QMX GOLD CORPORATION

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the years ended
December 31, 2014 and 2013
(expressed in Canadian dollars)

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

2005 Sheppard Avenue East, Suite 300
Toronto, Ontario
M2J 5B4, Canada
Phone 416-496-1234
Fax 416-496-0125
Web www.mhc-ca.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of QMX Gold Corporation:

We have audited the accompanying consolidated financial statements of QMX Gold Corporation and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity 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 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 QMX Gold Corporation and its subsidiary as at December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended December 31, 2014, a working capital deficiency as at December 31, 2014 and the default of significant amounts of debt. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 28, 2015

QMX GOLD CORPORATION

Annual Consolidated Statements of Financial Position

in Canadian dollars

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Current assets:			
Cash and cash equivalents		$ 1,466,330	$ 414,850
Restricted cash equivalents	14	3,900,000	-
Amounts receivable	7	216,100	329,897
Tax credit receivable	8	-	233,261
Inventories	9	2,302,314	2,801,157
Prepaid expenses	10	618,081	1,643,090
Investments	11	4,922	5,930
Total current assets		8,507,747	5,428,185
Non-current assets:			
Shares on hand or in escrow to be received	11	-	2,964,525
Property, plant and equipment	12	3,937,029	4,649,216
Assets held for sale	14	19,790,330	25,473,229
Mineral properties and deferred exploration expenditures	13	28,059,488	31,578,550
TOTAL ASSETS		$ 60,294,594	$ 70,093,705
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	15, 28	$ 9,686,482	$ 11,118,372
Deposit on assets held for sale	14	-	1,063,600
Liabilities of assets held for sale	14	4,964,661	4,132,782
Current portion of finance lease obligations		-	6,559
Short term loan	16	19,191,319	18,453,460
Liability component of debentures	17	4,698,283	4,180,973
Debenture	18	1,461,512	-
Provision for closure and reclamation	19	557,000	-
Total current liabilites		40,559,257	38,955,746
Non-current liabilities :			
Provision for closure and reclamation	19	2,723,000	2,613,000
Total liabilities		43,282,257	41,568,746
Equity:			
Share capital	20	133,576,803	133,576,803
Commitment to issue shares	22	148,150	148,150
Equity component of debentures	17	-	1,512,541
Share-based payments reserve	21	1,025,680	1,679,181
Transaction with owners	22	100,845	100,845
Accumulated deficit		(117,839,141)	(108,492,561)
Total equity		17,012,337	28,524,959
TOTAL LIABILITIES AND EQUITY		$ 60,294,594	$ 70,093,705

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Approved on behalf of the Directors:

"David Rigg"
Director

"Robert Bryce"
Director

-See accompanying notes to the annual consolidated financial statements -

QMX GOLD CORPORATION

Annual Consolidated Statements of Operations and Comprehensive Loss
in Canadian dollars

	Notes	Years ended December 31, 2014	2013
Revenue		**$ 27,911,956**	$ 30,614,676
Cost of sales			
Mine operating expenses		**(22,116,245)**	(25,038,494)
Depletion and depreciation		**(5,110,506)**	(5,997,784)
Cost of sales		**(27,226,751)**	(31,036,278)
Gross income/(loss)		**685,205**	(421,602)
Other income and expenses			
Professional, consulting and management	21	**(1,285,278)**	(2,122,475)
Other general and administrative expenses		**(434,459)**	(610,228)
Other gains and (losses)	23	**(1,660,313)**	(2,723,112)
Finance income		**74,617**	80,581
Finance costs	24	**(5,317,088)**	(6,723,642)
Impairment on mineral properties	14	**(3,575,306)**	(30,052,666)
(Loss) before income tax		**(11,512,622)**	(42,573,144)
Deferred income tax recovery	21	**-**	201,395
Net (loss) and comprehensive (loss) for the year		**$ (11,512,622)**	$ (42,371,749)
Net (loss) per share			
Basic	25	**$ (0.30)**	$ (1.32)
Diluted	25	**$ (0.30)**	$ (1.32)
Weighted average number of shares outstanding:			
Basic	25	**38,325,574**	32,159,929
Diluted	25	**38,325,574**	32,159,929

QMX GOLD CORPORATION

Annual Consolidated Statements of Cash Flows

in Canadian dollars

	Notes	Years ended December 31, 2014	2013
Cash provided by (used in) operating activities:			
Net (loss)		**$ (11,512,622)**	$ (42,371,749)
Items not involving cash:			
Stock-based compensation	21	**-**	280,733
Depletion and depreciation		**5,110,506**	5,997,784
Non-cash losses on marketable securities	11	**1,133,532**	1,320,005
Accretion and financing costs		**5,150,780**	6,532,880
Unrealized foreign exchange loss		**2,071,025**	1,374,596
Deferred income tax recovery		**-**	(201,395)
Impairment on mineral properties	14	**3,575,306**	30,052,666
Settlement of rental income with shares		**-**	(82,000)
Write off of deposit and financing costs	23	**(542,787)**	-
Non-cash gain on sale of shares	11	**(926,758)**	-
Non-cash gain on sale of asset	12	**(286,431)**	(14,675)
Working capital adjustments:			
Change in receivables		**113,843**	584,647
Change in prepaid expenses		**413,816**	291,429
Change in inventories		**474,868**	139,128
Change in payables and provisions		**(139,823)**	1,554,842
Net cash provided by operating activities		**4,635,255**	5,458,891
Investing activities			
Investment in mineral properties and deferred exploration expenditures		**(118,591)**	(4,388,679)
Property, plant and equipment expenditures		**(316,052)**	(479,494)
Expenditures on assets held for sale	14	**(1,354,963)**	-
Working capital adjustments related to investing activities		**228,879**	(1,426,173)
Exploration tax credits received	8	**391,902**	1,387,314
Exercise of warrants	11	**(73,800)**	-
Deposit on assets held for sale	14	**-**	1,042,700
Cash proceeds from sale of assets	12	**425,660**	397,207
Cash proceeds from sale of shares	11	**2,832,559**	-
Net cash provided by/(used in) investing activities		**2,015,594**	(3,467,125)
Financing activities			
Repayment towards short-term loan		**(2,011,855)**	-
Financing costs and interest on short-term loans		**(3,580,955)**	(2,547,855)
Finance lease payments		**(6,559)**	(64,648)
Net cash (used in) financing activities		**(5,599,369)**	(2,612,503)
Change in cash and cash equivalents		**1,051,480**	(620,737)
Cash and cash equivalents, beginning of the year		**414,850**	1,035,587
Cash and cash equivalents, end of the year		**$ 1,466,330**	$ 414,850
Cash and cash equivalents are comprised of:			
Cash in bank		**$ 1,435,482**	$ 384,247
Cash equivalents		**30,848**	30,603
Non-cash investing and financing transactions			
Common shares issued for interest payment		**$ -**	$ 633,230
Accounts payable converted to long-term debt	18	**1,716,238**	-
Depreciation charged to mineral properties		**52,156**	197,677
Depreciation charged to assets held for sale		**88,613**	-
Equipment acquired under capital leases		**-**	64,920
Stock-based compensation charged to mineral properties		**-**	47,230
Interest paid		**127,214**	123,976

