



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the years ended December 31, 2014 and 2013**

## **INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") of results of operations and financial condition of Golden Hope Mines Limited ("Golden Hope" or "the Company") describes the operating and financial results of the Company for the twelve-month periods ended December 31, 2014 and 2013. The MD&A supplements but does not form part of the Financial Statements of the Company and should be read in conjunction with Golden Hope's Audited Financial Statements and related notes for the years ended December 31, 2014 and 2013.

### **Forward-Looking Statements**

This MD&A contains forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet such expectations of management. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes these expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements should not be unduly relied upon. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and, accordingly, is subject to change after such date. We expressly disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

### **Date of MD&A**

This MD&A was prepared using information that is current as at April 22, 2015, unless otherwise stated.

### **Company Overview**

Golden Hope Mines Limited is focused on growing shareholder value through the acquisition, exploration, and development of potential gold and base metal projects with both underground and open-pit mining potential. Golden Hope's projects are located in the Bellechasse/Beauce Region of Southeastern Quebec, Canada. These projects include a number of geological targets hosted within distinct geological settings. These projects include the Company's flagship project, the Bellechasse-Timmins gold deposit. The Company intends to develop this project, located in an under-developed and under-explored region of one of the world's friendliest mining jurisdictions with excellent access and low cost infrastructure.

## **OVERALL PERFORMANCE**

### **2014 Summary Highlights**

- On February 18, 2014, the Company signed a Letter of Intent ("L.O.I.") with Uragold Bay Resources ("UBR") to permit and develop the Bellechasse-Timmins Gold Deposit in Southeastern Quebec.
- On April 9, 2014, the Company signed a Definitive Option and Joint Venture Agreement with UBR. The ultimate goal of the Agreement is the exploitation and operation as a going concern of a mine on the Bellechasse-Timmins Gold Deposit with each party holding a 50% undivided interest in the net proceeds stemming from the exploitation and operation of the Deposit. This Agreement is further to the L.O.I.

UBR is expected to earn the first 30% undivided interest in the Deposit (the "First Option") by performing, completing and delivering, within a period of 18 months the following work and documentation:

- 1) NI 43-101 Resource Estimate Revision
- 2) An Economic Assessment
- 3) An Environmental Audit
- 4) Obtaining Required Authorizations
- 5) Obtaining a Certificate of Authorization
- 6) A Land Survey

- 7) A Reclamation and Restoration Plan
- 8) A Mining Lease for the Operation of a Small Mine of up to 600 Metric Tons of Mineral Per Day

UBR will bear all of the costs associated with the above-mentioned work estimated at, but not limited to \$400,000. In addition, UBR will pay the Company a total amount of \$100,000 in three installments, the first of which was for \$33,000 and received upon the signing of the L.O.I., the second \$33,000, which was received on May 24, 2014 and the last \$34,000, received on April 8, 2015.

Upon the satisfactory completion of the First Option, UBR may earn an additional 20% undivided interest in the Deposit, if it provides the required financing to fund the start of a commercial production of the Deposit as set out in and according to the Economic Assessment not later than 120 days after the First Option is exercised and at which point it will enter into a Joint Venture Agreement for the operation of the mine.

Note that it is not currently decided if the Company and/or UBR will conduct a feasibility study of mineral reserves in relation to technical and economic viability prior to placing Bellechasse-Timmins into production; nor is it decided what the scope of such a study would entail. Accordingly it is cautioned that, in the absence or limitations of such a study, there could be increased uncertainty and risks of technical and economic failure associated with a potential decision to enter into production.

- At the Annual and Special Meeting of the Shareholders held June 30, 2014 in Montreal, Quebec, the shareholders overwhelmingly voted in favor of re-electing the incumbent Board of Directors, appointing MNP LLP as the auditors of the Company for the fiscal year ended December 2014, and approved the Company's stock option plan and share consolidation of up to 1 for 30.

#### **Fourth quarter of 2014 Highlights**

- In October 2014, The Autorité des Marchés Financiers has withdrawn all charges brought against Frank Candido, President of Golden Hope Mines Limited on February 10, 2014 for having allegedly influenced or attempted to influence the price of GNH shares by improper means on investment discussion websites. The existence of those charges had been reported by the Company on March 25, 2014 together with the fact that Mr. Candido was contesting the allegations made against him.
- On December 1st, 2014, the Company proceeded with a 30:1 share consolidation in order to allow future financing and acquisitions to be completed at a share price in excess of \$0.05 per share as required by TSX Venture policy as approved at the Annual and Special Meeting held in June 2014.

