

Condensed Interim Financial Statements of

**KING'S BAY GOLD CORPORATION**  
(An Exploration Company)

(Unaudited - Prepared by Management)

For the three months ended March 31, 2015

Expressed in Canadian dollars

These condensed interim financial statements  
have not been audited or reviewed by the  
company's independent external auditors,  
Magnus Chartered Accountants LLP.

# KING'S BAY GOLD CORPORATION

## Condensed Interim Statements of Financial Position

As at March 31, 2015 (unaudited) and December 31, 2014 (audited)

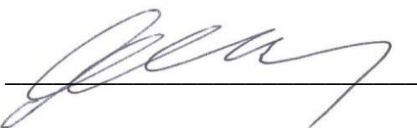
(Expressed in Canadian dollars)

	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 4,217	\$ 9,127
Other receivables (Note 5)	10,331	2,477
Marketable securities (Note 6)	11,400	12,285
Prepaid expenses	3,619	673
<b>Total current assets</b>	<b>\$ 29,567</b>	<b>\$ 25,102</b>
Non-current assets:		
Machinery and equipment (Note 7)	\$ 9,698	\$ 9,698
Exploration and evaluation assets (Note 8)	2,310,142	2,310,142
<b>Total non-current assets</b>	<b>\$ 2,319,840</b>	<b>\$ 2,319,840</b>
<b>Total assets</b>	<b>\$ 2,349,407</b>	<b>\$ 2,344,942</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Current liabilities:		
Trade payables	\$ 874,743	\$ 662,717
Other payables (Note 9)	20,000	70,000
<b>Total current liabilities</b>	<b>\$ 894,743</b>	<b>\$ 732,717</b>
Non-current liability:		
Deferred income taxes	355,000	334,000
<b>Total liabilities</b>	<b>\$ 1,249,743</b>	<b>\$ 1,066,717</b>
Equity:		
Share capital (Note 11)	\$ 16,102,036	\$ 16,102,036
Share-based payments reserve	1,310	1,310
(Deficit)	(15,003,682)	(14,825,121)
<b>Total equity</b>	<b>\$ 1,099,664</b>	<b>\$ 1,278,225</b>
Going concern of operations (Note 2(a))		
Commitments (Note 14)		
<b>Total liabilities and equity</b>	<b>\$ 2,349,407</b>	<b>\$ 2,344,942</b>

See accompanying notes to condensed interim financial statements.

Approved on behalf of the Board on May 29, 2015:

Director & Chief Executive Officer: 

Director & Chief Financial Officer: 

# KING'S BAY GOLD CORPORATION

## Condensed Interim Statements of Operations and Comprehensive Loss

For the three months ended March 31, 2015 (unaudited) and December 2014 (audited)

(Expressed in Canadian dollars)

	2015	2014
<b>Expenses:</b>		
Consulting fees	\$ 145,540	\$ 181,423
Depreciation	-	3,865
General meeting	-	768
Government remittances	-	121,340
Insurance	-	337
Interest and bank charges	(83)	4,021
Meals and entertainment	30	1,072
Office	1,864	15,730
Professional fees	-	57,988
Regulatory filings	8,489	29,015
Travel	297	10,126
(Loss) from operations	\$ (156,137)	\$ (304,345)
<b>Other income and (expenses):</b>		
Interest income	-	5
(Loss) on sale of machinery and equipment	-	(4,027)
Unrealized (loss) gain on marketable securities	(1,425)	(14,250)
Gain (loss) on sale of marketable securities	-	25,243
Gain (loss) on sale of exploration & evaluation asset – Cameron Lake	-	86,976
	\$ (1,425)	\$ 93,947
(Loss) before income taxes	\$(157,562)	\$ (210,398)
Deferred income tax recovery, net of flow-through premiums	-	(21,000)
Net (loss) and comprehensive (loss) for the year \$	\$ (157,562)	\$ (231,398)
Basic and diluted loss per share (Note 11 (c))	\$ (0.01)	\$ (0.01)

See accompanying notes to condensed interim financial statements.

# KING'S BAY GOLD CORPORATION

## Condensed Interim Statements of Changes in Equity

Three months ended March 31, 2015 (unaudited) and 2014 (audited)

(Expressed in Canadian dollars)

	2015	2014
<b>Share capital</b>		
Balance, beginning of period	\$ 16,102,036	\$ 16,102,036
Shares issued under land option agreements	-	-
Balance, end of period	\$ 16,102,036	\$ 16,102,036
<b>Share-based payments reserve</b>		
Balance, beginning and end of period	\$ 1,310	\$ 5,180
Transfer of expired or forfeited amounts to retained earnings		(3,870)
Balance, end of period	1,310	1,310
<b>(Deficit)</b>		
Balance, beginning of period	\$ (14,825,121)	\$ (14,597,593)
Transfer of expired and forfeited amounts from share-based Payments and reserve		3,870
Net gain (loss) and comprehensive loss for the period	(157,562)	(231,398)
Balance, end of period	\$ (14,982,683)	\$ (14,825,121)
<b>Total equity, end of period</b>	<b>\$ 1,120,663</b>	<b>\$ 1,278,225</b>

See accompanying notes to condensed interim financial statements.

