PRIME MERIDIAN RESOURCES CORP.

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Prime Meridian Resources Corp.

We have audited the accompanying consolidated financial statements of Prime Meridian Resources Corp, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in shareholder's deficiency and cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Prime Meridian Resources Corp as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis* of *matter
We draw attention to Note 1 in the consolidated financial statements which advises that Prime Meridian Resources Corp. has had recurring operating losses and additional material uncertainties that may cast significant doubt about its ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

"DMCL"

May 4, 2015 — DALE MATHESON CARR-HILTON LABONTE LLP
Vancouver, Canada — CHARTERED ACCOUNTANTS

PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Financial Position
As at December 31, 2014 and 2013
Expressed in Canadian Dollars

	Notes		December 31, 2014		December 31, 2013
ASSETS					
Current assets					
Cash		$	107,337	$	81
Marketable securities	6		10,000		-
GST receivable			13,796		1,421
			131,133		1,502
Non-current assets					
Reclamation bond			11,611		53,180
Exploration and evaluation assets	6		-		1
TOTAL ASSETS		$	142,744	$	54,683
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable	7	$	272,823	$	68,157
Payable to Primrose Drilling Ventures Ltd.	7		592,671		1,137,946
Total liabilities			865,494		1,206,103
Shareholders' deficiency					
Share capital	8		7,061,088		6,303,215
Contributed surplus	9		2,061,425		2,061,425
Accumulated other comprehensive loss			(352,700)		(309,383)
Deficit			(9,492,563)		(9,206,677)
Total shareholders' deficiency			(722,750)		(1,151,420)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$	142,744	$	54,683

Nature of operations and going concern (Note 1)

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

Approved on behalf of the directors on April 30, 2015

"Brian Leeners" ____________________ **Director**

"Chantal Schutz" ____________________ **Director**

PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2014 and 2013
Expressed in Canadian Dollars

	Notes	December 31, 2014	December 31, 2013
Expenses			
Consulting and management fees	7	$ 277,990	$ 89,241
Insurance		7,698	11,375
Office and miscellaneous		13,698	3,390
Rent	7	84,613	-
Professional fees		18,205	42,286
Transfer agent and filing fees		16,720	24,398
Loss before other items		(418,924)	(170,690)
Other income (expense)			
Loss on disposal of marketable securities	6	(4,500)	(11,937)
Gain on disposal of exploration and evaluation assets	6	66,517	-
Gain on forgiveness of debt	7	83,084	-
Impairment of exploration and evaluation assets	6	(25,001)	(2,368,056)
Recovery of exploration and evaluation expenditures	6	12,938	-
Interest income		-	3,819
Loss for the period		(285,886)	(2,546,864)
Other comprehensive income (loss)			
Foreign exchange translation of subsidiary to presentation currency		(43,317)	86,641
Comprehensive loss for the period		$ (329,203)	$ (2,460,223)
Basic and diluted comprehensive loss per share		$ (0.02)	$ (0.20)
Weighted average number of common shares outstanding		13,854,159	12,475,421

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

PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
Expressed in Canadian Dollars

		December 31, 2014		December 31, 2013
Cash provided by (used in):				
Operating activities				
Net loss for the period	**$**	**(285,886)**	$	(2,546,864)
Items not affecting cash:				
Foreign exchange		**(217)**		-
Loss (gain) on disposal of marketable securities		**4,500**		11,937
Gain on disposal of exploration and evaluation assets		**(73,394)**		-
Gain on forgiveness of debt		**(83,084)**		-
Recovery of exploration and evaluation expenditures		**(4,500)**		-
Impairment of exploration and evaluation assets		**25,001**		2,368,056
Changes in non-cash working capital items:				
Accounts payable		**204,665**		8,342
GST receivable		**(12,375)**		33,203
Prepaid expenses and deposits		**-**		11,927
Net cash provided by (used in) operating activities		**(225,290)**		(113,399)
Investing activities				
Exploration and evaluation expenditures		**(25,000)**		(62,443)
Proceeds received on refund of reclamation bond		**44,716**		-
Proceeds received on sale of exploration and evaluation assets		**63,394**		-
Net cash provided by (used in) investing activities		**83,110**		(62,443)
Financing activities				
Private placement funds received		**757,873**		-
Advances from (repayments to) related parties		**(508,438)**		175,082
Net cash provided by (used in) financing activities		**249,435**		175,082
Net increase (decrease) in cash		**107,256**		(760)
Cash, beginning of the period		**81**		841
Cash, end of the period	**$**	**107,337**	$	81