QMX GOLD CORPORATION

Annual Consolidated Statements of Changes in Equity

in Canadian dollars

	Share capital		Commitment to issue shares	Equity Component of Convertible debenture	Share-based payments reserve	Transaction with owners	Accumulated Deficit	Total equity
	No.	$	$	$	$	$	$	$
Balance, December 31, 2013	38,325,574	133,576,803	148,150	1,512,541	1,679,181	100,845	(108,492,561)	28,524,959
Expiry of stock options	-	-	-	-	(653,501)	-	653,501	-
Expiry of conversion feature	-	-	-	(1,512,541)	-	-	1,512,541	-
Loss for the year	-	-	-	-	-	-	(11,512,622)	(11,512,622)
Balance, December 31, 2014	**38,325,574**	**133,576,803**	**148,150**	**-**	**1,025,680**	**100,845**	**(117,839,141)**	**17,012,337**
Balance, December 31, 2012	30,080,004	132,943,573	148,150	1,512,541	4,383,150	100,845	(68,987,019)	70,101,240
Stock-based compensation	-	-	-	-	327,963	-	-	327,963
Value of repriced warrants	-	-	-	-	35,670	-	-	35,670
Expiry of stock options	-	-	-	-	(3,067,602)	-	2,866,207	(201,395)
Shares issued in lieu of interest payment	8,245,570	633,230	-	-	-	-	-	633,230
Loss for the year	-	-	-	-	-	-	(42,371,749)	(42,371,749)
Balance, December 31, 2013	**38,325,574**	**133,576,803**	**148,150**	**1,512,541**	**1,679,181**	**100,845**	**(108,492,561)**	**28,524,959**

1. Nature of operations and going concern

QMX Gold Corporation ("QMX" or the "Company") currently has interests in mineral exploration and evaluation properties in the province of Québec and, through its wholly-owned subsidiary, Garson Gold Corp. ("Garson"), in the province of Manitoba. The Company is in commercial production at the Lac Herbin deposit and is also continuing to focus on the exploration and evaluation of its other gold and base metal projects within these regions. The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada. The Company's shares trade on the TSX Venture Exchange under the symbol "QMX-V".

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These annual consolidated financial statements of the Company for the years ended December 31, 2014 and 2013 were approved and authorized for issue by the Board of Directors on April 28, 2015.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

The Company has a need for equity capital and financing for working capital and exploration and evaluation of its properties. Because of continuing operating losses, a working capital deficiency and the default of significant amounts of debt, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. On October 8, 2014, the lenders delivered to the Company a notice of intention to enforce security pursuant to section 244 of *Bankruptcy and Insolvency Act (Canada)* (the "Act"). The Company and the lenders were negotiating a forbearance agreement (Note 16). Subsequent to the end of the year, the Company entered into a definitive agreement to sell the Snow Lake property, and the proceeds from this transaction are expected to be applied against the outstanding debt (Note 31).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. Basis of preparation

These annual consolidated financial statements of the Company and its subsidiary were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The preparation of financial statements in accordance with International Account Standards ("IAS") 1, Presentation of Financial Statements, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

These annual consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are stated at their fair values. In addition, these annual consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. New and future accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Adoption of this amendment had no significant impact on the Company's financial statements.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. Adoption of this amendment had no significant impact on the Company's financial statements.

IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. Adoption of this amendment had no significant impact on the Company's financial statements.

IFRIC 21 – Levies ("IFRIC 21") was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. Adoption of this standard had no significant impact on the Company's financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 8 - Operating Segments ("IFRS 8") was amended to require an entity to disclose the judgments made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker. The amendments are effective for annual periods beginning on or after July 1, 2014.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

4. Principles of consolidation

The annual consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary, Garson.

Subsidiaries
Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated form the date control ceases.

Business Combinations and Goodwill
On the acquisition of a subsidiary, the purchase method of accounting is used to account for the acquisition as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- directly attributable transaction costs are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"), which are recognized and measured at fair value less costs to sell;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss;
- the interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's fair value; and
- the measurement of contingent consideration at fair value on the acquisition date is preformed with subsequent changes in the fair value recorded through the consolidated statements of operations and comprehensive income/(loss).

All material intercompany transactions are eliminated on consolidation. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The level at which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal purposes, but shall not be larger than an operating segment determined in accordance with IFRS 8, Operating Segments ("IFRS 8"). Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Transactions and non-controlling interests
Transactions with non-controlling interests are treated as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between the consideration paid and the non-controlling share of the carrying value of net assets acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are similarly computed and also recorded in equity.

5. Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

5. Significant accounting judgments, estimates and assumptions (continued)

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges
  In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Capitalization of exploration and mineral property expenditures
  Management has determined that mineral property and exploration and evaluation costs incurred during the period have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 13 for details of capitalized mineral property and exploration and evaluation costs.

- Tax credits receivable
  The Company receives assistance in the form of refundable tax credits from the Québec provincial government. The Company estimates the amounts recoverable based on the relevant tax laws and recognizes a current asset, applying the credits against the mineral exploration properties to which they apply. Such estimates are subject to change based on changes in laws and regulations.

- Mineral reserve estimates
  The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

- Impairment of mineral properties and deferred exploration expenditures
  While assessing whether any indications of impairment exist for mineral properties and deferred exploration expenditures, including producing properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties and deferred exploration expenditures. Internal sources of information include the manner in which mineral properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and deferred exploration expenditures.

- Estimation of decommissioning and restoration costs and the timing of expenditure
  The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

5. Significant accounting judgments, estimates and assumptions (continued)

- 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. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based 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 future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies
  Refer to Note 29.

6. Significant accounting policies

<u>Foreign currency translation</u>
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign exchange gains and losses are presented in the consolidated statement of operations and comprehensive loss within "other gains and (losses)".

The functional currency of the Company and its subsidiary is the Canadian dollar.

<u>Borrowing costs</u>
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

6. Significant accounting policies (continued)

Revenue recognition
Metal sales
Revenue from the sale of metals is recognized when all of the following conditions are satisfied:

- the specific risks and rewards of ownership have been transferred to the purchaser;
- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue
Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which 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 profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

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. For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

Finance costs
Finance costs comprise interest payable on borrowings calculated using the effective interest rate method.

Company as lessee
Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

6. Significant accounting policies (continued)

Taxation

Current tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Mineral properties and deferred exploration expenditures

Exploration and evaluation properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received, are capitalized to mineral properties and deferred exploration. Deferred exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within mineral properties and deferred exploration expenditures.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Development

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as construction-in-progress and classified as a component of mineral properties and deferred exploration expenditures. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues.

6. Significant accounting policies (continued)

Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Depletion/depreciation/amortization
Accumulated mine development costs are depleted on a unit-of-production basis over the estimated economically recoverable reserves of the mine concerned.

Property, plant and equipment
Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

Depreciation/amortization
Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives as follows:

- Buildings - 4 to 30 years
- Machinery and equipment - 4 to 7 years
- Mobile equipment – 3 to 5 years
- Office equipment and furniture – 3 to 8 years

The mill is amortized on a unit-of-production basis.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation/amortization are reviewed at each reporting period, and adjusted prospectively if appropriate.

Major maintenance and repairs
Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalized.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets, which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

Impairment of non-financial assets
The carrying values of mineral properties and deferred exploration expenditures, and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

For exploration and evaluation assets, indicators of impairment would include expiration of a right to explore, no budgeted or planned material expenditures in an area or a decision to discontinue exploration in a specific area.

6. Significant accounting policies (continued)

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of operations so as to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of operations.

Financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, restricted cash equivalents, amounts receivable, shares in escrow and investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income and finance costs in the consolidated statement of operations.

The Company evaluated its financial assets at fair value through profit and loss (held for trading) to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statement of operations. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

6. Significant accounting policies (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of operations. The losses arising from impairment are recognized in the consolidated statement of operations.