# KING'S BAY GOLD CORPORATION

## Condensed Interim Statements of Cash Flows

Three months ended March 31, 2015 and 2014 yearend

(Expressed in Canadian dollars)

	2015	2014
<b>Operating activities:</b>		
Cash paid to suppliers	\$ (4,993)	\$ (174,283)
Interest received	-	5
Interest and bank charges	83	(4,021)
	<hr/>	<hr/>
	\$ (4,910)	\$ (178,299)
<b>Investing activities:</b>		
Investment in exploration and evaluation assets	-	\$ (28,908)
Proceeds on sale of marketable securities	-	83,745
Proceeds on sale of exploration and evaluation assets		100,000
	<hr/>	<hr/>
	\$ -	\$ 154,837
<b>Financing activity:</b>		
Proceeds from issuance of common shares, net of share issue costs	-	-
	<hr/>	<hr/>
Change in cash	\$ (4,910)	\$ (23,462)
Cash and cash equivalents, beginning of period	9,127	32,589
	<hr/>	<hr/>
Cash and cash equivalents, end of period	\$ 4,217	\$ 9,127

### Supplementary information:

The company did not pay any income taxes during the above reporting periods.

See accompanying notes to condensed interim financial statements.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

### Nature of operations

King's Bay Gold Corporation (the "company") is a publicly listed company incorporated in Canada pursuant to the Canada Business Corporations Act on March 20, 1998. The mailing and office address of its executive office is: 145 - 99 Scurfield Boulevard, Winnipeg MB, R3Y 1Y1.

The company is a mineral resource company in the exploration stage that is engaged in the acquisition of interests in, and in the exploration of, mineral resource properties. Its shares are listed on the TSX Venture Exchange Inc.

### 1. Statement of compliance

The condensed interim management-prepared financial report for the first quarter ended on March 31, 2015 are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The condensed interim management-prepared financial report for the first quarter ended on March 31, 2015 should be read in conjunction with the Corporation's comparative audited IFRS-compliant financial statements for the years ended December 31, 2014.

The condensed interim management-prepared financial report of King's Bay Gold Corporation for the three months ended on March 31, 2015 was un-reviewed by the Audit Committee. Any subsequent changes to IFRS that are given effect in the company's annual financial statements for the year ended December 31, 2015 could result in the restatement of any one of or all of the fiscal 2015 quarterly unaudited condensed interim financial reports.

### 2. Significant accounting policies

The condensed management-prepared interim financial report for the first quarter ended on March 31, 2015 and the comparative audited financial statements of King's Bay Gold Corporation for the years ended December 31, 2014 should be read in conjunction with the audited financial statements for the four years ended December 31, 2013, 2012, 2011 and 2010.

#### (a) Going concern of operations

The going concern assumption implies that the company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. There is doubt about the appropriateness of the use of the going concern assumption because the company has experienced significant losses, has experienced negative cash flow from operations over a number of years and has current exploration expenditure commitments in excess of its liquid assets on hand.

The ability of the company to continue as a going concern and to be able to realize on its assets and discharge its liabilities is dependent upon the company's ability to obtain sufficient funding for its operations and its current exploration expenditure commitments and is ultimately dependant on the recoverability of the amounts capitalized to exploration and evaluation assets. The company has not yet determined whether its mineral properties contain reserves that are economically recoverable, and accordingly, the success of any further exploration or development prospects cannot be reasonably assessed. If the company's exploration and development programs are successful, additional funds may be required, and the company may not have sufficient funds to conduct the mineral exploration required. The primary source of future funds available to the company is through the sale of additional equity capital, which may dilute the interests of existing shareholders. There is no assurance that the company will be successful in raising sufficient funds to meet its obligations. In the event where it cannot meet its obligations, it may lose its properties and incur other liabilities relating to flow-through share issuance commitments.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities and the reported amounts of revenues and expenses.

(b) **Machinery and equipment**

*Recognition and measurement*

Machinery and equipment are recorded at historical cost less accumulated depreciation and any impairment losses. Residual values, depreciation methods and useful economic lives are reviewed and adjusted as necessary at the end of each reporting period.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of machinery and equipment have different useful lives, they are accounted for as a separate item of machinery and equipment.

*Subsequent costs*

The cost of replacing a component of an item of machinery and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the company, and its costs can be reliably measured. The carrying amount of the replaced component is derecognized. The costs of servicing machinery and equipment are recognized in profit or loss as incurred.

*Depreciation*

Depreciation is based on the cost of an asset less its residual value. Depreciation methods and rates are applied consistently within each asset except where significant individual assets have been identified which have different depreciation patterns. Depreciation is recognized in profit or loss.

The following rates and method are used:	<u>Rate</u>	<u>Method</u>
Exploration and evaluation equipment	20%	Declining balance
Vehicles	30%	Declining balance
Computer equipment	30%	Declining balance

In the year of acquisition, depreciation is provided at one half (1/2) the declining balance rate. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

An item of machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

(c) **Exploration and evaluation expenditures**

Costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are expensed as incurred.