Non-cash transactions (Note 10)

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

PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the Years Ended December 31, 2014 and 2013
Expressed in Canadian Dollars

	Number of common shares outstanding	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity (deficit)
Balance, December 31, 2012	12,475,422	$ 6,303,215	$ 2,061,425	$ (395,844)	$ (6,659,813)	$ 1,308,983
Foreign exchange translation of subsidiary to presentation currency	-	-	-	86,461	-	86,461
Loss for the period	-	-	-	-	(2,546,864)	(2,546,864)
Balance, December 31, 2013	**12,475,422**	**$ 6,303,215**	**$ 2,061,425**	**$ (309,383)**	**$ (9,206,677)**	**$ (1,151,420)**
Foreign exchange translation of subsidiary to presentation currency	**-**	**-**	**-**	**(43,317)**	**-**	**(43,317)**
Private placement net of share issuance costs	**8,115,000**	**806,693**	**-**	**-**	**-**	**806,693**
Subscriptions receivable		**(48,820)**				**(48,820)**
Loss for the period	**-**	**-**	**-**	**-**	**(285,886)**	**(285,886)**
Balance, December 31, 2014	**20,590,422**	**$ 7,061,088**	**$ 2,061,425**	**$ (352,700)**	**$ (9,492,563)**	**$ (722,750)**

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

1. Nature of operations and going concern

Prime Meridian Resources Corp. ("the Company") was federally incorporated on February 22, 2007 and is a public company listed on the TSX Venture Exchange ("TSX-V"). The principal business activity of the Company is the exploration and evaluation of mineral property interests in North America. The corporate head office of the Company is located at #700 – 1199 West Hastings Street, Vancouver, B.C., V6E 3T5.

The Company's assets are in the exploration and evaluation stage and the Company has not yet determined whether the properties contain ore reserves that are economically recoverable. The ability of the Company to complete the acquisition, exploration and development of its properties will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and or other means.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at December 31, 2014, the Company had no source of operating cash flows and reported comprehensive loss for the year of $329,203 (2013 – $2,856,247), working capital deficit of $734,361 (2013 - $1,204,601), has an accumulated deficit of $9,492,563 (2013 - $9,206,677) and expects to incur further losses in the development of its properties. These factors cast substantial doubt about the Company's ability to continue as a going concern. Management has determined that the Company will require additional financing to meet its obligations for the next fiscal year. Continued operations are dependent on the Company's ability to complete equity financings and secure project debt financing. It is not possible to predict whether financing efforts will be successful.

These consolidated financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements are audited and represent the annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IAS").

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Prime Meridian Resources Inc.

The Board of Directors approved these consolidated financial statements on April 30, 2015.

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary. The functional currency of the subsidiary is the United States dollar.

c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingency liabilities as at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Key critical judgment in applying accounting policies:

Determination of functional currency

The Canadian dollar has been determined as the functional currency of the parent, because the Canadian dollar is the currency of financing activities. The United States dollar has been determined as the functional currency of the wholly-owned subsidiary, because the United States dollar is the primary currency of financing activities.

Key sources of estimation uncertainty:

Impairment of exploration and evaluation assets

In the determination of impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Estimation of decommissioning and restoration costs and the timing of expenditure

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, when those obligations result from the exploration or development of its properties. The Company assesses its provision for site reclamation at each reporting date. Significant estimates and assumptions are made in determining the provision for site reclamation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of any future reclamation costs required. The Company has not recognized any decommissioning liabilities.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Share-based payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Management determines values for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and for stock based compensation, future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain, and any changes in these assumptions affect the fair value estimates.