Derecognition
A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of operations. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of operations. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of operations.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

6. Significant accounting policies (continued)

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, short-term loan, liability component of debentures, debenture and liabilities of assets held for sale.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of operations. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Interest-bearing loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of operations when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of operations.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of operations.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

6. Significant accounting policies (continued)

Compound financial instruments (debentures)
Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Inventories
Gold doré and stockpiled ore are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product.

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depletion, depreciation and amortization, incurred in converting materials into finished goods.

Materials and supplies are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Provisions
General
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 presented in the consolidated statement of operations, 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.

Rehabilitation provision
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 restoration 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 generally arises 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 the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations and comprehensive (loss).

(Expressed in Canadian dollars unless otherwise noted)

6. Significant accounting policies (continued)

Employee entitlements
Employee entitlements to annual leave are recognized as the employees earn them. A provision, stated at current cost, is made for the estimated liability at period end.

Loss per share
Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

Flow-through shares
Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under US GAAP, but there is no equivalent IFRS guidance. Therefore, the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted market price of the common shares and the amount the investor pays for the flow-through shares. A current liability is recognized for the premium paid by the investors and is then recognized as a deferred income tax liability in the period of renunciation if the Company does not have sufficient unrealized tax losses and deductions.

Non-current assets held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

7. Amounts receivable

	December 31, 2014	December 31, 2013
Taxes receivable	$ 135,031	$ 314,447
Interest receivable	73,097	5,492
Other receivables	7,972	9,958
	$ 216,100	$ 329,897

8. Tax credit receivable

The Company receives assistance in the form of refundable tax credits from the Québec Provincial Government. Assistance is applied to the properties to which it pertains. As at December 31, 2014, the Company has received all tax credits filed. During the year ended December 31, 2014, the Company received $391,902 in assistance related to previous years (2013: $1,387,314). The Company has not incurred exploration expenditures during the year ended December 31, 2014 that are eligible for assistance and consequently $nil was accrued for this period.

(Expressed in Canadian dollars unless otherwise noted)

9. Inventories

	December 31, 2014	December 31, 2013
Materials and supplies	$ 698,738	$ 954,823
Stockpiled ore	1,059,611	600,607
Gold brick or doré bars	543,965	1,245,727
	$ 2,302,314	$ 2,801,157

The amount of inventories recognized as an expense during the year ended December 31, 2014 is $27,226,751 (December 31, 2013: $31,036,278).

All inventory is carried at the lower of cost and net realizable value. Materials and supplies inventory is recorded at cost as at December 31, 2014 and December 31, 2013. As at December 31, 2014 and December 31, 2013, stockpiled ore and gold brick or doré bars were recorded at cost. For the years ended December 31, 2014 and 2013, there was no impairment of inventory and consequently no impairment adjustments were recorded to operating costs for those periods.

10. Prepaid expenses

	December 31, 2014	December 31, 2013
Mining supplier advances	$ 322,388	$ 675,140
Reclamation deposits	187,596	187,596
Deferred financing costs	-	606,054
Insurance	78,290	147,598
Corporate advances	29,807	26,702
	$ 618,081	$ 1,643,090

11. Investments

The Company's investments, held directly or through its subsidiary, include shares in the following securities. These securities are classified as fair value through profit or loss ("FVTPL").

		December 31, 2014		December 31, 2013	
	Classification	No. held	Value	No. held	Value
Current investments					
Centurion Minerals, Ltd.	FVTPL	85,000	$ 4,250	85,000	$ 4,250
Takara Resources, Inc.	FVTPL	33,600	672	33,600	1,680
Current portion			$ 4,922		$ 5,930
Falco Pacific Resource Group Inc. - shares	FVTPL	-	-	7,328,000	2,931,200
Falco Pacific Resource Group Inc. - warrants	FVTPL	-	-	164,000	33,325
Long-term portion			$ -		$ 2,964,525

The Company acquired 7,000,000 shares of Falco Pacific Resource Group Inc. ("Falco") through the sale of its Rouyn properties in September 2012. In July 2014, the Company entered into an agreement with a private company to sell its Falco shares for gross proceeds of $2,583,000, which reflected the highest bid received during a bidding process for the block of shares held freely and in escrow. Subject to the agreement, the Company received a $200,000 deposit on signing of the agreement. The agreement was amended such that the shares were sold in three separate transactions whereby 3,850,000 shares freely held by the Company were sold for gross proceeds of $1,732,500, and 3,150,000 shares that are subject to an escrow agreement would be sold at a price of $0.27 per share, subject to the policies of the TSX Venture Exchange. As required by the lender, the proceeds of this sale were used to reduce the principal and interest outstanding on the Company's loan facility (Note 16).

(Expressed in Canadian dollars unless otherwise noted)

11. Investments (continued)

The Company had rented its office in Val d'Or, Quebec to Falco. In exchange for rental payments owed by Falco to the Company, the Company received 328,000 units of Falco at a price of $0.25 per unit in June 2013. Each unit consisted of one common share of Falco and one-half purchase warrant, whereby one whole warrant allowed the Company to purchase one common share of Falco at an exercise price of $0.45. These warrants were to expire on December 14, 2014. However, Falco elected to accelerate the expiry date of these warrants to August 22, 2014. As a result, the Company exercised these warrants in July 2014, acquiring 164,000 common shares of Falco at a cost of $73,800. The Company then sold these shares in August 2014 for net proceeds of $83,951. The value of the warrants at December 31, 2013 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield: 0%; expected volatility: 149%; risk-free interest rate: 1%; expected life: approximately one year. In January 2014, the Company sold its 328,000 common shares of Falco for net proceeds of $165,608.

The Company recognized realized gains on the sale of its investments of $926,758 for the year ended December 31, 2014 (December 31, 2013: $nil). An unrealized loss of $1,133,532 was recorded as other gains and losses on the consolidated statements of operations and comprehensive loss for the year ended December 31, 2014 with respect to these investments (December 31, 2013: a loss of $1,320,005).

12. Property, plant and equipment

	Office equipment and furniture	Machinery and equipment	Mobile equipment	Buildings	Mill	TOTAL
Cost as at December 31, 2012	299,966	7,920,291	6,731,617	4,432,308	12,959,720	32,343,902
Additions	-	84,145	335,123	113,612	11,534	544,414
Disposals	-	(110,258)	(945,208)	-	-	(1,055,466)
Transfer to assets held for sale	(82,244)	(4,609,681)	(245,454)	(1,403,228)	(2,515,463)	(8,856,070)
Change in rehabilitation provision	-	-	-	-	38,000	38,000
Cost as at December 31, 2013	$ 217,722	$ 3,284,497	$ 5,876,078	$ 3,142,692	$ 10,493,791	$ 23,014,780
Additions	-	-	-	-	316,052	316,052
Disposals	-	-	(547,850)	-	-	(547,850)
Change in rehabilitation provision	-	-	-	-	492,000	492,000
Cost as at December 31, 2014	**$ 217,722**	**$ 3,284,497**	**$ 5,328,228**	**$ 3,142,692**	**$ 11,301,843**	**$ 23,274,982**
Depreciation, depletion and impairment as at December 31, 2012	(245,698)	(2,873,927)	(3,987,071)	(1,320,138)	(9,800,644)	(18,227,478)
Charge for the year	(19,686)	(228,257)	(490,505)	(369,594)	(96,163)	(1,204,205)
Transfer to assets held for sale	82,244	76,317	127,012	107,612		393,185
Disposals	-	45,897	627,037	-	-	672,934
Depreciation, depletion and impairment as at December 31, 2013	$ (183,140)	$ (2,979,970)	$ (3,723,527)	$ (1,582,120)	$ (9,896,807)	$ (18,365,564)
Charge for the year	(1,854)	(117,962)	(562,432)	(329,078)	(411,979)	(1,423,305)
Disposals	-	-	450,916	-	-	450,916
Depreciation, depletion and impairment as at December 31, 2014	**$ (184,994)**	**$ (3,097,932)**	**$ (3,835,043)**	**$ (1,911,198)**	**$ (10,308,786)**	**$ (19,337,953)**
Net book value as at December 31, 2013	$ 34,582	$ 304,527	$ 2,152,551	$ 1,560,572	$ 596,984	$ 4,649,216
Net book value as at December 31, 2014	**$ 32,728**	**$ 186,565**	**$ 1,493,185**	**$ 1,231,494**	**$ 993,057**	**$ 3,937,029**

During the year ended December 31, 2014, the Company expensed $1,383,519 in depreciation to the statements of operations and comprehensive loss (December 31, 2013: $1,006,528) and charged $52,156 to mineral properties and deferred exploration expenditures (December 31, 2013: $197,677).