*Capitalized costs*

Exploration and evaluation expenditures are defined as costs incurred after having obtained the legal right to explore the property and before the technical and commercial viability of extracting resources are established.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

The company follows the full cost method whereby all costs associated with the acquisition, exploration and development of reserves are capitalized into cost centers from the time the company obtains legal right to undertake exploration and evaluation activities on a project. Such costs include land and lease acquisitions, geological and geophysical expenditures, drilling, production and gathering equipment and facilities, carrying costs directly related to unproven properties and corporate costs directly related to the acquisition. Amounts capitalized to these cost centers represent costs to date and are not intended to represent present or future values.

The recoverability of the costs is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interests in the underlying mineral claims, the ability to obtain necessary financing to complete development and the development of future profitable production from the properties or realization of sufficient proceeds from the disposition of the properties.

If technical feasibility and commercial viability have been established, the carrying amount of the related exploration and evaluation asset is tested for impairment as discussed below. The carrying value, net of any impairment loss, is then reclassified to machinery and equipment as exploration and evaluation assets. If the company decides not to continue the exploration and evaluation activity, then the accumulated costs are expensed as impairment losses in the period in which the event occurs.

### *Impairment test*

Exploration and evaluation assets are reviewed for impairment only when facts and circumstances suggest that the carrying amount may exceed the recoverable amount or when technical feasibility and commercial viability have been established. The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, excluding impairment losses for exploration and evaluation assets reclassified to machinery and equipment, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

### (d) **Borrowing costs**

The company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset when it is probable that these costs will result in future economic benefits and when they can be reliably measured. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed as incurred.

### (e) **Provisions**

#### *General*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense relating to any provision is presented in profit or loss net of any reimbursement.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

### *Environmental rehabilitation provision*

The company recognizes the fair value of a liability for environmental rehabilitation in the period in which the company is legally or constructively required to remediate, if a reasonable estimate of fair value can be made, based on an estimated future cash settlement of the environmental rehabilitation obligation, discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The environmental rehabilitation obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The environmental rehabilitation obligation is depleted on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of environmental rehabilitation cash flows. The company has assessed each of its exploration and evaluation assets and determined that no material environmental rehabilitations exist as the disturbance to date is minimal.

### (f) **Flow-through shares**

Under current Canadian income tax legislation, a company is permitted to issue shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. To account for flow-through shares, the company allocates total proceeds from the issuance of flow-through shares between the offering of shares and the sale of tax benefits. The total amount allocated to the offering of shares is based on the quoted price of the underlying shares. The remaining amount, which is allocated to the sale of tax benefits, is recorded as a liability and is reversed proportionately and recognized as after-tax income when the tax benefits are renounced. In situations where there is an absence of compelling evidence supporting a comparable value of the underlying shares, the company allocates management's estimate of the prevailing flow-through premium in market conditions at the time of issuance to the sale of tax benefits. The tax effect of the renunciation is recorded at the time the company makes the renunciation, which may differ from the effective date of renunciation, and the value of the tax assets renounced is recorded as a deferred tax expense.

### (g) **Jointly controlled operations**

A portion of the company's exploration activities is conducted jointly with others wherein the company enters into agreements that provide for specified percentage interest in exploration and evaluation assets. These joint arrangements are classified as either a joint operation or a joint venture depending on the rights and obligations of the parties of the arrangement.

### (h) **Loss per share**

Diluted loss per share is calculated using the treasury stock method which assumes all common share equivalents, such as options and warrants had been exercised at the beginning of the reporting period of issue and that the funds obtained thereby were used to purchase common shares of the company at the estimated average trading price of the common shares during the year.

### (i) **Revenue recognition**

Revenue from sales of precious metals will be recognized when the significant risks and rewards of ownership are transferred to the buyer, which is when legal title passes to the buyer and when collectability is reasonably assured. Interest income is recognized as accrued.

### (j) **Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that the tax relates to items recognized directly in equity or in other comprehensive income or loss.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

(i) Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable or receivable in respect of previous years.

(ii) Deferred income tax

Deferred tax is recognized in respect of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax is measured at the enacted or substantially enacted tax rates expected to be recovered or settled in the future. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) **Share-based payments**

The company has implemented a stock option plan to allow the company to grant options to directors, officers, employees and service providers. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors and officers of the company. The maximum number of common shares which may be issued pursuant to those granted under the stock option plan are limited to 10% of the issued and outstanding common shares. In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on an annual basis.

The company uses the fair value-based approach to account for share-based payments under their stock option plan. Compensation expense is recognized for these stock options over their vesting period based on their estimated fair values on the date of grant as determined by the Black-Scholes option-pricing model. The fair value of the options is adjusted by the estimate of the number of options are expected to vest as a result of non-market conditions. At each reporting date, the company revises its estimate of the number of options that are expected to vest.