3. Significant accounting policies

The significant accounting policies of the Company are as follows:

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

b) Foreign currency translation

The functional currency of the parent company is the Canadian dollar, and the functional currency of the subsidiary is the United States dollar.

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchanges gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of comprehensive loss.

Assets and liabilities of the subsidiary with a functional currency in US dollars are translated at the period end rates of exchange, and the results of its operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income as a separate component shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

c) Cash and cash equivalents

Cash is comprised of cash on hand and deposits in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d) Reclamation bond

The Company maintains cash deposits, as and when required by regulatory bodies, as assurance for the funding of reclamation work. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled, and are therefore classified as long term assets.

e) Exploration and evaluation assets

General exploration and evaluation expenditures incurred prior to acquiring the legal right to explore are charged to the statement of comprehensive loss as incurred.

Exploration and evaluation assets represent the costs incurred on the exploration and evaluation of potential mineral resources and include costs such as exploratory drilling, sample testing, activities in relation to evaluation of technical feasibility and commercial viability of extracting a mineral resource, surveying, geological and geotechnical expenditures, land maintenance, sampling and storage, mineral claims and permits, and general and administrative costs relating to the support of exploration and evaluation activities. If economically recoverable ore reserves are developed, capitalized costs of the exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. No amortization charge is recognized in respect of exploration and evaluation assets. When an exploration and evaluation asset is abandoned, all related costs are written off to profit or loss.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. The recoverability of these assets is dependent upon successful development or sale of the undeveloped project. All capitalized exploration and evaluation expenditures are assessed for impairment if facts and circumstances indicate that impairment may exist. If a project does not prove viable or is abandoned, all unrecoverable costs associated with the project, net of any impairment provisions are recognized in comprehensive loss.

f) Provisions

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is included in comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these decommissioning activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation will generally arise when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in comprehensive loss as a finance cost. Additional disturbances or changes in decommissioning costs will be recognized as additions or charges to the corresponding assets and decommissioning liability when they occur. For closed sites, changes to estimated costs are recognized immediately in comprehensive loss.

The Company does not currently have any such significant legal or constructive obligations and therefore no reclamation provisions have been recorded.

g) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its 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 to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU 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 CGU in prior periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

h) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes option pricing model.

The fair value is estimated at grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

i) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options and warrants are considered anti-dilutive when the Company is in a loss position.

j) Income taxes

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

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 tax authorities.

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amount of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets 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.

k) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through the statement of comprehensive loss. Cash is included in this category of financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition at fair value, they are measured at fair value and changes therein are recognized in accumulated other comprehensive income (loss) and presented within equity in accumulated other comprehensive loss. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to comprehensive loss. The Company does not have any available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date, and are carried at amortized cost, using the effective interest method, less any impairment. Loans and receivables are comprised of reclamation bond.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, held with the intention of holding these investments to maturity and subsequently measured at amortized cost. These investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence indicating that one or more events have had a negative impact on the estimated future cash flows of that asset. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

An impairment loss in respect of a financial assets measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale asset is calculated by reference to its fair value and any amounts in other comprehensive income are transferred to net loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Gains or losses related to impairment or de-recognition are recognized in the statement of comprehensive loss in the period in which they occur. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other financial liabilities include accounts payable and accrued liabilities and payable to related party.

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 issuance costs.

l) New accounting standards, amendments and interpretations

New accounting standards adopted:

The following standards, amendments and interpretations have been adopted by the Company as of January 1, 2014. There was no material impact on the financial statements as a result of the adoption of these standards, amendments and interpretations:

(i) Amendment to IAS 32 *Financial Instruments: Presentation;* and
(ii) IFRIC 21 *Levies*

Issued but not yet effective:

The following standards, amendments and interpretations plan to be adopted in the future. The Company has not yet assessed the impact these standards, amendments and interpretations might have:

(i) IFRS 7 Financial Instruments: Disclosures (Amendment): Standard amended to clarify requirements for mandatory effective dates and transition disclosures, effective for annual periods beginning on or after January 1, 2015; and
(ii) IFRS 9 Financial Instruments: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Capital management

The Company classifies its share capital and contributed surplus as capital, which at December 31, 2014 totalled $9,122,513 (2013 - $8,364,640). When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financing to fund its activities. In order to carry out exploration activity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

5. Financial instruments and financial risk management

a) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

b) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1 and 2 during the period.

c) Financial risks

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash, which is invested on a short term basis to enable adequate liquidity for payment of operational and capital expenditures. Interest rate risk is considered minimal.