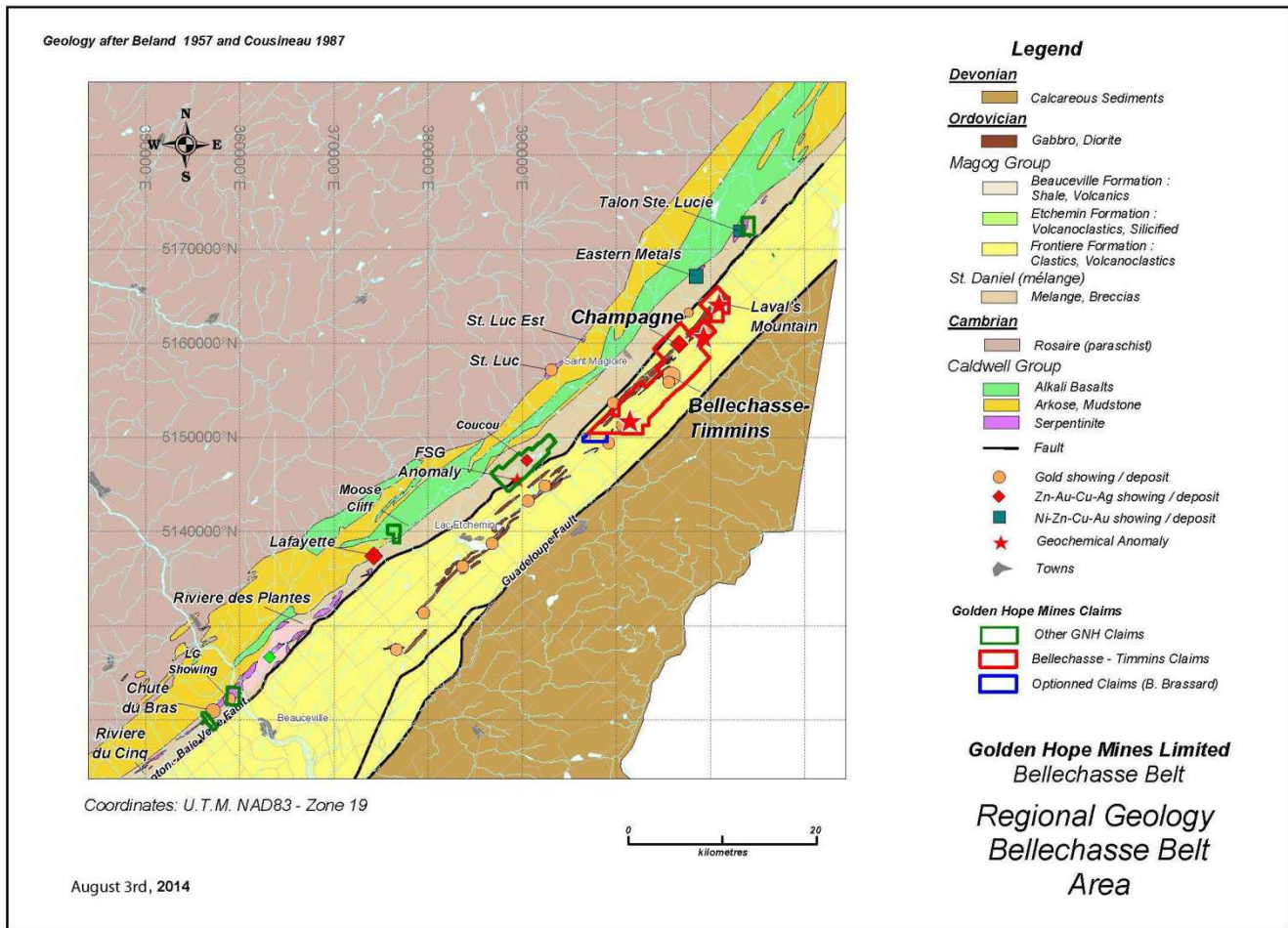
#### **Subsequent events:**

On April 8, 2015 the Company received \$34,000 which is the third and last installment from the L.O.I. signed with UBR.

## **DISCUSSION OF OPERATIONS**

### **Bellechasse/Beauce Area Claims**

The 100% owned Bellechasse/Beauce property is located approximately 90 kilometres south east of Quebec City within the northern part of the Appalachian range of mountains. The property consists of approximately 204 claims totaling 7,910.06 hectares. The Quebec property covers an area of continental collision in which transform faulting is common. Locally, this collision terrain is part of the Appalachian Mountain fold belt. Widespread gold mineralization has historically been found between Bellechasse and west of the Chaudière River. Mineralization with potential economic interest is hosted in zones of fracturing and brecciation in the older intrusives or other pre-existing competent rocks in structural features related to regional trans-current/transform faults.



The Bellechasse Belt currently includes four main areas of interest;

- Bellechasse-Timmins (incl.; T1, T2, 88, and Ascot/Road Zones)
- The Beland anomaly (approx. 6.2 kms southwest of Bellechasse-Timmins)
- The Laval's Mountain geochemical anomaly (approx. 9.2 kms north of Bellechasse-Timmins)
- Champagne Zone, a partially explored gold and base metal deposit

On June 18, 2012 the Company announced its inaugural NI 43-101 resource estimate. Since the publication of the full report in August of 2012, the Company has looked at a variety of options to take the project to the next stage of development. The current option being advanced for the development of Bellechasse-Timmins is the Definitive Option and Joint Venture Agreement with UBR described above.

### Bellechasse-Timmins Gold Deposit

The Bellechasse-Timmins gold zone is hosted by an early diorite intrusive emplaced in Lower Palaeozoic sediments of southeastern Quebec. Gold was first confirmed in the Bellechasse area in 1950, at which time the Ascot and Timmins 1 (T1) zones were discovered.

