Northern Sun Mining Corp.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Northern Sun Mining Corp.

We have audited the accompanying consolidated financial statements of Northern Sun Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained 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 Northern Sun Mining Corp. (formerly Liberty Mines Inc.) as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Northern Sun Mining Corp.'s (formerly Liberty Mines Inc.) ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Canada

April 8, 2015

MNP LLP

Northern Sun Mining Corp.

Consolidated Statements of Financial Position

expressed in Canadian dollars

	Notes		December 31, 2014		December 31, 2013
Assets					
Current Assets					
Cash		$	**566,262**	$	556,774
Trade and other receivables	5		**1,150,674**		323,315
Inventories	6		**252,953**		438,407
Other current assets	7		**267,528**		1,363,436
Total Current Assets			**2,237,417**		2,681,932
Non-current Assets					
Reclamation deposits and restricted cash	8		**3,256,482**		3,186,915
Exploration and evaluation properties	9		**9,597,689**		11,086,636
Plant and equipment	10		**30,108,188**		33,218,133
Total Non-current Assets			**42,962,359**		47,491,684
Total Assets		$	**45,199,776**	$	50,173,616
Liabilities and Equity					
Current Liabilities					
Accounts payable and accrued liabilities	12	$	**2,481,339**	$	3,860,844
Current portion of equipment financing and leases	14		**50,408**		75,799
Preferred shares and accrued dividends	15, 21		**23,720,887**		22,410,606
Interest bearing notes and borrowings	16, 21		**134,680,269**		-
Total Current Liabilities			**160,932,903**		26,347,249
Non-current Liabilities					
Equipment financing and leases	14		**63,780**		54,701
Interest bearing notes and borrowings	16		**-**		118,445,454
Provisions	17		**2,528,042**		2,121,220
Total Non-current Liabilities			**2,591,822**		120,621,375
Total Liabilities			**163,524,725**		146,968,624
Deficit					
Share capital	19		**80,684,320**		80,536,663
Contributed surplus	16		**11,660,512**		4,605,411
Share-based payment reserve	20		**501,025**		543,400
Cumulative loss			**(211,170,806)**		(182,480,482)
Total Deficit			**(118,324,949)**		(96,795,008)
Total Liabilities and Equity		$	**45,199,776**	$	50,173,616

	Notes
Going concern	2
Contingent liabilities	18
Commitment	29
Subsequent event	30

Approved by:

Shu Zhang
Director

James Xiang
Director

The accompanying notes form an integral part of these consolidated financial statements.

Northern Sun Mining Corp.

Consolidated Statements of Comprehensive Loss

expressed in Canadian dollars

	Notes	**For the year ended December 31, 2014**	For the year ended December 31, 2013
Revenue		**$ 5,136,949**	$ 56,920
Cost of sales	13, 23	**8,115,118**	-
Gross (loss) profit		**(2,978,169)**	56,920
Operating costs	10, 20, 24	**2,698,970**	12,606,173
Impairment/(reversal of impairment) of mineral properties	9, 17	**1,748,437**	(840,330)
Corporate general and administration	20, 25	**893,369**	2,391,742
Other income and expenses:			
Finance cost	15, 16	**17,189,435**	13,166,497
Loss on foreign exchange		**2,429,244**	1,561,855
Write off of acquisition deposit	7	**1,032,800**	-
Other income		**(69,592)**	(91,075)
(Gain)/loss on sale of plant and equipment	10	**(32,048)**	110,770
(Gain)/loss on debt forgiveness and restructuring costs	12	**(122,810)**	59,218
Mining tax expense		**-**	3,769
Loss and comprehensive loss for the year		**$ (28,745,974)**	$ (28,911,699)
Weighted average common shares outstanding	19	**7,450,156**	4,571,900
Loss per common share basic and diluted	22	**($3.86)**	($6.32)

The accompanying notes form an integral part of these consolidated financial statements.

Northern Sun Mining Corp.