(ii) Foreign currency risk

The Company does not have significant values of financial instruments denominated in currencies that are different than the functional currency of the entity to which they relate. Therefore, foreign currency risk is considered minimal.

(iii) Commodity price risk

The Company will be exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices of these commodities. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors may in turn be influenced by changes in international investment patterns and monetary systems and political developments.

(iv) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from trade receivables. The Company's credit risk is primarily attributable to cash. The Company limits its exposure to credit risk on cash as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote. The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the Company's maximum exposure to credit risk.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. At at December 31, 2104, the Company did not have sufficient cash on hand to pay its short term creditors and does not generate cash from its operations. Accordingly, liquidity risk is considered high.

Expressed in Canadian Dollars

6. Exploration and evaluation assets

A reconciliation of exploration and evaluation assets is as follows:

Balance, December 31, 2012	$	2,255,701
Minnesota properties		
Additions		112,356
Impairment		(2,368,056)
Balance, December 31, 2013	**$**	**1**
Peace River Frac Sands, Alberta		
Acquisition costs		**25,000**
Impairment		**(25,001)**
Balance, December 31, 2014	**$**	**-**

(i) Turner Peridotite, Michigan, USA

On February 11, 2011, the Company entered into an option agreement with Aquila Resources Inc. ("Aquila"), granting Aquila the option to acquire a 100% interest in the Turner Peridotite project located in Michigan. In order to exercise this option, Aquila was required to pay $250,000 ($75,000 paid in 2011 and 2012), complete certain work commitments over a four year period, and either issue 125,000 shares of common stock, pay $500,000 further in cash, or a combination thereof. The property was subject to a 2.5% net smelter royalty in favour of the Company, which could be purchased by Aquila for $700,000. The agreement was terminated and the Company abandoned the property during the year ended December 31, 2013 and an impairment was recorded, bringing the carrying value to $nil.

(ii) Winterfire, Minnesota, USA

Under the terms of an option and joint venture agreement signed in 2010 and subsequently terminated in 2011, the Company was due to receive 250,000 common shares in Wolfden Resources Corp. ("Wolfden"). These shares have been held in escrow under the terms of a share pooling agreement. The shares have been released as follows:

a. October 23, 2012 – 25,000 shares with a fair value of $9,500;
b. February 26, 2013 – 56,250 shares with a fair value of $10,125;
c. June 27, 2013 – 56,250 shares with a fair value of $7,313;
d. October 28, 2013 – 56,250 shares with a fair value of $14,063; and
e. March 12, 2014 – 56,250 with a fair value of $12,938.

On December 4, 2013, under the terms of the Nexvu/Primrose agreement discussed in note 7,193,750 shares were transferred to Primrose Drilling Ventures Ltd. ("Primrose"), a related party, at an agreed value of $0.15 per share to settle debt in the amount of $29,063. A further 56,250 shares were transferred to Primrose during the year ended December 31, 2014 with a fair value of $0.23 per share, resulting in $12,938 being recorded as a recovery of exploration and evaluation expenditures. The shares were transferred to Primrose at an agreed value of $0.15 per share to settle debt in the amount of $8,438, resulting in a loss on disposal of $4,500.

The Company abandoned the Winterfire property in 2011.

(iii) Baraga Basin, Michigan, USA

The Company holds rights to certain exploration claims in Baraga Basin, Michigan. During the year ended December 31, 2013, the Company discontinued its plans to explore this property and an impairment has been recorded bringing the carrying value to $nil as it attempts to sell and re-option the property to a third party. No further obligations or commitments exist for this property and the Company intends to allow further option and claims payments to remain unpaid as they come due.