A third mineralized body was indicated by shallow diamond drilling in 1952 and referred to as the Timmins South Zone (now called Timmins 2 or T2). Due to thick overburden, trenching did not reach bedrock and the mineralized zone was not exposed. Little subsequent work was done until the current management and technical team began further exploration work in the fall of 2006.

## The Champagne VMS

In the fall of 2011, the Company engaged Geotech Limited to conduct a VTEM of the Bellechasse Belt around the Champagne deposit. At the beginning of the 2012 exploration season, the Company drilled the historically known Champagne deposit by twinning some of the historical holes in order to confirm the resource. The results of the campaign published in April 2012 revealed that the mineralization is indeed present although the tonnage had not been confirmed. Additionally some exploration holes were drilled in an attempt to locate another Champagne style mineralization on the "Champagne Horizon". Although the signatures were strong in the areas where exploration holes were drilled, the results from these holes were not what management was expecting. The Company is actively considering ways to advance development of the Champagne deposit, including potentially through joint ventures.

### **Qualified Person**

Mr. James Tilsley P. Eng is an independent Qualified Person under the standards set forth by National Instrument 43-101, and the Company's designated Qualified Person for the purposes of mineral exploration.

## **SUMMARY OF QUATERLY AND YEAR TO DATE RESULTS**

### **Summary of Annual Results**

The following tables set out financial performance highlights for the past three fiscal years.

	<b>Year ended December 31, 2014</b>	<b>Year ended December 31, 2013</b>	<b>Year ended December 31, 2012</b>
Interest income	<b>\$2,205</b>	\$4,818	\$14,897
Operating expenses	<b>\$292,165</b>	\$648,097	\$1,139,701
Total comprehensive income (loss)	<b>(\$197,653)</b>	\$366,794	(\$956,730)
Income (loss) per share <sup>(1)</sup>	<b>(\$0.042)</b>	\$0.079	(\$0.216)
Cash flow from (used in) operations	<b>(\$226,865)</b>	(\$494,350)	(\$579,672)
Cash & equivalents, end of year	<b>\$43,061</b>	\$49,898	\$772,284
Assets	<b>\$20,271,815</b>	\$20,533,054	\$21,105,967
Long-Term liabilities	<b>\$1,149,300</b>	\$1,165,670	\$1,907,952
Dividends	<b>\$0</b>	\$0	\$0

(1) Adjusted to reflect a 30:1 share consolidation completed on December 1, 2014.

This selected annual information should be read in conjunction with the audited financial statements filed on [www.sedar.com](http://www.sedar.com) for the year ended December 31, 2014.

### **Results of Operations for the year ended December 31, 2014**

Golden Hope anticipates that, for the foreseeable future, quarterly results of operations will primarily be impacted by several factors, including the timing of exploration and the efforts and timing of expenditures related to the development of the Company. Due to fluctuations in these factors, the Company believes that the period-to-period comparisons of operating results are not a good indication of its future performance.

The following discussion and analysis are based on Golden Hope' results of operations for the year ended December 31, 2014. The selected financial information data is derived from the Company's audited financial statements for the year indicated.

The Company recorded a total comprehensive loss for the year ended December 31, 2014 of \$197,653 compared to a total comprehensive income of \$366,794 for the year ended December 31, 2013.

## FINANCIAL HIGHLIGHTS

	December 31 ( 12 months)	
	2014	2013
Revenues	\$ 2,205	\$ 4,818
Shareholders' information	37,904	63,735
Legal, financial and other corporate expenses	129,384	143,258
Management fees	34,375	317,188
Travel	8,047	13,899
General administrative expenses	62,363	37,586
Share-based compensation	18,425	68,348
Part XII.6 taxes	271	2,629
Depreciation	1,396	1,454
Debt forgiveness	(75,937)	(7,813)
Gain on settlement of debt	-	(79,833)
Loss before income taxes	\$ (214,023)	\$ (555,633)
Deferred income tax	\$ 16,370	\$ 922,427
Total comprehensive (loss) income	\$ (197,653)	\$ 366,794
Cash & cash equivalents	\$ 43,061	\$ 49,898

### Revenues

Revenues for the year ended December 31, 2014, amounted to \$2,205 compared to \$4,818 for the year ended December 31, 2013 and consisted of interest revenues. Given its status as a mining exploration company, Golden Hope does not generate any steady income, and must finance its activities by issuing equity.

### Shareholders' Information

Shareholders' Information expenses consist of fees paid for website maintenance, SEDAR filings, annual meeting materials, dissemination of press releases and trade shows. Shareholders' Information expenses decrease of \$25,831 is mainly due to tighter cost controls by the Company due to difficult financial market conditions for junior exploration companies.

### Legal, Financial and Other Corporate Expenses

Legal, Financial and Other Corporate expenses were \$129,384 for the year ended December 31, 2014, compared to \$143,258 for the year ended December 31, 2013. The decrease is mainly due to the reimbursement by the insurance company of legal fees related to legal proceedings instituted against the Company and its Board of Directors (see below).