Consolidated Statements of Changes in Deficit

expressed in Canadian dollars

	Notes	Number of common shares outstanding	Value of common shares outstanding	Contributed Surplus	Share-Based Payment Reserve	Cumulative Loss	Total Equity
Balance at December 31, 2013		7,295,425	$ 80,536,663	$ 4,605,411	$ 543,400	$ (182,480,482)	$ (96,795,008)
Loss for the year		-	-	-	-	(28,745,974)	(28,745,974)
Fair value of shareholders loans	16	-	-	7,055,101	-	-	7,055,101
Shares for debt	12, 16	215,010	147,657	-	-	-	147,657
Stock-based compensation	20	-	-	-	13,275	-	13,275
Cancelled/expired options	20	-	-	-	(55,650)	55,650	-
Balance at December 31, 2014		7,510,435	$ 80,684,320	$ 11,660,512	$ 501,025	$ (211,170,806)	$ (118,324,949)
Balance at December 31, 2012		4,129,544	$ 78,320,593	$ 4,425,686	$ 1,473,895	$ (154,553,851)	$ (70,333,677)
Loss for the year		-	-	-	-	(28,911,699)	(28,911,699)
Fair value of shareholders loans	16	-	-	179,725			179,725
Shares for debt	12, 16	3,165,881	2,216,070	-	-	-	2,216,070
Stock-based compensation	20	-	-	-	54,573	-	54,573
Cancelled/expired options	20	-	-	-	(985,068)	985,068	-
Balance at December 31, 2013		7,295,425	$ 80,536,663	$ 4,605,411	$ 543,400	$ (182,480,482)	$ (96,795,008)

The accompanying notes form an integral part of these consolidated financial statements.

Northern Sun Mining Corp.

Consolidated Statements of Cash Flows

expressed in Canadian dollars

	Notes	**December 31, 2014**	December 31, 2013
Cash flows used in operating activities			
Net (loss) for the year		**$ (28,745,974)**	$ (28,911,699)
Adjusted for:			
Depreciation of operating assets	10	**3,759,483**	5,002,726
Accretion of site restoration obligation	17	**41,988**	104,340
Unrealized foreign exchange loss		**2,423,954**	1,563,448
(Gain)/loss on sale of plant and equipment	10	**(32,048)**	110,770
(Gain) on debt forgiveness	12	**(122,810)**	(640,782)
Stock-based compensation	20	**13,275**	54,573
Impairment/(reversal of impairment) of mineral properties	17	**1,748,437**	(840,330)
Impairment of inventory	6	**363,904**	-
Accrued finance costs and interest		**17,203,314**	13,201,187
Changes in non-cash working capital:			
Accounts receivable		**(893,976)**	822,134
Inventories		**(178,450)**	39,186
Prepaid expenses		**1,054,815**	43,573
Accounts payable and accrued liabilities		**(1,177,996)**	(1,106,201)
Net cash used in operating activities		**(4,542,084)**	(10,557,075)
Cash flows from investing activities			
Acquisition of plant and equipment	10	**(708,866)**	(60,143)
Investment in exploration and evaluation assets	9	**(157,959)**	(166,843)
Start-up fee	13	**500,000**	-
Expenses incurred against start-up fee	13	**(500,000)**	-
Deposit on acquisition	7	**-**	(1,032,800)
Decrease in construction and equipment deposits		**41,093**	98,907
Proceeds from sale of plant and equipment	10	**419,838**	50,842
Net cash used in investing activities		**(405,894)**	(1,110,037)
Cash flows from financing activities			
Proceeds from interest bearing notes	16	**5,052,808**	12,104,174
Payment of interest		**(13,879)**	(34,690)
Repayment of equipment financing and leases	14	**(81,463)**	(452,620)
Net cash provided by financing activities		**4,957,466**	11,616,864
Net increase/(decrease) in cash during the year		**9,488**	(50,248)
Cash, beginning of the year		**556,774**	607,022
Cash, end of the year		**$ 566,262**	$ 556,774
Non-cash investing and financing transactions			
Shares issued for debt settlement	12, 16	147,657	-