(Expressed in Canadian dollars unless otherwise noted)

12. Property, plant and equipment (continued)

Included in property, plant and equipment is the Val-d'Or mill that has been operating since the second quarter of 2010. The Company recognized a depreciation expense, calculated on a unit-of-production basis, of $411,979 on the mill for the year ended December 31, 2014 (December 31, 2013: $96,163).

During the year ended December 31, 2014, the Company sold mobile equipment with a net book value of $96,934 for proceeds of $376,100 (December 31, 2013: equipment with a net book value of $318,171 for proceeds of $297,207). The Company consequently recognized a gain of $279,166 for the year ended December 31, 2014 (December 31, 2013: a loss of $20,964).

The assets related to the Snow Lake property have been reclassified as assets held for sale (Note 14). The Company sold vehicles for net proceeds of $49,560 and recognized a net gain on sale of assets of $7,265 for the year ended December 31, 2014 related to assets held for sale in other gains and losses (December 31, 2013: a gain of $35,639 from the sale of a trailer for proceeds of $100,000).

13. Mineral properties and deferred exploration expenditures

	PRODUCING PROPERTY	NON-PRODUCING PROPERTIES			
	Lac Herbin, Quebec	Lac Pelletier, Quebec	VMS, Quebec	Aurbel, Quebec	TOTAL
Cost as at December 31, 2012	$ 38,772,636	$ 19,132,959	$ 13,721,615	$ 7,107,126	$ 78,734,336
Additions	2,331,850	52,441	(263,113)	338,572	2,459,750
Change in rehabilitation provision	8,000	(3,000)	-	-	5,000
Cost as at December 31, 2013	41,112,486	19,182,400	13,458,502	7,445,698	81,199,086
Additions	-	113,126	(66,137)	12,332	59,321
Change in rehabilitation provision	25,000	112,000	-	-	137,000
Cost as at December 31, 2014	**$ 41,137,486**	**$ 19,407,526**	**$ 13,392,365**	**$ 7,458,030**	**$ 81,395,407**
Accumulated depletion and impairment as at December 31, 2012	$ (33,254,300)	$ (12,926,723)	$ -	$ -	$ (46,181,023)
Charge for the year	(4,993,513)	-	-	-	(4,993,513)
Reversal of impairment/(impairment charge)	1,554,000	-	-	-	1,554,000
Accumulated depletion and impairment as at December 31, 2013	(36,693,813)	(12,926,723)	-	-	(49,620,536)
Charge for the year	(3,715,383)	-	-	-	(3,715,383)
Accumulated depletion and impairment as at December 31, 2014	**$ (40,409,196)**	**$ (12,926,723)**	**$ -**	**$ -**	**$ (53,335,919)**
Net book value as at December 31, 2013	$ 4,418,673	$ 6,255,677	$ 13,458,502	$ 7,445,698	$ 31,578,550
Net book value as at December 31, 2014	**$ 728,290**	**$ 6,480,803**	**$ 13,392,365**	**$ 7,458,030**	**$ 28,059,488**

Aurbel Property (including Lac Herbin), Québec

The Company holds a 100% interest in the Aurbel Property (including Lac Herbin), subject to a 4.5% Net Smelter Royalty ("NSR"). Forbes & Manhattan Inc. holds 2% of the NSR. See Notes 18 and 28.

On October 1, 2008, the Company declared the commencement of commercial production at Lac Herbin.

13. Mineral properties and deferred exploration expenditures (continued)

Lac Pelletier Property, Rouyn-Noranda, Québec

Pursuant to the September 2005 option agreement with Thundermin Resources Inc. ("Thundermin"), the Company was entitled to acquire a 100% interest in the Lac Pelletier Property, subject to a 3.5% NSR royalty and $1/tonne toll charge, by spending $1,000,000 in exploration expenditures by September 1, 2008. During 2007, the Company met its expenditure obligations.

Pursuant to the agreement, the Company extended its decision deadline and was required to make a production decision by September 1, 2009 and reach commercial production by September 1, 2010. The Company further amended this agreement such that the production decision deadline had been extended to September 1, 2010 with a payment of $100,000 in 2009. Prior to September 1, 2010, the Company issued a production commitment notice to Thundermin, thereby exercising its option to acquire the Lac Pelletier Property. Thundermin has initiated an arbitration proceeding pursuant to which it has claimed that the purported exercise by the Company of its option to acquire a 100% interest in the property is invalid. Arbitration proceedings took place in August 2013. The Arbitrator delivered its binding decision that the Company's exercise of this option was valid as of August 31, 2010. The Arbitrator has set out a series of deadlines whereby the parties must agree on the ultimate date for the achievement of commercial production. If commercial production is not achieved before August 31, 2015, the Company will be required to make advance royalty payments of $75,000 annually until commercial production is achieved. The Company has until June 2018 to achieve commercial production.

During 2009, the Company entered into a property acquisition agreement to acquire a 100% interest in four mining claims located near Lac Pelletier, subject to a 2% NSR. The Company has the option to purchase, at any time, 50% of the NSR for US$1,000,000.

VMS Properties, Québec

The Company holds a 100% interest in the VMS properties, subject to Teck Cominco Ltd. (formerly Aur Resources Ltd.) retaining between a 2% and a 2.5% NSR on the properties depending on pre-existing underlying royalties. Certain claims forming part of this property are subject to NSR royalties of 1% to 2.5%, net profits royalties of 5% or net proceeds of production royalties of 10% or 25 cent charge per ton milled. Certain of the properties were held under previously existing joint venture agreements. The other party to these agreements has opted to no longer fund the properties.

McMillan Property, Ontario

In December 2011, the Company entered into an agreement to option out its indirect 100% interest in the McMillan Property (held by Garson) to Canadian Star Minerals Ltd. ("Canadian Star"). Under the terms of the agreement, Canadian Star can acquire up to a 65% interest in this property in such increments as outlined below:

- 30% interest with $200,000 in exploration and evaluation expenditures made before December 31, 2012 and the issuance of 300,000 common shares of Canadian Star at such time as Canadian Star's shares are listed on the TSX or TSX Venture;
- An additional 10% interest with an additional $200,000 in exploration and evaluation expenditures made before December 31, 2013 and the issuance of 300,000 common shares of Canadian Star;
- An additional 10% interest with an additional $200,000 in exploration and evaluation expenditures made before December 31, 2014 and the issuance of 300,000 common shares of Canadian Star;
- A further 15% interest if during a two year period after the third anniversary of the date of signing of the agreement, Canadian Star shall complete an economic feasibility study.