In May 2013, a shareholder of the Company instituted legal proceedings against the Company and its Board of Directors. The plaintiff has instituted a legal action in damages in the Superior Court of Quebec claiming \$120,000 in damages further to allegations of defamation and illegal handling of his shareholder's proposal for the 2013 Annual General Meeting of the Company. The Company is contesting the action based on the absence of jurisdiction of the court and the absence of any wrongdoing. The Company has also file a cross-demand in damages against the plaintiff for \$100,000. Trial is likely to be set in late 2015 or early 2016. The outcome of the lawsuit is uncertain. Accordingly, the Company has made no provision for this contingency.

### Management Fees

Management Fees were \$34,375 for the year ended December 31, 2014, compared to \$317,188 for the year ended December 31, 2013. This decrease is attributable to two items: the reduction of deferral in the first quarter and to cancelling any future fees and deferrals charged beginning in the second quarter. This was done after careful consideration and took into account the continued sluggish performance of the junior exploration sector. These measures continue to demonstrate Management's willingness to mitigate the persisting financial situation and market conditions to the best of its abilities while it seeks alternative avenues of building shareholder value.

### **Travel expenses**

Travel expenses for the year ended December 31, 2014 were \$5,852 lower than for the year ended December 31, 2013. The decrease is mainly due to the Company's decision to limit its participation to the most essential trade shows such as PDAC until the financial market conditions for junior exploration improve.

### **General administrative expenses**

General administrative expenses were \$62,363 for the year ended December 31, 2014 compared to \$37,586 for the year ended December 31, 2013. The difference is due to the recognition of a prepaid expense portion relating to the insurance as at December 31, 2013.

### **Share-based compensation**

Share-based compensation expenses relate to stock options granted. The calculation of this non-cash expense is based on the fair value of the stock options granted, amortized over the vesting period of the option using the graded vesting method. The Company uses the Black-Scholes model to calculate the compensation expense.

There was \$18,425 applied in share-based compensation for the year ended December 31, 2014 which represents the vesting of previously issued stock options compared to \$68,348 for the year ended December 31, 2013. The 2013 expenses represent vesting of previously issued stock options as well as the following issuance of stock options:

On January 15, 2013, the Company granted 6,666 stock options to a new consultant at an exercise price of \$3.60 per common share expiring January 15, 2016<sup>(1)</sup>. The deemed fair value of these options was \$10,794 based on the date of issuance using the Black-Scholes option pricing model and the following vesting provision: 1,667 (25%) vested immediately and 1,667 (25%) every six months on the anniversary date of this grant for a period of eighteen months<sup>(1)</sup>. The following represents other assumptions used in determining the deemed fair value: risk-free rate of 1.38%, life of 3 years, expected volatility of 126% and no expected dividends.

On September 27, 2013, the Company granted 10,000 stock options to a director at an exercise price of \$2.10 per common share expiring September 27, 2018<sup>(1)</sup>. The deemed fair value of these options was \$4,371 based on the date of issuance using the Black-Scholes option pricing model and the following vesting provision: 2,500 (25%) vested immediately and 2,500 (25%) every six months on the anniversary date of this grant for a period of eighteen months<sup>(1)</sup>. The following represents other assumptions used in determining the deemed fair value: risk-free rate of 1.38%, life of 5 years, expected volatility of 126% and no expected dividends.

(1) Adjusted to reflect a 30:1 share consolidation completed on December 1, 2014.

### **Summary of Quarterly Results**

The comments below provide an analysis of the operating results for the three-month period ended December 31, 2014. The selected financial information shown below is taken from the condensed unaudited interim consolidated financial statements for each of the three-month periods indicated.

The Company recorded a total comprehensive loss during the three-month period ended December 31, 2014 of \$92,752 compared to a total comprehensive income of \$758,132 for the three-month period ended December 31, 2013.

## FINANCIAL HIGHLIGHTS

	December 31 (3 months)	
	2014	2013
Revenues	\$ -	\$ 121
Shareholders' information	10,702	21,939
Legal, financial and other corporate expenses	41,244	67,462
Management fees	-	51,563
Travel	2,489	410
General administrative expenses	22,364	6,196
Share-based compensation	18,425	(1,456)
Part XII.6 taxes	-	2,629
Depreciation	352	(556)
Debt forgiveness	-	(7,813)
Loss before income taxes	\$ (95,576)	\$ (140,253)
Deferred income tax	\$ 2,824	\$ 898,385
Total comprehensive (loss) income	\$ (92,752)	\$ 758,132
Cash & cash equivalents	\$ 43,061	\$ 49,898

### Revenues

No revenues for the three-month period ended December 31, 2014, compared to \$121 for the three-month period ended December 31, 2013 and consisted of interest revenues. Given its status as a mining exploration company, Golden Hope does not generate any steady income, and must finance its activities by issuing equity.

### Shareholders' Information

Shareholders' Information expenses consist of fees paid for website maintenance, SEDAR filings, annual meeting materials, dissemination of press releases and trade shows. Shareholders' Information expenses decrease of \$11,237 is mainly due to tighter cost controls by the Company due to difficult financial market conditions for junior exploration companies.

### Legal, Financial and Other Corporate Expenses

Legal, Financial and Other Corporate expenses were \$41,244 for the three-month period ended December 31, 2014, compared to \$67,462 for the three-month period ended December 31, 2013. The \$26,218 change was mainly due to a decrease in legal fees related to the legal proceedings described below.