In August 2014, the Company sold certain of its mineral property interests in Baraga Basin, Michigan to MMG USA

Exploration LLC for proceeds of $56,644 and a royalty equal to 0.5% of net smelter returns. In September 2014, the Company sold certain other of its mineral property interests in Baraga Basin, Michigan to Bitterroot Resources Ltd., ("Bitterroot") for proceeds of $7,500 cash and 500,000 units with a fair value of $10,000, with each unit consisting of one Bitterroot common share and one warrant, exercisable for two years at $0.10 per share. The resulting $74,144, net of a finder's fee of $750 and property expenses of $6,877, has been recognized as a gain on disposal of exploration and evaluation assets in the statement of comprehensive loss.

(iv) Livingston, Michigan, USA

The Company holds rights to certain exploration claims in Livingston, Michigan. During the year ended December 31, 2013, the Company discontinued its plans to explore this property and an impairment has been recorded bringing the carrying value to $nil. No further obligations or commitments exist for this property and the Company intends to allow further claims payments to remain unpaid as they come due.

(v) Waterhen, Minnesota, USA

The Company holds rights to certain exploration claims in Waterhen, Minnesota. During the year ended December 31, 2013, the Company discontinued its plans to explore this property and an impairment has been recorded bringing the carrying value to $nil. No further obligations or commitments exist for this property and the Company intends to allow further option and claims payments to remain unpaid as they come due.

(vi) Wilson Creek, Michigan, USA

The Company holds rights to certain exploration claims in Wilson Creek, Michigan. During the year ended December 31, 2013, the Company discontinued its plans to explore this property and an impairment has been recorded by the Company, bringing the carrying value to $nil. No further obligations or commitments exist for this property and the Company intends to allow further claims payments to remain unpaid as they come due.

(vii) Chambord and Dissimieux Lake, Quebec, Canada

In July 2014, the Company announced it has executed binding letters of intent pursuant to which the Company has been granted an option to acquire a 10% interest in the Chambord hydrothermal quartz interests and the Dissimieux Lake interest of Phoenix Metals Corp. The Company will have an exclusive period to test the mineralization from the properties for its suitability as a mineral source for the production of hydraulic fracturing proppants. The Company can exercise the option by expending a minimum of $100,000 on the testing process on each project. Upon successful completion of testing, the parties will form a joint venture to develop the property. During the year ended December 31, 2014, the Company decided to abandon these projects.

d) Alberta, Canada

In November 2014, the Company announced that it has entered into a binding letter of intent with Phoenix Metals Inc. to option a 60% interest in four metallic and industrial mineral permits in northwestern Alberta, collectively known as the Peace River Frac Sand Project (note 7). The agreement requires a one-time cash payment of $50,000 ($25,000 paid) and cumulative work expenditures of $500,000 over 24 months. Subsequent to the year ended December 31, 2014, the Company decided to abandon this project. An impairment was recognized in the statement of comprehensive loss in the amount of $25,000.

7. Related party transactions

Compensation paid to key management is $189,210 for the year ended December 31, 2014 (2013 - $83,750).

Expressed in Canadian Dollars

The Company entered into transactions, including compensation of key management, with the following related parties:

Individual	Relationship	Nature of Transactions	Fees incurred period ended December 31, 2014	Fees incurred period ended December 31, 2013	Balance payable at December 31, 2014	Balance payable at December 31, 2013
Brian Leeners	Chief executive officer and director	Management services	$ 90,000	$ 12,500	$ 69,725	$ 13,125
ISG Professional Services Inc.	Annie Storey is a shareholder	Accounting services	60,000	11,250	43,313	11,813
Nexvu Services Inc.	Brian Leeners is a shareholder	Rent and corporate services	80,000	-	11,003	1,447
Avanti Management & Consulting Ltd.	Michael Dehn is a shareholder	Management services	39,210	-	27,825	-
Primrose Drilling Ventures Ltd. ("Primrose")	Alice D. Gardner, former director, is a 25% shareholder of 1280417 Alberta Ltd., which is 100% shareholder of Primrose. Primrose owns 34% of the Company	Management services	-	60,000	592,671	1,137,946
			$ 269,210	$ 83,750	$ 744,537	$ 1,164,331

Balances owing are unsecured, non-interest bearing and have no specified terms of repayment.