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

Northern Sun Mining Corp. (the "Company", the "Corporation" or "Northern Sun") owns two former producing nickel mines, the Redstone Mill, and a large prospective land package in the Shaw Dome area located near Timmins, Ontario, Canada. The Company began custom milling in the third quarter of fiscal 2014. The corporate head office is located at 4950 Yonge Street, Suite 2208, Toronto, Ontario, M2N 6K1. As at December 31, 2014, Jien International Investments Limited ("JIIL") is the parent of the Company, with an approximate 60% equity holding and JIIL is a wholly-owned subsidiary of Jilin Jien Nickel Industry Co., Ltd. ("JJNICL"), the ultimate controlling party of Northern Sun.

In August 2013, the Company consolidated its common shares on the basis of one new common share for every 50 common shares outstanding. All common shares, options and per share amounts have been restated to give retroactive effect to the share consolidation.

The Company's shares were listed on the Toronto Stock Exchange ("TSX") prior to April 15, 2014. As the Company failed to meet certain listing requirements, the Company submitted a listing application to the TSX Venture Exchange (the "TSXV") to have the Company's common shares listed and publicly traded on the TSXV. The Company received approval for listing on the TSXV and commenced trading on the TSXV on April 15, 2014.

The business of mining and exploring for minerals involves a high degree of risk and uncertainty; there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts shown for exploration and evaluation properties and plant and equipment are dependent on the Company's ability to obtain the necessary financing to discover economically recoverable reserves, confirm the Company's interest in the underlying mineral claims, and to bring its properties into profitable production by completing development or disposing of the properties at a profit. Changes in future conditions could require material write-downs of the carrying values of exploration and evaluation properties and plant and equipment.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

2. BASIS OF PREPARATION AND GOING CONCERN

a) Statement of compliance

These consolidated financial statements of Northern Sun and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by Board of Directors on April 8, 2015.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Canadian dollars which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

c) Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The Company incurred a net loss of $28,745,974 during the year ended December 31, 2014 and, as of that date, its current liabilities exceeded its current assets by $158,695,486 and it had a cumulative deficit of $211,170,806. Included in current liabilities is $23,720,887 in preferred shares and accrued dividends that are due to JIIL as well as $134,680,269 in interest bearing notes due to JIIL with a maturity date of December 31, 2015. The continuing operations of the Company are dependent on its ability to generate future cash flows from its mining and milling operations or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained through external financing and/or continued support from JJNICL and JIIL to meet the Company's liabilities and commitments as they become due and to fund capital projects. There is a risk that such financing will not be available on a timely basis or on terms acceptable to the Company. The procurement of additional financing through debt or equity markets is dependent on robust commodities markets and investor confidence in mining equities in general and in the Company in particular. These factors cast significant doubt about the Company's ability to continue as a going concern. In the event that the Company is unable to secure additional financing and continue as a going concern, material write-down would be required to the carrying value of assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. The accounting policies have been applied consistently by all entities.

i) Basis of consolidation

Business combinations

The Company measures goodwill on acquisitions as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Company elects, on a transaction by transaction basis, whether to measure non-controlling interest at its fair value or at its proportionate share of the recognized amount of the identifiable net assets at the acquisition date.

Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Subsidiaries

Subsidiaries are wholly-owned entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Company. The consolidated financial statements include the accounts of the Company and its two wholly-owned Canadian subsidiaries, Liberty Cobalt Inc. and 2004428 Ontario Inc.

Transactions eliminated on consolidation

Inter-company balances, transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

ii) Foreign currency transactions

Transactions and account balances originally stated in currencies other than the Canadian dollar have been translated into Canadian dollars as follows: Monetary assets and liabilities held in foreign currencies are initially translated at the exchange rate in effect at the time of the transaction and subsequently translated at the exchange rate in effect at the end of each reporting period or upon realization of the asset or liability. Revenue and expense transactions are translated at the exchange rate in effect at the time of the transaction. Exchange gains or losses from such translation practices are reflected in the consolidated statement of comprehensive loss.