In May 2013, a shareholder of the Company instituted legal proceedings against the Company and its Board of Directors. The plaintiff has instituted a legal action in damages in the Superior Court of Quebec claiming \$120,000 in damages further to allegations of defamation and illegal handling of his shareholder's proposal for the 2013 Annual General Meeting of the Company. The Company is contesting the action based on the absence of jurisdiction of the court and the absence of any wrongdoing. The Company has also file a cross-demand in damages against the plaintiff for \$100,000. Trial is likely to be set in late 2015 or early 2016. The outcome of the lawsuit is uncertain. Accordingly, the Company has made no provision for this contingency.

### Management Fees

There was no management fees for the three-month period ended December 31, 2014, compared to \$51,563 for the three-month period ended December 31, 2013. No management fees have been recognized since the second quarter. This decision was taken after careful consideration and took into account the continued sluggish performance of the junior exploration sector. These measures continue to demonstrate Management's willingness to mitigate the persisting financial situation and market conditions to the best of its abilities while it seeks alternative avenues for building shareholder value.

### General administrative expenses

General administrative expenses were \$22,364 for the three-month period ended December 31, 2014 compared to \$6,196 for the three-month period ended December 31, 2013. The difference is due to the recognition of a prepaid expense portion relating to the insurance as at December 31, 2013.

## Share-based compensation

Share-based compensation expenses relate to stock options granted. The calculation of this non-cash expense is based on the fair value of the stock options granted, amortized over the vesting period of the option using the graded vesting method. The Company uses the Black-Scholes model to calculate the compensation expense.

The 2014 and 2013 expenses represent vesting of previously issued stock options as well as an adjustment.

The selected financial information below was taken from Golden Hope Mines' unaudited interim financial statements for each of the following quarters:

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Interest income	\$0	\$0	\$2,133	\$72	\$120	\$1,838	\$788	\$2,072
Operations expenses	\$95,576	(\$20,538)	\$126,181	\$90,946	\$227,959	\$172,761	\$62,029	\$185,348
Total comprehensive income (loss)	(\$92,752)	\$5,799	(\$44,042)	(\$66,658)	\$758,132	(\$177,406)	(\$62,388)	(\$151,544)
Net income (loss) per common share <sup>(1)</sup>	(\$0.020)	\$0.001	(\$0.009)	(\$0.014)	\$0.165	(\$0.038)	(0.013)	(\$0.032)
Cash flow from (used in ) operations	\$4,375	(\$111,198)	(\$56,791)	\$44,348	\$37,969	(\$48,179)	(\$194,647)	(\$274,293)
Cash & cash equivalents, end of period	\$43,061	\$45,898	\$29,530	\$27,083	\$49,898	\$123,088	\$54,506	\$333,099
Assets	\$20,271,815	\$20,300,992	\$20,422,416	\$20,477,362	\$20,533,054	\$20,457,328	\$20,571,623	\$20,741,952
Long-Term liabilities	\$1,149,300	\$1,152,124	\$1,137,385	\$1,141,454	\$1,165,670	\$20,400,13	\$2,026,927	\$2,002,715
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

(1) Adjusted to reflect a 30:1 share consolidation completed on December 1, 2014

## LIQUIDITY AND CAPITAL RESOURCES

### Financings

The Company will look to add to its treasury, whenever necessary, through additional financing efforts so as to continue working on its exploration program.

The Company defines capital as shareholders' equity. The Company's objectives when managing capital are to:

- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintain financial capacity and access to capital to support future development of the business while taking into consideration current and future industry, market and economic risks and conditions; and
- utilize short term funding sources to manage its working capital requirements.

The Company has no externally imposed restrictions on capital.

As at December 31, 2014 the Company's cash and cash equivalents were \$43,061. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. In order to continue its operations, the Company will have to find additional financing and despite the fact it has been successful in the past at raising funds, there can be no assurance the Company will be able to secure financing in the future or that these sources of funding will be available. There is a significant risk that the Company will be unable to secure further financing.

## Cash Flow Information

### CASH FLOWS

	December 31 (12 months)	
	2014	2013
Operating activities	\$ (226,865)	\$ (494,350)
Financing activities	(9,867)	(1,009)
Investing activities	229,895	(227,027)
	<u>\$ (6,837)</u>	<u>\$ (722,386)</u>
Cash & cash equivalents	<u>\$ 43,061</u>	<u>\$ 49,898</u>

#### Operations Activities:

During the year ended December 31, 2014, funds used for operating activities were spent primarily on improving operations and promotion of the Company.

#### Financing Activities:

During the year ended December 31, 2014 and 2013, there was no financing activity.

Disclosure of Outstanding Share Capital as at December 31, 2014

#### (a) Share Capital

	2014		2013	
	Number <sup>(1)</sup>	Amount \$	Number <sup>(1)</sup>	Amount \$
<b>Balance, beginning of year<sup>(1)</sup></b>	<b>4,700,889</b>	<b>27,227,446</b>	4,659,639	27,166,580
Issued to settle debt <sup>(2)</sup>	-	-	41,250	61,875
Share issue costs	-	(9,867)	-	(1,009)
<b>Balance, end of year</b>	<b>4,700,889</b>	<b>27,217,579</b>	4,700,889	27,227,446

(1) Adjusted to reflect a 30:1 share consolidation completed on December 1, 2014.