If Canadian Star's common shares do not trade on the TSX or TSX Venture by the above noted deadlines, Canadian Star shall pay cash in lieu of shares to the Company at a deemed rate of $0.25 per share.

The Company is currently in negotiations with Canadian Star to extend these deadlines as the payments have not been made to date.

The carrying value for this property is $nil as at December 31, 2014 (December 31, 2013: $nil).

(Expressed in Canadian dollars unless otherwise noted)

14. Assets held for sale and liabilities of assets held for sale

Snow Lake, Manitoba

Through the acquisition of Garson, the Company acquired a 100% interest in the New Britannia Gold Mine ("NBM") in Snow Lake, Manitoba. The Company has since renamed the mine "Snow Lake Mine". A total of $5,767,000 in financial assurances was posted with both the Government of Manitoba and Kinross Gold Corporation ("Kinross") (the former owners of the New Britannia Mine) refundable upon commercial production at the mine. The letter of credit with the Manitoba government is financial assurance that the site will ultimately be closed according to the terms of the existing and approved closure plan. Once closure is complete, all or a portion of the letter of credit will be refunded. The letters of credit expired on December 28, 2014 and the financial institution carrying them did not renew them. As at December 31, 2014, the Company was in the process of transferring the term deposits and letters of credit to another financial institution. With the pending sale of the Snow Lake property, the Company has classified $3,900,000 of the term deposit related to Kinross' letter of credit as a current asset and subsequent to December 31, 2014, has applied these funds to the principal of its short-term loan.

Should a NI 43-101 compliant resource of 3 million ounces be proven, Kinross retains a back-in right for a 60% interest for consideration of the equivalent of three-times the exploration costs incurred to that date.

NSR royalties totaling 2.88% on various portions of the Snow Lake property are held by third parties.

Herblet Lake, Manitoba

Included in Assets held for sale is the Herblet Lake option. In November 2010, the Company entered into an agreement to acquire a 100% interest in certain mining claims in the Herblet Lake area. This agreement was amended in July 2013 and again in November 2013 for a fee of $50,000 payable in March 2014. In March 2014, the Company further amended the agreement extending the due dates of certain payments to May 31, 2014. The Company and the optionor agreed to suspending the terms of the agreement to September 30, 2014 allowing for the sale of the Snow Lake property. To acquire this 100% interest, the Company is required to make total cash payments of $300,000 and incur total exploration expenditures of $3,000,000 over a period of 7 years according to the following schedule:

	Commitment		
	Cash Payment ($)	Expenditures ($)	
November 19, 2010	50,000	-	**Paid December 2010
November 19, 2011	50,000	200,000	**Paid October 2011, expenditures met
November 19, 2012	50,000	300,000	**Paid November 2012, expenditures met
November 19, 2013	-	500,000	**expenditures met
May 31, 2014	100,000	-	
November 19, 2014	50,000	-	
November 19, 2015	50,000	-	
November 19, 2016	-	1,000,000	
November 19, 2017	-	1,000,000	
	350,000	3,000,000	

The exercise of the option is subject to an NSR of 3% payable from the date of commencement of commercial production. Upon exercise of the option, the Company will be required to make advanced royalty payments of $50,000 annually up to $250,000 to be credited against future NSR payments. The Company has the right to purchase up to 50% of the NSR for a total of $1,500,000, each 0.5% of the 3% NSR requiring a $500,000 payment.

In October 2013, the Company entered into a definitive agreement to sell the Snow Lake Mine, through the sale of its wholly-owned subsidiary, to Northern Sun Mining Corp. ("Northern Sun") for cash consideration of US$20,000,000. A deposit of US$1,000,000 ($1,042,700) was paid to the Company during 2013. This agreement was extended to September 30, 2014, and was not extended at its expiry. It was determined that the deposit was not refundable as the Company met its obligations with respect to the agreement, and as a result, the Company wrote off the deposit as a gain in Other gains and (losses) on the Statement of Operations and Comprehensive Loss for the year ended December 31, 2014. The Company and Northern Sun had a common director and officer (Note 28).

(Expressed in Canadian dollars unless otherwise noted)

14. Assets held for sale and liabilities of assets held for sale (continued)

Subsequent to December 31, 2014, the Company entered into a definitive agreement with Hudbay Minerals Inc. ("Hudbay") (Note 31). Under the terms of the agreement, Hudbay will acquire 100% of the Company's interest in the Snow Lake project. The proceeds will be used to pay down the Company's short-term loan (Note 16). The Company expects to terminate its Herblet Lake option as part of the Purchase and Sale Agreement with Hudbay.

The Company recorded an impairment charge for the year ended December 31, 2014 of $3,575,306 (December 31, 2013: $30,052,666) related to the Snow Lake property as a result of the Hudbay agreement.

The Company presented the various assets and liabilities associated with this property separately on the Statement of Financial Position as at December 31, 2014 in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations. The following table summarizes the assets and liabilities related to the Snow Lake mine.

	December 31, 2014	December 31, 2013
ASSETS		
Property, plant and equipment	$ 8,377,121	$ 8,462,885
Restricted cash equivalents	1,867,000	5,767,000
Mineral properties and deferred exploration expenditures	9,546,209	11,243,344
	$ 19,790,330	$ 25,473,229
LIABILITIES		
Accounts payable and accrued liabilities	$ 603,661	$ 374,782
Provision for closure and reclamation	4,361,000	3,758,000
	$ 4,964,661	$ 4,132,782

During the year ended December 31, 2014, the Company sold vehicles included in assets held for sale for net proceeds of $49,560, and recognized a gain on sale of asset of $7,265.

15. Accounts payable and accrued liabilities

	December 31, 2014	December 31, 2013
Mining and exploration suppliers	$ 2,729,897	$ 4,197,214
Corporate payables	1,487,644	1,384,741
Payroll liabilities	614,487	678,372
Royalties payable (Note 18)	4,854,454	4,858,045
	$ 9,686,482	$ 11,118,372

16. Short-term loans

In November 2012, the Company entered into a fully secured bridge financing consisting of a senior, secured note with a face value of US$17,500,000 ($17,372,250) and net proceeds of US$15,500,000 ($15,386,850). The loan is fully secured by the Company's assets, and is subject to various information and affirmative covenants. The financing was for a one-year term and the Company was required to pay cash interest payments starting June 28, 2013 at a rate of US$250,000 per month. In addition to the interest payments, the Company granted the lender 2,900,000 warrants to acquire common shares of the Company at an exercise price of $0.27.

In October 2013, the Company entered into a waiver and amendment agreement extending the term of the loan to January 31, 2014 subject to a monthly monitoring fee of US$100,000, with the Company agreeing to re-price the 2,900,000 warrants granted to the lender at a new exercise price of $0.0465, expiring on the original expiry date of November 28, 2015. In August 2014, the Company entered into a sixth amendment agreement with the lenders, extending the maturity date to September 30, 2014. This agreement also required that the Company sell its Falco shares as described in Note 11. The majority of the proceeds from the sale of the Falco shares was applied against the principal. A small portion was retained by the Company for working capital purposes. As at December 31, 2014, the Company paid down US$1,828,472 ($2,011,855) of the principal of this loan.

16. Short-term loans (continued)

On October 8, 2014, the lenders delivered to the Company a notice of intention to enforce security pursuant to section 244 of *Bankruptcy and Insolvency Act* (Canada) (the "Act"). The Company and the lender were negotiating the key terms of a forbearance agreement which was not formally executed. Subject to the terms of the forbearance agreement, for a period until March 31, 2015, the lenders would forbear against the enforcement of its security relating to defaults by the Company of the original loan agreement. Through to the current date, the Company has been cooperating in an orderly sales process for its Snow Lake Property in Manitoba. A forbearance fee of US$650,000 ($743,600) was charged by the lender. Subsequent to the end of the year, the Company entered into a definitive agreement to sell its Snow Lake project and the proceeds of the sale will be used to pay down the short-term loan (Note 31). The Company and the lenders are currently negotiating a payment amount and timing to comprise full and final settlement of the debt.