The fair values of the options issued, if any, are credited to share-based payments reserve in the period they vest. Upon exercise of the share purchase options, consideration paid together with the amount previously recognized in share-based payments reserve is recorded as an increase in share capital. Charges to share purchase options that are forfeited before vesting are reversed from share-based payments reserve. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to retained earnings or deficit.

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the share-based payment.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

(I) **Financial instruments**

(i) Non-derivative financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets are recognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as FVTPL which are initially measured at fair value.

*Financial assets at fair value through profit or loss*

A financial asset is classified as FVTPL if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

*Held-to-maturity*

A financial asset is classified as held-to-maturity if the asset has fixed or determinable payments and fixed maturities that the company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. Any changes to the carrying amount of the asset, including impairment losses, are recognized in other comprehensive income or loss.

*Available-for-sale*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified as loans and receivables, held-to-maturity or FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income or loss and presented within equity in the fair value reserve. Equity instruments that do not have an active market are recorded at cost. When an investment is derecognized, the cumulative gain or loss in other comprehensive income or loss is transferred to profit or loss.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*De-recognition of financial assets*

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

(ii) Non-derivative financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

*Financial liabilities at fair value through profit or loss*

A financial liability is classified at fair value through profit or loss if it is considered to be held-for-trading or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

*Other financial liabilities*

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

*De-recognition of financial liabilities*

The company derecognizes financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

(iii) The company's financial instruments consist of the following:

Financial instrument	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair value
Other receivables	Loans and receivables	Amortized cost
Marketable securities	FVTPL	Fair value
Trade payables	Other financial liabilities	Amortized cost
Other payables	Other financial liabilities	Amortized cost

(m) **Impairment of long-lived assets**

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows.

*Financial assets measured at amortized cost*

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

### *Financial assets carried at cost*

An impairment loss of a financial asset carried at cost, where its fair value cannot be reliably measured, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of similar financial assets. Such impairment losses are not reversed.

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

An impairment loss of an available-for-sale investment security is recognized by transferring the cumulative loss that has been recognized in other comprehensive income or loss, and presented in the fair value reserve in equity, to profit or loss. The cumulative income or loss that is removed from other comprehensive income and recognized in profit or loss is the difference between acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. If, however, the fair value of an impaired available-for-sale equity security increases, the amount of reversal is recognized in other comprehensive income or loss.

## (ii) Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets, other than exploration and evaluation assets, to determine whether there is an indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. Exploration and evaluation assets, however, are reviewed for impairment only when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income or loss. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

## (n) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make accounting estimates and assumptions requiring judgment in applying the company's accounting policies. These estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts may differ from such estimates. Significant areas requiring the use of management estimates are as follows:

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

### *Valuation of exploration and evaluation assets*

The value of exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves which in turn is dependent on future precious metals and mineral prices, future capital expenditures and environmental and regulatory restrictions.

The decision to transfer assets from exploration and evaluation assets to machinery and equipment is based on estimated proven and probable reserves which are in part used to determine a project's technical feasibility and commercial viability.

### *Deferred income taxes*

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted.

They are also based on estimates of the probability of the company utilizing certain tax pools and assets which, in turn, is dependent on estimates of proven and probable reserves, production rates, future precious metals and mineral prices and changes in legislation, tax rates and interpretations by taxation authorities.

The availability of tax pools is subject to audit and further interpretations by taxation authorities. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

### *Share-based payments*

The amounts recorded relating to the fair value of stock options and warrants issued are based on estimates of the future volatility of the company's share price, market price of the company's shares at grant date, expected lives of the options, expected forfeiture rate, expected dividends and other relevant assumptions.

#### (o) **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and highly liquid short-term investments with a maturity date of three months or less when acquired.

#### (p) **Recent accounting announcements**

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing is of the standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective. The company does not expect the impact of such changes on the financial statements to be significant.

#### *IFRS 9 Financial Instruments: Classification and measurement*

IFRS 9, as issued, reflects the first phase of the International Accounting Standards Board's ("IASB's") work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the financial assets.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

### 3. Evaluation and exploration expenses

During the period ended March 31, 2014 the company has directly expensed exploration and evaluation costs in the amount of \$Nil (2013 - \$Nil).

### 4. Cash and cash equivalents

The company's cash and cash equivalents at March 31, 2015 and December 31, 2014 are comprised of the following:

	March 31, 2015	December 31, 2014
Cash	\$ 4,217	\$ 9,127

---

Cash is deposited at an established Canadian financial institution.

### 5. Other receivables

The company's other receivables at March 31, 2015 and December 31, 2014 is comprised of the following:

	March 31, 2015	December 31, 2014
Goods and services tax recoverable	\$ 10,331	\$ 2,477

---

---

### 6. Marketable securities

Marketable securities consist of equity securities over which the company does not have control or significant influence. Marketable securities are designated as fair value through profit or loss. Unrealized gains and losses due to period end revaluation to fair value are included in profit or loss for the period. As at March 31, 2015 the company owned 285,000 (December 31, 2014 – 285,000) common shares of Mega Precious Metals Inc.