(2) On December 6, 2013 the Company issued 41,250 common shares<sup>(1)</sup> to settle a debt of \$61,875 with management. The securities issued in exchange for debt were restricted from trading until April 7, 2014.

**(b) Options**

At December 31, 2014, the following exercisable stock options were outstanding:

<b>Options</b>	<b>Exercisable</b>	<b>Price</b>	<b>Expiry</b>
6,667	6,667	3.60	August 16, 2015
6,667	6,667	3.60	January 15, 2016
66,167	66,167	3.90	June 30, 2016
51,666	51,666	3.60	August 16, 2017
10,000	10,000	3.00	December 4, 2017
10,000	7,500	2.10	September 27, 2018
<b>151,167</b>	<b>148,667</b>		

Effective on December 1, 2014, the Company has consolidated its options on the basis of 30 existing options for 1 new option.

**Investing Activities:**

Investing activities generated cash flows of \$229,895 in the year ended December 31, 2014, having used cash flow of \$227,027 in the same period in 2013. These figures represent the Company's exploration expenditures as well as the receipt of tax credits and the first and second installments received from UBR upon the signature of the LOI.

The nature of the exploration expenditures, excluding mining tax credits and other adjustments for the relevant year were as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Geochemical and geophysical analysis	-	90,305
Technical team and geologists	<b>5,673</b>	195,830
Claim renewal and management	-	2,800
General exploration	<b>23,871</b>	51,540
Insurance	-	19,245
Supplies	-	10,513
	<b>29,544</b>	370,233
Government grants	<b>(4,545)</b>	(128,006)
	<b>24,999</b>	242,227

## OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

The Company has no off-balance sheet arrangements.

### Contingent liability

During the year ended December 31, 2013, a shareholder of the Company instituted legal proceedings against the Company and its Board of Directors. The plaintiff has instituted a legal action in damages in the Superior Court of Quebec claiming \$120,000 in damages further to allegations of defamation and illegal handling of his shareholder's proposal for the 2013 Annual General Meeting of the Company. The Company is contesting the action based on the absence of jurisdiction of the court and the absence of any wrongdoing. The Company has also file a cross-demand in damages against the plaintiff for \$100,000. Trial is likely to be set in late 2015 or early 2016. The outcome of the lawsuit is uncertain. Accordingly, the Company has made no provision for this contingency.

### Commitments

Under rules established by the Ministère de l'Énergie et Ressources naturelles of the province of Québec, the Company is required to spend the amount of approximately \$54,000, \$55,150 and \$238,700 to maintain the claims on the properties in 2015, 2016 and 2017 respectively. As of the date of issuance of the financial statements, all of the claims expiring in 2015 remained active.

In addition, the Company has the following royalty commitments resulting from past transactions:

- \* Net profit royalty of 5% on net profits greater than \$250,000 for 4 claims acquired from La Société Minière Colmo.
- \* Net smelter royalty of 2% for 26 claims acquired from a prospector in 2010.

The minimum annual lease payments of the Company's head office over the succeeding year is as follows:

2015	\$9,100
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## RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, the Company has written off deferred management fees, for 9132-8757 Quebec Inc., a company owned by the President, for 9198-4419 Quebec Inc., a company owned by the former Chief Financial Officer and for 9185-5759 Quebec Inc., a company owned by the former Director of Corporate Communications and Corporate Secretary of the Company, which represents a total of \$75,937.

During the year ended December 31, 2014, there were management fees for an amount of \$23,125 (\$138,751 in 2013) to 9132-8757 Quebec Inc., a company owned by the President of the Company. An amount of \$10,000 was paid and the balance was written off.

During the year ended December 31, 2014, there were management fees for an amount of \$11,250 (\$67,500 in 2013) to 9185-5759 Quebec Inc., a company owned by the former Director of Corporate Communications and former Corporate Secretary of the Company. The amount owing was written off.

The Company did not incur any professional fees during the year ended December 31, 2014, but had a credit of \$10,806 for the period (\$116,892 in 2013) with a law firm of which a director of the Company is an associate. Included in accounts payable and accrued liabilities are amounts owing of \$113,966 (\$132,571 in 2013).

In 2013, there were management fees paid for an amount of \$110,937 to 9198-4419 Quebec Inc., a company owned by the former Chief Financial Officer of the Company.

During the year ended December 31, 2014, the Company incurred professional fees in the amount of \$25,816 (Nil in 2013), to the Chief Financial Officer of the Company. No amounts were payable in relation to these transactions as at December 31, 2014.

Additional remuneration of directors and other members of key management personnel during the year was as follows:

	2014 \$	2013 \$
Share based payments	-	4,371

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

When preparing its financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management. Information about critical judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

### **Judgments**

#### **Going concern**

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is a material uncertainty regarding the Company's ability to continue as a going concern.

#### **Exploration and evaluation assets**

Even though the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

#### **Impairment of non-financial assets**

The Company's evaluation of the recoverable amount with respect to non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values.