In November 2014, the Company entered into a binding letter of intent with Phoenix Metals Inc., a company with directors and officers in common, to option a 60% interest in four metallic and industrial mineral permits in northwestern Alberta, collectively known as the Peace River Frac Sand Project. The agreement requires a one-time cash payment of $50,000 ($25,000 paid) and cumulative work expenditures of $500,000 over 24 months. Subsequent to the year ended December 31, 2014, the Company decided to abandon this project.

In October 2013, the Company entered into an agreement with Nexvu Capital Corp. ("Nexvu"), a company which was a non-related party on signing of the agreement but now shares a common director and officer. The terms of the agreement, as subsequently amended on April 30, 2014, are as follows:

a) Primrose, previously a 70.9% shareholder in the Company, will transfer 10,000,000 pre-consolidated (2,500,000 post-consolidated) common shares of the Company to Nexvu (completed);
b) Nexvu will endeavour to sell these common shares, with proceeds to be used for working capital;
c) The share capital of the Company will be consolidated on a four-for-one basis (completed);
d) Primrose will assign to Nexvu $500,000 of the amount payable to Primrose and will write off the remaining $83,084 (completed);
e) The Company will pay Primrose the $555,978 of residual debt, with a minimum annual payment of US$50,000 commencing October 31, 2014, with the payments accelerated to US$100,000 per annum if the Company has sufficient surplus funds;
f) Nexvu will have an option to purchase 12,686,296 pre-consolidated (3,171,574 post-consolidated) common shares held by Primrose at an exercise price of $0.025 per pre-consolidated share ($0.10 per share post consolidation), and 6,343,148 shares at an exercise price of $0.0375 per pre-consolidated share ($0.15 per share post consolidation) for a period of 36 months; and
g) Alice Gardner will submit her resignation from the board of directors (completed in 2014).

In August 2014, as noted in d) above, the Company assigned $500,000 to Nexvu Capital Corp, which further assigned a portion of the note to officers and directors. The amounts were subsequently repaid by the Company.

Expressed in Canadian Dollars

Related parties purchased 2,000,000 units and 3,000,000 common shares of the private placement discussed in note 8.

8. Share capital

Authorized: unlimited common voting shares, without par value.

During the year ended December 31, 2014, the issued and outstanding common shares of the Company were consolidated on a four-to-one basis. All number of shares and per share amounts have been retroactively adjusted.

During the year ended December 31, 2014, the Company closed a private placement consisting of 5,115,000 (post-consolidated) units at a price of $0.10 per unit for gross proceeds of $511,500, and 3,000,000 common shares at a price of $0.10 per share. The units each consist of one common share and one warrant, with each warrant entitling the holder to acquire one additional common share at a price of $0.50 per share for one year from closing. The warrants are subject to the right of the Company to accelerate the exercise period if the common shares of the Company trade above $0.60 for a period of 10 consecutive trading days. No common shares were issued during the years ended December 31, 2013.

9. Options and warrants

a) Stock options

The Company has adopted an incentive stock option plan (the "SOP"), as amended, under the rules of the TSX-V pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 20% of the issued and outstanding common shares of the Company. Under the SOP, the option exercise price of any option granted shall be equal to the greater of either the amount designated by the administrator at the time of grant, or the discounted market price of the Company's common shares for the 10 trading days immediately preceding the day on which the TSX-V received notice that options have been granted under this SOP. For the purpose of the SOP, the discounted market price is calculated in accordance with the policies of the TSX-V at the time of grant of the options. The administrator may also determine that the option exercise price per common share may escalate at a specified rate or rates. The options can be granted for a maximum term of 5 years and vest immediately. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Pursuant to the policies of the TSX Venture Exchange, shares issued upon the exercise of options are restricted from trading during the 4 month period subsequent to the exercise of the options. For stock options granted to employees, officers, directors and consultants, the Company recognizes stock based compensation expense based on the estimated fair value of the stock options granted as calculated using the Black-Scholes option-pricing model on the date of the grant.