The total value of the company's marketable securities at March 31, 2015 and December 31, 2014 is as follows:

	March 31, 2015	December 31, 2014
Marketable securities - fair value	\$ 11,400	\$ 12,825
Marketable securities - cost	\$ 76,950	\$ 76,950

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

### 7. Machinery and equipment

The company's machinery and equipment at March 31, 2015 and December 31, 2014 is comprised of the following:

	Exploration and evaluation equipment	Vehicles	Computer equipment	Total
<b>Cost</b>				
Balance, December 31, 2014 and March 31, 2015	\$ 21,741	\$ 7,568	\$ 16,418	\$ 45,727
<b>Accumulated depreciation</b>				
Balance, December 31, 2014	\$ 14,425	\$ 5,361	\$ 16,243	\$ 36,029
Balance, March 31, 2015	\$ 14,425	\$ 5,361	\$ 16,243	\$ 36,029
<b>Carrying value</b>				
At December 31, 2014	\$ 7,316	\$ 2,207	\$ 175	\$ 9,689
At March 31, 2014	\$ 7,316	\$ 2,207	\$ 175	\$ 9,689

### 8. Exploration and evaluation assets

(a) The company has capitalized the following amounts as at March 31, 2015 and December 31, 2014:

	March 31, 2015	December 31, 2014
Acquisition costs:		
Halkirk-Watten Project	\$ 115,500	\$ 115,500
Deferred exploration costs:		
Hook Bay of Helena Lake	88,754	88,754
Halkirk-Watten Project	525,090	525,090
Menary Gold Project	1,455,322	1,455,322
Darkwater Gold Mine at Sturgeon Lake	89,508	89,508
Blackjack Property	34,968	35,968
	2,194,642	2,194,642
	\$ 2,310,142	\$ 2,310,142

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

(b) A summary of the exploration and evaluation asset activity for the period is as follows:

Balance, December 31, 2014	\$ 2,310,142
Balance, March 31, 2015	\$ 2,310,142

### 9. Other payables

The company's other payables at March 31, 2015 and December 31, 2014 is comprised of the following:

	March 31, 2015	December 31, 2014
Part XII.6 tax payable	\$ -	\$ -
Accrued liabilities	70,000	25,000
Total other payables	\$ 70,000	\$ 25,000

### 10. Income taxes

(a) Canadian development and exploration expenditures

As at December 31, 2014, the company had \$745,829 (2013 - \$816,912) of unused Canadian exploration and development expenses available to offset future taxable income. The tax benefit of these expenses carry forward indefinitely.

(b) Loss carry forwards

The company has total non-capital losses available for carry forward to reduce future year's taxable income in the amount of \$6,117,159 which expires as follows:

2015	\$ 621,151
2016	932,233
2026	548,969
2027	638,118
2028	582,143
2029	495,912
2030	377,922
2031	538,049
2032	424,562
2033	629,007
2034	329,093
Total non-capital losses available for carry-forward	\$ 6,117,159

In addition, the company has capital losses available for carry-forward to reduce future years' capital gains totalling \$153,499 (2013 - \$63,029).

The company has not recognized the potential income tax benefit that may be derived from these tax losses due to the uncertainty that the benefits will be realized.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

### 10. Income taxes (continued)

- (c) Deferred income tax recovery differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rates of 27% (2013 - 27%). The reasons for the differences are as follows:

	2014	2013
Deferred income tax recovery computed at statutory rates	\$ 57,000	\$ 273,000
Permanent differences	(100)	(200)
	56,900	272,800
Valuation allowance	(77,900)	(270,800)
Deferred income tax (expense) recovery, net of flow-through premiums	\$ (21,000)	\$ 2,000

The components of the company's net deferred income tax asset (liability) at December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred income tax assets:		
Machinery and equipment	\$ 88,000	\$ 86,000
Non-capital loss carryforwards	1,652,000	1,563,000
Share issue costs	10,000	26,000
	1,750,000	1,675,000
Deferred income tax liability:		
Exploration and evaluation assets	(422,000)	(399,000)
	1,328,000	1,276,000
Valuation allowance	(1,662,000)	(1,589,000)
Net deferred income tax (liability)	\$ (334,000)	\$ (313,000)

- (d) In assessing the recognition of deferred tax assets, management considers whether it is more likely than not that some portion or all the future tax benefits will be realized. The ultimate realization of deferred tax benefits is dependent upon the generation of future taxable income during the periods in which any temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

### 11. Share capital

(a) Authorized

Authorized share capital consists of an unlimited number of Class A common voting shares and an unlimited number of Class B common non-voting shares.

(b) Changes in issued common shares during the years ended December 31, 2014 and 2013 are as follows:

Year ended December 31, 2014	Number of Class A common shares	Amount
Balance, December 31, 2013 and December 31, 2014	98,976,914	\$ 16,102,036

Year ended December 31, 2013	Number of Class A common shares	Amount
Balance, December 31, 2012	97,676,914	\$ 16,072,286
Shares issued for land options (i)	50,000	3,500
Shares issued for land options (ii)	500,000	10,000
Shares issued for land options (iii)	250,000	8,750
Shares issued for land options (iv)	500,000	7,500
Balance, December 31, 2013	98,976,914	\$ 16,102,036

(i) On January 4, 2013 the company issued 50,000 common shares under a land option agreement relating to the Menary Gold project. Based on the estimated fair value of the land options, the shares were valued at \$3,500.