The Company's estimates of recoverable amount are based on numerous assumptions. Those estimates may differ from actual values, and the differences may be significant and could have a material impact on the Company's financial position and results of operations. Assets are reviewed for an indication of impairment at each statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices.

#### **Identification of CGUs**

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, shares infrastructures, and the way in which management monitors the Company's operations.

## **Valuation of tax credits and credits on duties**

The Company is entitled to tax credits and credits on duties on qualified mining exploration expenses incurred in the province of Québec. Management's judgement is applied in determining whether the mining exploration expenses are eligible for claiming such credits. Those benefits are recognized when the Company estimates it has reasonable assurance that the tax credits will be realized.

## **Estimates**

### **Estimate of the fair value of share based compensation including the estimate of the life of the share options and the volatility of the shares**

The fair value of each option granted is estimated at the grant date using the Black-Scholes option pricing model. The estimated life of the share options at the grant date is based on the legal life of the share options and the historical exercise pattern of option holders. Management also estimates the expected forfeitures in calculating the fair value of each option. The expected volatility used to calculate the grant date fair value estimated taking into account the historical volatility of the Company's share price over the expected term of the options granted. Historical volatility is revised whenever facts and circumstances indicate that the historical volatility is no longer appropriate. Such facts and circumstances include but are not limited to the Company entering a new phase of mining activity, the development of new technologies, changes to the financial position of the Company, and when the spread between market participants volatility data, derived from the calculation of the fair value of financial instruments and equity instruments issued by the Company, is significant. If management estimates that historical volatility requires an adjustment, the Company also takes into consideration the historical volatility of comparable companies at similar stages of development as the Company as well as the volatility estimates derived from the fair value calculation of financial instruments and equity instruments in periods when this information is available.

### **Useful lives of property**

The Company estimates the useful life of property based on the period over which the assets are expected to be available for use. The estimated useful life of property is reviewed periodically and is updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful life of property is based on management's experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of the property would increase the recorded expenses and decrease the non-current assets. Useful life, depreciation rates and residual values are reviewed at least annually as required by IFRS.

### **Fair value of financial instruments**

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

### **Income Taxes**

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from an audit by taxation authorities, Where the financial outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in such determination is made.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank balances and highly-liquid short-term investments initially maturing within three months of their acquisition date.

### **Property**

The property is recognized at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a declining balance basis to reduce the cost to the estimated residual value of the property. The depreciation period for the building is declining balance at 4%.

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end. Gains or losses arising on the disposal of property is determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of comprehensive (loss) income.

### **Exploration and evaluation assets**

The Company records and carries its interest in exploration and evaluation assets at cost less impairment losses and tax credits. These capitalized costs include the direct costs of acquisition, exploration and the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. No depreciation charge is recognized in respect of these assets. These assets are transferred to mine development costs in property, plant and equipment upon the commencement of mine development, as outlined below.

Exploration and evaluation expenditures in the relevant area of interest comprise costs which are directly attributable to:

- Acquisition of rights to explore;
- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The Company's criterion for testing impairment includes, but is not limited to, when:

- a) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed.
- b) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- c) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- d) Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is likely to be recovered in full from successful development or by sale.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount a provision is made for the decline in value and charged against operations in the year.

## **Taxation**

Tax expense comprises current and deferred tax. Tax is recognized in the statements of comprehensive (loss) income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

### **Current tax**

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

### **Deferred tax**

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

#### *Deferred tax liabilities:*

- a) are generally recognized for all taxable temporary differences; and
- b) are recognized for taxable temporary differences arising on mining assets, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

#### *Deferred tax assets:*

- a) are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- b) are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

## **Provisions**

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

## **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## **Share based compensation**

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options at the date of grant. For graded vested share options, IFRS 2 requires the use of the attribution method, which requires that the Company treat each installment as a separate share option grant with a different fair value. The Company also provides for an estimate of the forfeiture rates in determining the total stock based compensation expense.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statements of comprehensive (loss) income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statements of comprehensive (loss) income is charged with the fair value of goods and services received.

### **Warrants**

The Company measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued to agents in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus.

When the Company issues units under a private placement comprising common shares and warrants, it follows the fair value method of accounting for these warrants. Under this method, the fair value of warrants issued is estimated using the Black-Scholes option price model. The fair value is allocated to warrants from the net proceeds and the balance of the net proceeds is allocated to the common shares issued. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus.

### **Flow-through shares**

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. Proceeds from issuance are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the market price of the existing shares and the amount the investor pays for the flow-through shares. A liability is recognized for this difference and is recorded as a flow-through share premium liability on the statement of financial position. The liability is reversed when the qualifying expenditure is incurred and a deferred tax liability is recognized at that time. Income tax expense is the difference between the amount of the deferred tax liability and the flow-through share premium liability recognized on issuance.