During the year ended December 31, 2014, the Company incurred interest expense and fees of $4,844,623. During the comparative year ended December 31, 2013, the Company incurred an accretion expense and accrued interest of $5,770,191.

17. Debentures

During 2006, the Company completed a private placement debenture financing with Industrial Alliance Securities Inc. ("Industrial Alliance") raising $4,210,000 in gross proceeds with the issuance of units comprised of $1,000 principal convertible debentures maturing April 28, 2010. On April 28, 2010, the Company entered into agreements with the current holders of the expiring convertible debentures to roll over the existing 6% convertible debentures into units comprised of $1,000 principal amount 10% convertible unsecured subordinated debentures due April 28, 2014. The debenture holders had agreed to an extension of the maturity date to October 1, 2014, however as at December 31, 2014, the Company is in default with respect to the repayment of these debentures and the convertible feature has expired. Interest was payable in equal, semi-annual instalments on April 30 and October 30 at 10% per annum commencing October 30, 2010. At the option of the Company, interest was payable in cash or in shares. If payment was made in shares, it was based on a price equal to 90% of the average closing price of the common shares of the Company on the TSX Venture Exchange for a period of 20 consecutive trading days ending five trading days before payment date. Each debenture was convertible at the option of the holder into common shares of the Company at any time after the issue date at the conversion price of $8.00 per share. A charge of $94,000 was incurred in relation to the roll-over agreements which was accreted over the term of the debenture.

The debentures were originally classified as a liability, with the exception of the portion relating to the conversion features, resulting in the carrying value of the debentures being less than its face value. The discount was being accreted over the term of the debentures, utilizing the effective interest rate method at a 15% discount rate. The value of the portion relating to the conversion feature, initially recorded to equity component of debentures on the statements of financial position, was reallocated to retained deficit as at December 31, 2014. Financing charges associated with the debentures were prorated between the debt and equity components of the debentures. Those allocated to the debt portion of the debentures were deferred and accreted over the term of the debentures. An amount of $236,644 in accretion of discount and accretion of financing charges was recorded on the annual consolidated statements of operations and comprehensive loss for the year ended December 31, 2014 (December 31, 2013: $642,384). As at December 31, 2014, the discount is fully accreted. As well, the Company recorded accrued interest of $280,667 for the year ended December 31, 2014 (December 31, 2013: $nil) in relation to these debentures.

18. Debenture

In March 2014, the Company converted US$1,552,454 of royalties payable to Forbes & Manhattan, Inc. (Notes 13 and 28) to a debenture which matures on December 31, 2015. The debenture is non-interest bearing and is secured by all the assets and property of the Company subject to security held by the short-term loan described in Note 16 and certain other assets. This debenture was discounted on recognition to US$1,077,142 ($1,190,781) with an amount of $525,457 credited to finance costs on the annual consolidated statement of operations and comprehensive loss. The discount will be accreted over the term of the debenture. For the year ended December 31, 2014, the Company recorded $202,704 in accretion expense with respect to this loan.

(Expressed in Canadian dollars unless otherwise noted)

19. Provision for closure and reclamation

The Company's provision for closure and reclamation costs is based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the provision for closure and reclamation associated with the retirement of the Company's plant and mineral properties:

Balance at December 31, 2012	$	6,336,000
Adjustments resulting from re-measurement		(84,000)
Unwinding of discount and effect of changes in the discount rate		119,000
Transfer to liabilities of assets held for sale		(3,758,000)
Balance at December 31, 2013	$	2,613,000
Additional provisions recognised		681,000
Adjustments resulting from re-measurement		(52,000)
Unwinding of discount and effect of changes in the discount rate		38,000
Balance at December 31, 2014	$	3,280,000
Current portion		557,000
Long-term portion		2,723,000

The Company has assessed its total provision for closure and reclamation and estimated it to be $3,280,000 at December 31, 2014 for continuing assets (December 31, 2013: $2,613,000) based on a total future liability of approximately $3,100,000 (December 31, 2013: $2,419,000). Reclamation is expected to occur in one to five years. Accretion related to these reclamation liabilities totalled $38,000 for the year ended December 31, 2014 with a re-measurement adjustment of ($52,000) recorded at December 31, 2014.

Reclamation for assets held for sale, specifically the Snow Lake property, was reported separately as at December 31, 2014 and December 31, 2013. This is estimated to be $4,361,000 as at December 31, 2014 (December 31, 2013: $3,758,000) based on a total future liability of approximately $3,900,000 for both periods. Reclamation is expected to occur in approximately six years. Accretion related to the Snow Lake reclamation liabilities totalled $76,000 for the year ended December 31, 2014 with a re-measurement adjustment of $527,000 recorded at December 31, 2014.

Through Garson, the Company held term deposits amounting to $5,767,000 as at December 31, 2013. These funds were restricted for the reclamation of the Snow Lake property (Note 14). The Company placed funds on deposit as collateral for letters of credit issued to the vendor of the Snow Lake Mine, Kinross Gold Corporation, as well as to the Government of Manitoba, for Garson's share of assumed reclamation and operating obligations. The Company paid an annual fee of 1% of the face value of the letter. Funds on deposit have been invested in short term GICs earning an average interest rate of 1.2% during 2014. The GICs can be redeemed prior to maturity without penalty. The letters of credit expired on December 28, 2014 and were not renewed by the financial institution carrying them. At December 31, 2014, the Company was in the process of transferring the letters of credit and term deposits to another financial institution. With the pending sale of the Snow Lake property, the Company has reclassified $3,900,000 of the term deposit related to the Kinross letter of credit as restricted cash and subsequent to December 31, 2014, the Company has applied these funds against the principal of its short-term loan. An amount of $1,867,000 restricted for the Manitoba government remains in assets held for sale.

20. Share capital

As at December 31, 2014 and December 31, 2013, the Company's authorized number of common shares was unlimited without par value.

(Expressed in Canadian dollars unless otherwise noted)

21. Share-based payments reserve

Employee share option plan

The shareholders of the Company approved the Company's existing stock option plan, the "Plan", to be administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed 5 years. The options currently granted under the plan vest immediately pending any regulatory hold period. The plan provides that, it is solely within the discretion of the board to determine who should receive stock options and in what amounts. In no case (calculated at the time of grant) shall the plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

	No. of Options	Weighted Average Exercise Price	Grant Date Fair Value of Options	No. of Warrants	Weighted Average Exercise Price	**Grant Date Fair Value of Warrants**	**TOTAL VALUE**
December 31, 2012	793,388	$4.18	$ 1,848,069	6,575,274	$3.80	**$ 2,535,081**	**$ 4,383,150**
Granted	1,872,500	0.24	327,963	-	0.00	**-**	**327,963**
Expired	(376,800)	2.47	(922,861)	(3,675,274)	6.60	**(2,144,741)**	**(3,067,602)**
Re-pricing valuation	-	0.00	-	-	0.00	**35,670**	**35,670**
December 31, 2013	2,289,088	$1.24	$ 1,253,171	2,900,000	$0.05	**$ 426,010**	**$ 1,679,181**
Expired	(234,088)	4.57	(653,501)	-	0.00	**-**	**(653,501)**
December 31, 2014	**2,055,000**	**$0.56**	**$ 599,670**	**2,900,000**	**$0.05**	**$ 426,010**	**$ 1,025,680**

As a result of the expiry of 2,871,524 unexercised warrants during the year ended December 31, 2013, the Company recorded a deferred tax recovery of $201,395 for the year ended December 31, 2013 in the annual consolidated statements of operations and comprehensive loss. The expiration of the remaining 803,750 warrants had no tax effect. There was no expiry of warrants during 2014 and consequently no tax effect.