(ii) On March 13, 2013 the company issued 500,000 common shares under a land option agreement relating to the Blackjack property. Based on the estimated fair value of the land options, the shares were valued at \$10,000.

(iii) On April 10, 2013 the company issued 250,000 common shares under a land option agreement relating to the Menary Gold project. Based on the estimated fair value of the land options, the shares were valued at \$8,750.

(iv) On August 23, 2013 the company issued 500,000 common shares under a land option agreement relating to the Menary Gold project. Based on the estimated fair value of the land options, the shares were valued at \$7,500.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

### 11. Share capital continued:

#### (c) Loss per share

The calculation of basic and diluted loss per share for the years ended 2014 and 2013 is based on the following losses and number of shares:

	2014	2013
(Loss) for the year	\$ (231,398)	\$ (1,010,161)
Weighted average number of shares	98,976,914	98,498,887

All of the outstanding stock options and warrants were anti-dilutive for the relevant periods.

### 12. Share purchase warrants

A summary of the warrant activity for the 3 month period ended March 31, 2015 and for the year ended December 31, 2014 is as follows:

	March 31, 2014	December 31, 2014
Outstanding at beginning of the period and year	-	-
Expired	-	-
Outstanding at end of the period and year	-	-

There was no warrant activity for the three month period ended March 31, 2015.

### 13. Share-based payments

#### (a) Outstanding options

The following table summarizes the 800,000 outstanding options as at March 31, 2015:

	Number outstanding	Exercise price	Expiry date
Directors' options (i)	100,000	\$0.10	July 4, 2016
Directors' options	200,000	\$0.10	September 15, 2016
Directors' options (ii)	500,000	\$0.10	December 29, 2016

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

Due to the resignation of directors, in accordance with the company's stock option plan, 100,000 of these options expired on July 18, 2013, 200,000 of these options expired on February 19, 2014, 1,000,000 of these options expired on October 29, 2014 and 1,550,000 of these options expired on December 8, 2014.

- (ii) Due to the resignation of directors, in accordance with the company's stock option plan, 250,000 of these options expired on July 18, 2013, 250,000 of these options expired February 19, 2014, 500,000 of these options expired on October 29, 2014, and 500,000 of these options expired on December 8, 2014.

### (b) Changes in stock options

A summary of the changes in stock option activity for the years ended December 31, 2014 and 2013 is as follows:

	2014		2013	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at beginning of year	\$ 0.10	5,150,000	\$ 0.10	8,560,000
Forfeited	0.10	(4,350,000)	0.10	(3,350,000)
Expired	0.10	-	0.18	(60,000)
Outstanding and exercisable, end of year	\$ 0.10	800,000	\$ 0.10	5,150,000

The options outstanding at the end of the year have a weighted average exercise price of \$0.10 per share (2013 - \$0.10) and a weighted average remaining contractual life of 1.86 years (2013 - 2.71 years).

### (c) Effects on profit or loss

The total estimated fair value of the options granted and recognized as an expense for the year ended December 31, 2014 is \$Nil (2013 - \$Nil).

## 14. Joint arrangements, land option agreements and commitments

The company has entered into land option agreements and jointly controlled operations. The joint operations have no liabilities or revenues and the assets are limited to exploration and evaluation assets. Expenditures are limited to exploration activities which are deferred in the accounts of the company. The cash flows of the joint operations are limited to the expenditures on exploration activities and are equal to the amounts of these expenditures. The joint operations are subject to certain commitments relating to net smelter rights (NSR).

A summary and description of the company's current ownership interest in its exploration and evaluation assets subject to option agreements where and as applicable are as follows:

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

### 14. Joint arrangements, land option agreements and commitments continued.

Name	Ownership interest
Menary Gold Project (a)	75%
Blackjack Property (c)	100%

(a) Menary Gold Project land option agreement

- (i) The company has entered into an agreement to acquire an option for a number of claim units in a property known as Menary Gold Project. Upon signing the agreement the company paid \$12,000 and issued 50,000 common shares. During 2011 the company paid \$15,000 and issued 50,000 common shares. In January 2012, the company paid \$20,000 and issued 25,000 common shares. Under the option agreement, the company was required to issue 50,000 common shares; however an excess of 25,000 common shares was issued at the time of the initial distribution in error. Therefore, the January 2012 anniversary payment of shares was reduced by 25,000 common shares. In January 2013, the company issued 50,000 common shares (Note 11(b)(i)). On January 8, 2013 the agreement was amended to extend the final required cash payment date from January 15, 2013 to April 15, 2013. In addition, the required payment was increased from \$28,000 to \$35,000. This payment was made in April 2013.

The vendors will retain a 4.5% NSR interest in the property. The company has the right to purchase one half of the NSR for \$1,500,000 at any time.

