013
Expiry date		Exercise price	Options Outstanding	Options Outstanding
January 29, 2015	$	1.00	222,000	262,000
January 6, 2016		1.50	65,000	80,000
May 12, 2016		1.50	9,000	9,000
July 29, 2016		3.05	40,000	40,000
May 24, 2017		0.50	176,000	201,000
December 5, 2017		0.50	100,000	100,000
December 24, 2018		0.05	1,041,500	1,142,000
			1,653,500	1,834,000

The Company applies the fair value method of accounting for stock options. Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(Expressed in Canadian dollars)

6. Share capital (continued)

c) Stock Options (continued)

The fair value of options granted was estimated at the grant date based on the Black-Scholes option-pricing model, using the following assumptions:

	December 31, 2014	December 31, 2013
Risk-free interest rate	N/A	1.09%
Expected share price volatility	N/A	138.28%
Expected option life in years	N/A	6.0
Expected dividend yield	N/A	Nil

7. Government grant

On December 11, 2014 and January 10, 2015, the Company received $42,500 and $7,500 respectively (2013 - $70,000) from the Yukon Government for expenditures made during 2014 on its Mariposa and King Solomon properties in Yukon, Canada.

8. Related parties

Related parties include the board of directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company has no compensation arrangements with its board of directors other than non-cash stock option grants. The Company has no termination benefits, post-employment benefits and other long-term benefits in place. Key management includes the board of directors and executive officers. Compensation awarded to key management is listed below:

	Year ended December 31,	
	2014	2013
Salary	$ 116,667	$ 168,175
Share-based payments, non-cash	-	38,461
	$ 116,667	$ 206,636

9. Capital management

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore on various properties for the benefits of its stakeholders. The Company's operations have been and will continue to be funded by the sale of equity to investors.

The Company's capital includes the components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests and associated administration expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals.

9. Capital management (Cont'd)

Please refer to note 1 for further information.

The Company monitors actual expenses to budget on all exploration projects and overheads to manage costs, commitments and exploration activities.

There were no changes in the Company's approach to capital management during the year ended December 31, 2014.

10. Financial instruments

The Company has classified cash and cash equivalents and other receivables as loans and receivables; accounts payable are classified as other financial liabilities.

Fair values

As at December 31, 2014, the recorded amounts for cash and cash equivalents and other receivables approximate their fair values due to their short-term nature. The lack of sufficient funding for the next 12 months lends significant doubt as to the Company's ability to meet its commitments as they become due. Accordingly, the fair value of accounts payable and accrued liabilities may be lower than the amounts recorded in the financial statements. Please refer to Note 1 for further information.

The fair value of the Company's marketable security is determined by reference to the closing share price on active market prices at the reporting date and thus is a level 1 fair value measurement.

Interest rate risk

The Company's cash held in financial institutions earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a material impact on the expected cash flows.

Credit risk

The Company has its cash and cash equivalents deposited with a large, federally insured, commercial financial institutions. The balance of the receivables is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. At December 31, 2014, the Company had cash and cash equivalents of $127,897 (2013- $151,606).

Please refer to Note 1 for further information.

(Expressed in Canadian dollars)

11. Segmented information

The Company has one business segment, the exploration of mineral properties. All of the Company's assets and operations are located in Canada.

12. Income taxes

Reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax (recovery) expense for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Statutory tax rate	26.0%	26.0%
Comprehensive loss for the year	$ (417,042)	$ (915,602)
Expected income tax recovery	(108,431)	(238,057)
Change in statutory tax rate	-	258,708
Expiry of losses	83,664	-
Non-deductible expenses	378	25,813
Change in unrecognized deferred income tax assets	24,389	(46,465)
Income tax (recovery) expense	$ -	$ -

A potential deferred income asset of approximately $6,895,113 arises from the following:

	December 31, 2014	December 31, 2013
Non-capital loss carry-forwards	$ 238,979	$ 212,585
Equipment and investments	184,466	177,988
Mineral property	6,464,645	6,427,283
Deferred financing costs	7,023	72,541
Total unrecognized deferred income tax assets	$ 6,895,113	$ 6,890,398

The Company has not recorded potential deferred income tax assets as the Company does not have any current source of income to which the tax losses can be applied.

At December 31, 2014, included in the computation of the deferred tax assets noted above, the Company had approximately $919,148 of losses available for carry-forward and $26,528,659 of resource pools. The loss carry-forward can be offset against income for Canadian income tax purposes in future years and will expire between 2029 and 2034 as below:

2029	$	153,737
2030		239,449
2031		183,166
2032		76,150
2033		100,133
2034		166,513
	$	919,148