The following share-based payment arrangements were in existence as at December 31, 2014:

WARRANTS:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
2,900,000	2,900,000	28-Nov-12	28-Nov-15	$ 0.05	$ 426,010	90%	3.00	0%	1.16%

In October 2013, these warrants were re-issued at a new exercise price of $0.0465 pursuant to the waiver and amendment agreement with respect to the Company's short-term loan (Note 16).

(Expressed in Canadian dollars unless otherwise noted)

21. Share-based payments reserve (continued)

STOCK OPTIONS:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Fair value of vested options	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
500	500	9-Jun-10	9-Jun-15	$ 4.68	$ 1,550	$ 1,550	78%	5.00	0%	2.65%
2,500	2,500	4-Nov-10	4-Nov-15	$ 4.40	$ 7,365	$ 7,365	77%	5.00	0%	1.98%
31,750	31,750	10-Feb-11	10-Feb-16	$ 3.30	$ 69,025	$ 69,025	77%	5.00	0%	2.75%
75,000	75,000	6-Jun-11	6-Jun-16	$ 2.00	$ 83,250	$ 83,250	78%	5.00	0%	2.23%
191,250	191,250	29-Nov-11	29-Nov-16	$ 2.00	$ 125,843	$ 125,843	80%	5.00	0%	1.46%
46,500	46,500	8-Jun-12	8-Jun-17	$ 2.00	$ 11,159	$ 11,159	80%	5.00	0%	1.29%
1,707,500	1,707,500	10-Jan-13	10-Jan-18	$ 0.24	$ 301,478	$ 301,478	101%	5.00	0%	1.32%
2,055,000	2,055,000				$ 599,670	$ 599,670				

During the year ended December 31, 2014, no stock options were granted to directors, officers, employees and consultants of the Company (December 31, 2013: 1,872,500 options granted, vesting quarterly from grant date). A charge of $nil was recorded to professional, consulting and management fees for the year ended December 31, 2014 (year ended December 31, 2013: $280,733). As well, $nil in stock-based compensation was charged to mineral properties during the year ended December 31, 2014 (December 31, 2013: $47,230). The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

22. Transaction with owners

The Company acquired the non-controlling interest of Garson on April 29, 2010 through the issuance of 327,510 shares. As at December 31, 2014, some shareholders had not yet tendered their Garson shares, and consequently an amount of $148,150 (December 31, 2013: $148,150) is recorded as a commitment to issue shares. The consideration paid was applied against the non-controlling interest and the residual amount of $100,845 was recorded to transactions with owners.

23. Other gains and (losses)

	Years ended December 31, 2014	2013
Net foreign exchange (losses)	$ (2,061,371)	$(1,403,812)
General exploration expenditures	(7,040)	(13,970)
Mining duty taxes	(214,346)	-
Write off of financial costs related to Snow Lake	(499,913)	-
Write off of deposit received on Snow Lake acquisition (Note 14)	1,042,700	-
Gain on sale of assets (Notes 12 and 14)	286,431	14,675
Gain on sale of investments (Note 11)	926,758	-
Unrealized (loss) arising on financial assets designated as FVTPL (Note 11)	(1,133,532)	(1,320,005)
	$ (1,660,313)	$(2,723,112)

(Expressed in Canadian dollars unless otherwise noted)

24. Finance costs

	Years ended December 31, 2014	2013
Accretion of reclamation provision (Note 19)	$ (114,000)	$ (119,000)
Accretion of convertible debentures (Note 17)	(236,644)	(642,384)
Interest accrued on debentures (Note 17)	(280,667)	-
Discount and accretion of discount on debenture financing (Note 18)	322,763	-
Accretion of short-term loan financing costs and interest (Note 16)	(4,844,623)	(5,770,191)
Other interest expense	(163,917)	(192,067)
	$ (5,317,088)	$(6,723,642)

25. Net loss per share

Shares issuable from options, warrants and convertible debentures were excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the years ended December 31, 2014 and 2013.

26. Financial instruments

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

December 31, 2014	Loans and receivables, other liabilities	Assets/liabilities at fair value through profit or loss	TOTAL
Cash and cash equivalents	$ 1,435,482	$ 30,848	$ 1,466,330
Restricted cash equivalents	-	3,900,000	3,900,000
Amounts receivable	81,069	-	81,069
Investments	-	4,922	4,922
Restricted cash equivalents (assets held for sale)	-	1,867,000	1,867,000
Accounts payable and accrued liabilities	9,686,482	-	9,686,482
Liabilities of assets held for sale	603,661	-	603,661
Short-term loan	19,191,319	-	19,191,319
Liability component of debentures	4,698,283	-	4,698,283
Debenture	1,461,512	-	1,461,512

December 31, 2013	Loans and receivables, other liabilities	Assets/liabilities at fair value through profit or loss	TOTAL
Cash and cash equivalents	$ 384,247	$ 30,603	$ 414,850
Amounts receivable	15,450	-	15,450
Investments	-	5,930	5,930
Shares on hand or in escrow to be received	-	2,964,525	2,964,525
Restricted cash equivalents	-	5,767,000	5,767,000
Accounts payable and accrued liabilities	11,118,372	-	11,118,372
Liabilities of assets held for sale	374,782	-	374,782
Finance leases, current and long-term	6,559	-	6,559
Short-term loan	18,453,460	-	18,453,460
Liability component of convertible debentures	4,180,973	-	4,180,973

The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, liabilities of assets held for sale, liability component of debentures, short-term loan and debenture approximate fair value due to the short term nature of the financial instruments.

(Expressed in Canadian dollars unless otherwise noted)

26. Financial instruments (continued)

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Inputs for the asset or liability that are not based on observable market data.

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 significant judgment.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at December 31, 2014 and 2013.

2014	Level 1	Level 2	Level 3
Cash equivalents	$ -	$ 30,848	$ -
Restricted cash equivalents, current	-	3,900,000	-
Restricted cash equivalents, long-term	-	1,867,000	-
Investments	4,922	-	-

2013	Level 1	Level 2	Level 3
Cash equivalents	$ -	$ 30,603	$ -
Restricted cash equivalents	-	5,767,000	-
Investments	5,930	-	-
Shares in escrow to be received	2,964,525	-	-

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the year ended December 31, 2014.

Credit risk

The Company's credit risk is primarily attributable to cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of receivables from related and unrelated companies. The Company currently transacts with highly rated counterparties for the sale of gold. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to endeavour to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company had a cash and cash equivalents balance of $1,466,330 (December 31, 2013: $414,850) to settle current liabilities of $40,559,257 (December 31, 2013: $38,955,746). Approximately $8,400,000 of the Company's financial liabilities as at December 31, 2014 have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's short-term loan was due on November 28, 2013 but the Company entered into agreements with the lenders to extend the term of the loan to September 30, 2014. During the fourth quarter of 2014 the Company negotiated a binding term sheet with the lender setting out the key terms of a forbearance agreement whereby, for a period until March 31, 2015, the lender will forbear against the enforcement of its security relating to defaults by the Company of the original loan agreement (Note 16). The Company entered into an agreement to sell the Snow Lake property subsequent to the end of the year, and will use the proceeds from the sale to pay down this debt. The Company and the lenders are currently negotiating a payment amount and timing to comprise full and final settlement of the debt.