- (ii) The company has entered into an agreement to acquire an option for 44 claim units located in the Menary and Claxton townships commonly known as Menary Gold Project. Upon signing the agreement the company paid \$20,000 and was required to issue 100,000 common shares. The company issued these shares on August 30, 2011 and, on the same day, issued the 200,000 common shares pursuant to the agreement. In addition the company issued 300,000 common shares pursuant to the agreement on August 20, 2012 and 500,000 common shares pursuant to the agreement on August 23, 2013 (Note 11(b)(iv)).

The vendor will retain a 2.0% NSR interest in the property. The company has the right to purchase one half of the NSR for \$1,000,000 at any time.

- (iii) On April 23, 2012, the company entered into an agreement to acquire a 100% interest in a number of mining claim units in the townships of Menary and Senn in the District of Kenora in the Province of Ontario. Upon signing the agreement, the company issued 250,000 common shares and was required to pay \$6,000 on or before July 6, 2012. The company was granted an extension on this payment in order to re-instate the option which was made by the company in August 2012. In April 2013, the company paid \$10,000 and issued 250,000 common shares. In March 2014, the company paid \$12,000. The company has agreed to pay additional consideration for these options as follows:

2015	\$16,000
2016	\$25,000

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

### 14. Joint arrangements, land option agreements and commitments continued.

The vendor will retain a 2.0% NSR interest in the property. The company has the right to purchase one half of the NSR for \$1,000,000 at any time.

#### (b) Cameron Lake Property land option agreement

The company entered into an agreement to acquire an option for a number of claim units in properties commonly known as the Cameron Lake Property - Meston and Sullivan Prospects. Upon signing the agreement, the company paid \$15,000 and issued 50,000 common shares. The company agreed to pay additional consideration for these options as follows:

2011	\$20,000 and 50,000 common shares
2012	\$30,000 and 50,000 common shares
2013	\$30,000 and 50,000 common shares
2014	\$30,000 and 50,000 common shares

The vendor will retain a 3.0% NSR interest in the property. The company has the right to purchase one half of the NSR for \$1,500,000 at any time.

On September 13, 2010 the company terminated the existing option agreement and entered into an agreement with Lasir Gold Inc. ("Lasir") and Cameron Lake JEX Corporation ("Cameron"), a subsidiary of Coventry Resources Limited, whereby Lasir grants Cameron and the company the right to earn-in a proportionate interest. Under the terms of the agreement, Cameron is required to make cash payments and issue shares to Lasir over the next four years as well as spend a minimum of \$1,000,000 on exploration expenditures prior to February 14, 2014. Cameron is also required to pay the company \$15,000 upon execution of this agreement. Upon completion of all the requirements Cameron and the company will be deemed to have entered into a joint venture agreement with the company's proportionate share being 20%.

The vendor will retain a 3.0% NSR interest in the property. The company has the right to purchase one half of the NSR for \$1,500,000 at any time.

On March 31, 2014 the company conditionally sold its 20% ownership stake in the Meston and Sullivan Prospects property at Cameron Lake (formerly known as the Nucanolan property) in Northwestern Ontario to Cameron Gold Operations Limited, a wholly owned subsidiary of Chalice Gold Mines Limited of Perth, Western Australia for consideration of \$100,000. As a result of this transaction dated March 31, 2014, the Corporation had an Accounts receivable of \$100,000 versus a reduction \$13,024 against capitalized Exploration and evaluation assets (Mineral Properties) and a Gain on the Sale of Exploration and evaluation assets (Mineral Properties) of \$86,976 for Q1 2014. The Accounts receivable itself was collected on April 8, 2014 when \$100,000 was wire transferred by Chalice Gold Mines Limited for deposit to the company's bank account at the Assiniboine Credit Union on April 8, 2014.

#### (c) Blackjack Property land option agreement

On January 20, 2013, the company entered into an agreement to acquire an option in a number of claim units known as the Gold Hill - Blackjack Property in the townships of Kirkup and Manross in the Kenora Mining District in the Province of Ontario. The company can earn a 100% interest in the property by making a one-time payment of \$18,100 and issuing 500,000 common shares. In December 2012, the company made an advance of \$1,000 and in January 2013 made an additional payment of \$1,000. In March 2013 the company issued the 500,000 common shares and in April 2013 made a payment of \$15,875.

The vendor will retain a 2.0% NSR interest in the property. The company has the right to purchase one half of the NSR for \$1,000,000 at any time.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

### 15. Related party transactions

#### (a) Key management personnel compensation

The company did not pay employment based remuneration to directors, officers and other members of key management for the period ended March 31, 2014 and 2013. However, the company did pay contract based remuneration to directors, officers and other members of key management as disclosed in Note 15(b).

#### (b) Other related party transactions

Included in these financial statements are the following related party transactions, which have been determined by negotiation amongst the related parties. These transactions are in the normal course of operations and are measured at the same value as if the transactions had occurred with non-related parties. Certain expenditures relating to exploration have been capitalized to exploration and evaluation assets.