No stock options were issued by the Company during the year ended December 31, 2014 and 2013, and no stock options are outstanding as at December 31, 2014 and 2013.

A summary of changes in options outstanding during the period is as follows:

	Number of options	Weighted average exercise price
Balance, December 31, 2012	206,250	$ 0.64
Expired	**(206,250)**	**0.64**
Balance, December 31, 2014 and 2013	**-**	**$ -**

b) Warrants

During the year ended December 31, 2014, 5,115,000 warrants were issued as part of the private placement discussed in note 8, with each warrant entitling the holder to acquire one additional common share at a price of $0.50 per share for one year from closing. The warrants are subject to the right of the Company to accelerate the exercise period if the common shares of the Company trade above $0.60 for a period of 10 consecutive trading days. The Company did not have any outstanding warrants at December 31, 2013. No value was attributed to the warrants.

Expressed in Canadian Dollars

A summary of changes in warrants outstanding during the period is as follows:

	Number of warrants		Weighted average exercise price	Weighted average warrant life (years)
Balance, December 31, 2013 and 2012	-	$	-	
Issued	5,115,000		0.50	
Balance, December 31, 2014	5,115,000	$	0.05	0.83

10. Non-cash transactions

The Company incurred the following non-cash transactions during the years ended December 31, 2014 and 2013:

		December 31, 2014		December 31, 2013
Fair value of Wolfden shares received on option of property	$	12,938	$	41,000
Deemed value of Wolfden shares applied to reduce payable to related party		8,438		29,063
Assignment of debt from Primrose Drilling Ventures Ltd. to Nexvu Capital Corp.		500,000		-
Forgiveness of debt to Primrose Drilling Ventures Ltd.		83,084		-

11. Segmented information

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties. The Company's exploration and evaluation assets are located in Canada and the United States.

12. Contingent liabilities

The Company's exploration and evaluation assets are affected by the laws and regulations concerning environmental protection that exist in the various jurisdictions. It is not possible to estimate the future impact on operating results, if any, as a result of, future changes in regulations or developments.

13. Financial instruments

Financial assets and financial liabilities as at December 31, 2014 and 2013 were as follows:

As at December 31, 2014		Loans and receivables		Assets/liabilities at fair value through profit and loss		Other liabilities		TOTAL
Cash	$	-	$	107,337	$	-	$	107,337
Reclamation bonds		11,611		-		-		11,611
Accounts payable		-		-		272,823		272,823
Payable to related party		-		-		592,671		592,671

Expressed in Canadian Dollars

At December 31, 2013	Loans and receivables	Assets/liabilities at fair value through profit and loss	Other liabilities	TOTAL
Cash	$ -	$ 81	$ -	$ 81
Reclamation bonds	53,180	-	-	53,180
Accounts payable	-	-	68,157	68,157
Payable to related party	-	-	1,137,946	1,137,946

14. Income taxes

Significant items resulting in the difference between the Company's income tax rate and the statutory rate of 26% (2013 - 26%) are as follows:

	December 31, 2014	December 31, 2013
Loss before income taxes	**$ (329,203)**	$ (2,460,223)
Expected income tax recovery at statutory rate	**(85,593)**	(615,056)
Effect of higher rate in foreign jurisdiction	**(225,294)**	(184,341)
Change in valuation allowance	**310,887**	799,397
Deferred income tax provision (recovery)	**$ -**	$ -

	December 31, 2014	December 31, 2013
Non-capital loss carryforwards	**$ 2,066,215**	$ 1,780,329
Exploration and evaluation assets - Canada and US	**865,173**	840,172
Valuation allowance	**(2,931,388)**	(2,620,501)
Deferred income tax assets (liabilities)	**$ -**	$ -

The Company has approximately $8,265,000 of capital and non-capital losses which under certain circumstance can be used to reduce the taxable income of future years. The losses expire at various dates through 2034.