26. Financial instruments (continued)

Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company carries debentures (Note 17) on which interest is payable quarterly or semi-annually at fixed rates of 10% per annum. The Company's short-term loan also carries a fixed interest rate of approximately 17% per annum, a forbearance rate of 20% and a default interest rate of 27%. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. All gold sales revenues are denominated in US dollars. As well, the Company's short-term loan described in Note 16 and debenture described in Note 18 are denominated in US dollars. The Company is exposed to currency risk with fluctuations in the Canadian dollar relative to the US dollar. As at December 31, 2014, the Company did not use derivatives to mitigate its foreign currency risk.

Price risk

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

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the period:

- The Company does not hold interest-bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- Based on the gold brick and doré inventory held by the Company as at December 31, 2014, a 10% fluctuation in the exchange rate from US$ to CDN$ will generate increases or decreases in value of approximately $96,000.
- Based on the gold brick and doré inventory held by the Company as at December 31, 2014, an increase or decrease in the market price of gold of US$100 per ounce would generate a respective increase or decrease in value of approximately $80,000.
- The Company is carrying a short-term loan and a debenture in US dollars. A 10% change in the CDN$-US$ exchange rate as at December 31, 2014 would generate a change to net loss of approximately $2,066,000.

(Expressed in Canadian dollars unless otherwise noted)

27. Capital management

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is in production and has been generating cash flows to support the ongoing and longer term strategy focused on regional exploration. However, the Company may continue to rely on capital markets to support continued growth. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2014 and 2013. The Company and its subsidiary are subject to minimum capital requirements with respects to its short-term loan (Note 16).

No other capital requirements are imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of December 31, 2014, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

28. Related party disclosures

The annual consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Garson.

During the years ended December 31, 2014 and 2013, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services	
	Years ended December 31,	
	2014	2013
2227929 Ontario Inc.	$ 178,429	$ 217,004
Forbes & Manhattan, Inc.	873,055	926,918

The Company shares office space with other companies who may have officers or directors in common with the Company. The costs associated with this space, including the provision of office equipment and supplies, and certain other services are administered by 2227929 Ontario Inc. to whom the Company pays a fee. Other companies who share officers and directors with the Company may have similar arrangements with 2227929 Ontario Inc.

Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan, Inc. Mr. Bharti was a director of the Company until his resignation on March 6, 2012; however as the Company is part of the Forbes & Manhattan Group of Companies, it continues to receive the benefits of such membership, including access to mining professionals, advice from Mr. Bharti, and strategic advice from the Forbes & Manhattan Board of Advisors. An administration fee of $25,000 per month is charged by Forbes & Manhattan, Inc. pursuant to a consulting agreement. As well, a 2% royalty is payable on gold sales from the Aurbel properties (including Lac Herbin) to Forbes & Manhattan, Inc. The Company converted US$1,552,454 of royalties owed to Forbes & Manhattan, Inc. to a debenture that matures on December 15, 2015 (Note 18).

(Expressed in Canadian dollars unless otherwise noted)

28. Related party disclosures (continued)

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties				Amounts owed to related parties			
	December 31, 2014		December 31, 2013		December 31, 2014		December 31, 2013	
2227929 Ontario Inc.	$	18,000	$	18,000	$	272,612	$	127,018
Forbes & Manhattan, Inc.	$	-	$	-	$	895,182	$	1,964,545
Forbes & Manhattan, Inc.*	$	-	$	-	$	1,801,002	$	-
Directors and officers	$	-	$	-	$	114,000	$	60,000

* The Forbes & Manhattan, Inc. debenture is non-interest bearing and is secured by all the assets and property of the Company subject to security held by the short-term loan facility. The amount presented here is non-discounted.

The other amounts outstanding are unsecured, non-interest-bearing with no fixed terms of payments. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Mr. David Rigg, Chairman of the Board for the Company, was also the President and CEO of Northern Sun until his resignation from Northern Sun in December 2014. As well, Mrs. Deborah Battiston, CFO of the Company, was also CFO of Northern Sun until her resignation from Northern Sun in December 2014 (Note 14).

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the period were as follows:

	Years ended December 31,			
		2014		2013
Short-term benefits	$	1,111,476	$	1,298,373
Share-based payments		-		194,400

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. See also Note 29(a).

29. Commitments and contingencies

(a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $1,800,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately $1,070,000, all due within one year.

(b) The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(c) The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2014 and 2013, no amounts have been accrued related to such matters.

(d) The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

(Expressed in Canadian dollars unless otherwise noted)

30. Income tax

a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% (2013: 26.5%) were as follows:

	2014 $	2013 $
(Loss) before income taxes	(11,512,622)	(42,573,144)
Expected income tax (recovery) based on statutory rate	(3,051,000)	(11,282,000)
Adjustment to expected income tax benefit:		
Share-based payments	-	74,000
Accretion on decommissioning liabilities and convertible debt	1,366,000	1,563,000
Non-taxable deductions	(505,000)	(604,000)
Share issue costs	(205,000)	-
Other	1,551,000	(186,395)
Difference in tax rates	-	(662,000)
Benefit of tax losses not recognized	(844,000)	(10,896,000)
Deferred income tax (recovery)	-	(201,395)

b) Deferred income tax balances

The tax effect of temporary differences that give rise to deferred income tax assets and liabilities in Canada at December 31, 2014 and 2013 are as follows:

	2014 $	2013 $
Deferred tax assets (liabilities) recognized:		
Investments	-	(150,000)
Non-capital loss carryforwards	-	150,000
Deferred income tax liability	-	-

Deferred income tax assets have not been recognized in respect of the following temporary differences:

	2014 $	2013 $
Non-capital loss carry-forwards	54,750,000	54,169,000
Share issue costs	1,853,000	2,273,000
Mineral property costs	44,646,000	41,355,000
Other temporary differences	15,120,000	14,795,000
Total	116,369,000	112,592,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(Expressed in Canadian dollars unless otherwise noted)

30. Income tax (continued)

c) The Company has approximately $54,750,000 of non-capital losses in Canada as at December 31, 2014 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows:

Expiry Date	
2015	182,000
2026	1,790,000
2027	200,000
2028	9,888,000
2029	5,162,000
2030	9,427,000
2031	14,652,000
2032	10,108,000
2033	2,644,000
2034	697,000
	$ 54,750,000

31. Subsequent events

In April 2015, the Company entered into a definitive agreement to sell its Snow Lake project to a wholly-owned subsidiary of Hudbay Minerals Inc. ("Hudbay"). Under the terms of the agreement, Hudbay will acquire 100% of the Company's interest in the Snow Lake project for US$12.3 million in cash and a contingent payment of US$5.0 million payable if the price of gold is equal to or greater than US$1400/oz on the third anniversary of the closing date. The Snow Lake project consists of the Snow Lake mine and an associated processing plant, which are currently on care and maintenance, as well as $1,867,000 in cash which supports the closure obligations associated with the property. The transaction is subject to regulatory and third party approvals and customary conditions precedent. The costs of the transaction are expected to be approximately $500,000. The Company expects to use the proceeds of the sale, including its right to receive the contingent payment, to pay down the short-term loan (Note 16).

In addition to the sale proceeds, the Company has applied the $3,900,000 that was used as security to Kinross for reclamation obligations (Note 19) against the loan. The Company is currently negotiating with the lender to come to a mutually satisfactory resolution with respect to the remaining debt outstanding.