### **Loss per share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants using the treasury stock method.

### **Tax credits and credits on duties receivable**

The Company is eligible for a refundable credit on mining duties under the Quebec Mining Duties Act. This refundable credit on mining duties is for expenses incurred on mining activities in Quebec. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, Income Taxes, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax bases following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future; accordingly, the credit on mining duties is recorded as a government grant under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, which is recorded against exploration and evaluation assets.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 35 % of the amount of eligible expenses incurred until June 4, 2014 and 28% thereafter and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits. They will be recognized in profit or loss on a systematic basis over the useful life of the related assets.

### **Segment reporting**

The Company presents and discloses segment information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. In this regard, the Company conducts its business in a single operating segment being the acquisition, exploration and development of exploration properties.

### **Foreign currency translation**

The monetary assets and liabilities of the Company denominated in foreign currencies are translated at the rate of exchange at the statements of financial position date. Revenues and expenses are translated at the average exchange rate prevailing during the period. Exchange gains or losses are included in comprehensive (loss) income.

### **Financial assets**

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

#### **Financial assets at fair value through profit or loss**

##### *Classification*

Financial assets are classified at fair value through profit or loss if acquired principally for the purpose of selling in the short-term, such as financial assets held for trading, or if so designated by management. The Company does not hold financial assets in this category.

##### *Recognition and measurement*

Financial assets carried at fair value through profit or loss are initially recognized, and subsequently carried, at fair value, with changes recognized in the statements of comprehensive (loss) income. Transaction costs are expensed.

#### **Loans and receivables**

##### *Classification*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Assets in this category include cash and cash equivalents, sales tax receivable and tax credits and credits on duties receivable and are classified as current assets in the statements of financial position.

##### *Recognition and measurement*

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

#### **Available-for-sale financial assets**

##### *Classification*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in other non-current financial assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. The Company does not hold financial assets in this category.

### *Recognition and measurement*

Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes in fair value recognized in other comprehensive (loss) income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are included in the statements of comprehensive (loss) income.

### **Financial liabilities**

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

#### **Financial liabilities at fair value through profit or loss**

##### *Classification*

Financial liabilities at fair value through profit or loss include financial liabilities that are held for trading (acquired for purpose of selling in the near term) or financial instruments that are so designated. The Company does not hold financial liabilities in this category.

##### *Recognition and measurement*

Financial liabilities are measured at fair value. Gains and losses on liabilities held-for-trading are recognized in the statements of comprehensive (loss) income.

#### **Other financial liabilities**

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. Liabilities in this category include accounts payable and accrued liabilities.

#### **Impairment of financial assets**

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the statement of comprehensive (loss) income.

#### **Impairment of non-financial assets**

The Company's non-financial assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units (“CGUs”).

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive (loss) income. An impairment loss recognized for goodwill is not reversed.

## **RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

### IAS 36, Impairment of assets

Effective January 1, 2014, the Company adopted amendments made to IAS 36, Impairment of assets. These amendments require additional disclosures when the recoverable amount is determined based on fair value less cost of disposal including the following:

- Level of fair value hierarchy within which the fair value measurement is categorized
- Valuation techniques used to measure fair value less costs of disposal
- Key assumptions used in the fair value measurements categorized within “Level 2” and “Level 3” of the fair value hierarchy, and
- Discount rate when applicable.

The adoption of this amended standard did not have a significant impact on the financial statements in the current or comparative periods.

### IAS 32, Financial Instruments: Presentation

Effective January 1, 2014, the Company adopted amendments made to IAS 32, Financial Instruments: Presentation which provide clarification on when an entity has a legally enforceable right to off-set financial assets and financial liabilities. The adoption of this amended standard did not have a significant impact on the financial statements in the current or comparative periods.

### IFRIC 21, Levies

Effective January 1, 2014, the Company adopted IFRIC 21, Levies which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies (i) the liability is recognized progressively if the obligating event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The adoption of this standard did not have a significant impact on the financial statements in the current or comparative periods.

## **ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

### IFRS 9, Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39 Financial Instruments standard. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted.

#### Amendments to IFRS 11, Joint Arrangements

In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendment is effective for annual periods beginning on or after January 1, 2016.

#### Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment

In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

## **RISKS AND UNCERTAINTIES**

### **Nature of Mineral Exploration and Development Projects**

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will continue to be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves. Whether a resource deposit will ultimately be commercially viable depends on a number of factors, including the particular attributes of the deposit such as the deposit's size; its proximity to existing infrastructure; financing costs and the prevailing prices for the applicable minerals. Development projects have no operating history upon which to base estimates of future cash operating costs.

Particularly for development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns could differ significantly from those estimated for a project before production. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur. The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative.

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, with or without the Share Consolidation, or that they can be secured on competitive terms.

### **Property Acquisition**

There were no properties acquired during the year.

## **Disclosure controls and procedures**

Based on continual evaluations of the Company's disclosure controls and procedures, the Company's chief executive officer and chief financial officer have concluded that, as of December 31 2014, the design and operation of these disclosure controls and procedures are effective at the reasonable assurance level to ensure that material information relating to the Company would be made known to them by others within the entity, particularly during the period in which the MD&A and the financial statements contained in this report were being prepared.

## **Internal controls over financial reporting**

The Company's chief executive officer and chief financial officer have designed, or have caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The chief executive officer and chief financial officer concluded that there has been no change in the Company's internal control over financial reporting during the year ended December 31, 2014, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.