	2015	2014
Kyle Picard Advisory Services, a business owned by a director and officer for consulting services relating to a position of office for the company	-	-
Raymond L. Préfontaine Advisory Services, a business owned by a director and an officer for consulting services relating to a position of office for the company	25,500	70,678
A former director for consulting services relating to information technology and website support	-	1998
7851235 Canada Ltd., a business owned by a director, for consulting services relating to marketing and administrative support	145,540	123,560

In addition in 2013, the company sold minor machinery and equipment to a former director of the company for gross proceeds of \$1,000 resulting in a Loss on disposal of machinery and equipment in the amount of \$1,274. The company also sold minor machinery and equipment to a former director of the company for gross proceeds of \$175 resulting in a Gain on disposal of machinery and equipment in the amount of \$32.

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

---

### 16. Financial instruments

(a) Risk management and hedging activities

In the normal course of operations, the company is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The company does not meaningfully participate in the use of financial instruments to control these risks. The company has no designated hedging transactions. The financial risks and management's risk management objectives and policies are as follows:

(i) Currency risk

The company does not hold any assets or liabilities denominated in a foreign currency therefore is not exposed to currency risk.

(ii) Price risk

The company is exposed to price risk with respect to commodity prices. As the company is not a producing entity, this risk does not currently affect earnings; however, the risk could affect the completion of future equity transactions. The company monitors commodity prices of precious metals and the stock market to determine the timing, nature and extent of equity transactions.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company. The company is exposed to credit risk on its financial assets. Cash is held with an established Canadian financial institution and the company's other receivables are from Canadian government entities, from which management believes the risk of loss to be remote. The company does not have any derivatives or similar instruments that mitigate the maximum exposure to credit risk.

The carrying amount of financial assets recorded in the financial statements in the amount of \$11,604 (2013 - \$30,577) represents the maximum exposure to credit risk at the reporting date.

(iv) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. It is management's opinion that it is unlikely that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. As at March 31, 2015, the company has a working capital deficiency in the amount of \$426,875 (December 31, 2014 – deficit working capital of \$426,875).

The contractual maturities of financial liabilities, at March 31, 2015 and December 31, 2014, based on the earliest date on which payment can be required, are as follows:

As at March 31, 2015	Total amount	Six month or less	More than six months
Trade payables	\$ 874,743	\$ 874,873	\$ -
Accrued liabilities	20,000	20,000	-
	\$ 894,743	\$ 894,743	\$ -

---

# KING'S BAY GOLD CORPORATION

## Notes to Financial Statements

For the period ended March 31, 2015 (unaudited)

(Expressed in Canadian dollars)

As at December 31, 2014						
Trade payables	\$	662,717	\$	662,717	\$	-
Accrued liabilities		70,000		70,000		-
	\$	732,717	\$	732,717	\$	-

### (v) Interest rate risk

The company is not exposed to any meaningful interest rate risk due to the short term nature of its interest generating asset.

### (b) Sensitivity analysis

The company has cash and cash equivalents as at March 31, 2015 subject to interest rate risk of approximately \$4,127 (2014 - \$11,916). A 1% change in the primary interest rate would affect the reported net income, on an annualised basis, by \$41 (2014 - \$120).

### (c) Fair values, carrying amounts and changes in fair value

The fair values of the company's financial instruments approximate their carrying value due to their short-term nature. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into the following three levels:

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level two includes inputs that are observable other than quoted prices included in level one.

Level three includes inputs that are not based on observable market data.

The company's financial instruments within the fair value hierarchy as at March 31, 2015 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 4,127	\$ -	\$ -
Marketable securities	11,400	-	-
	\$ 15,527	\$ -	\$ -

The company's financial instruments within the fair value hierarchy as at December 31, 2014 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 9,127	\$ -	\$ -
Marketable securities	12,825	-	-
	\$ 118,167	\$ -	\$ -

### (d) Collateral

The carrying value of financial assets the company has pledged as collateral is \$Nil (2012 - \$Nil).

# **KING'S BAY GOLD CORPORATION**

## **Notes to Financial Statements**

**For the period ended March 31, 2015 (unaudited)**

**(Expressed in Canadian dollars)**

---

### **17. Capital management**

As the company is in the exploration stage, its principal source of capital is from the issuance of common shares. The company's capital management objective is to obtain sufficient capital to maintain its exploration activities for the benefit of its stakeholders. To meet its objectives, management monitors the company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. The company is not subject to externally imposed capital requirements or restrictions. Management is of the opinion that the amounts and changes in the company's capital is readily determinable from information provided in these financial statements.

### **18. Insurance coverage**

Commencing on December 1, 2007, the company obtained Directors' and Officers' insurance coverage with the Chartis Insurance Company of Canada (formerly known as AIG Commercial Insurance Company of Canada). Originally the liability limit for this policy was \$5,000,000 but was subsequently reduced effective December 1, 2008. The liability limit of this policy is now \$1,000,000. The deductible for the Directors' & Officers' Insurance is \$25,000 per event. The policy was underwritten by Canadian Resource Insurance Solutions of Sudbury, ON.