Non-monetary assets and liabilities that are measured at historical cost and translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in the profit and loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

iii) Cash

Cash includes cash on hand and deposits held at call with financial institutions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iv) Financial instruments

a. Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity investments ("HTM"), or available for sale financial assets ("AFS"), as appropriate. When financial assets are recognized initially, they are measured at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of comprehensive loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company classifies its cash, reclamation deposits and restricted cash, and trade receivables as loans and receivables.

b. Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value, net of transaction costs incurred.

Other financial liabilities

The Company's other financial liabilities include accounts payable and accrued liabilities, interest bearing notes and borrowings, preferred shares and accrued dividends, and equipment financing and leases. Subsequent to initial recognition these other financial liabilities are measured at amortized cost using the effective interest method.

c. Derivatives

Commodity-based contracts that meet the definition of a derivative in IAS 39, but are entered into in accordance with the Company's expected sales requirements, are recognized in profit and loss as described in Note 3 xvii, revenue recognition. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

v) Inventory

Supplies inventory

Materials and supplies expected to be used in production are valued at the lower of average cost and net realizable value. Cost includes the purchase price of materials and supplies, transportation costs and other costs to bring the inventories to their present location.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock-piled and work-in-process inventory

Material extracted from the Company's mines is classified as either ore or waste. Ore represents material that, at the time of extraction, the Company expects to process into a nickel concentrate and sell at a profit. Net realizable value tests are performed at least annually and represent the estimated future sale price of the product based on prevailing spot metal prices at the reporting date, less estimated costs to complete production and bring the product to sales.

Stock-piled ore and work-in-process inventory are valued at the lower of average production cost and net realizable value. Finished goods inventory, which consists of nickel concentrate available-for-sale, is valued at the lower of average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine site overhead expenses, depreciation of operating plant and equipment and depletion of mineral property costs. Stockpiles tonnages are verified by periodic surveys. The nickel contained within the stockpile and work-in-process is based on assays data, and the estimated recovery percentages based on the expected processing methods.

Production costs include the cost of supplies and contract services.

Underground in-process inventory

Advanced drilling and broken ore inventories are valued at the lower of average drilling and blasting cost and net realizable value. Drilling and broken ore inventory is valued at the lower of average production cost and net realizable value.

vi) Exploration and evaluation expenditures

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. These include such costs as materials and fuel used, surveying costs, drilling costs and payments made to contractors.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess over the carrying value of the property accounted for as a gain on disposal.

Mineral properties acquired are recognized at fair value at the acquisition date. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets acquired in a business combination are initially recognized at fair value. They are subsequently stated at cost less accumulated impairment.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is charged to profit and loss in the period the new information becomes available. With respect to borrowing costs, the Company does not consider exploration and evaluation properties to be qualifying assets and therefore capitalizes no borrowing costs into the carrying value of these assets.

The Company reviews its exploration and evaluation assets to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, and the Company's ability to attain profitable production. An impairment loss is recognized when the carrying value of the assets may not be recoverable and exceeds its fair value.

The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to profit and loss in the year of abandonment or sale.

The Company has elected to classify significant exploration and evaluation properties as individual Cash Generating Units ("CGUs") in accordance with IFRS 6. Groupings of properties as presented in Note 9 represent these CGUs.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, development costs are capitalized as 'mines under construction'. Exploration and evaluation assets are tested for impairment before the assets are transferred to mines under construction.

vii) Mines under construction

Upon transfer of exploration and evaluation costs into mines under construction, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within mines under construction. Mines under construction are disclosed as a component of mineral properties. As the asset is not available for use, it is not depreciated. Development expenditure is net of proceeds from the incidental sale of ore extracted during the development phase. On completion of development, a mine under construction is classified as producing mines, a component of mineral properties.

viii) Mineral properties

Mineral properties are considered tangible assets and represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Company in relation to areas of interest in which mining of mineral resource has commenced. When further development expenditure, including waste development, is incurred in respect of a mine property after the commencement of production, such expenditures are carried forward as part of the cost of that mineral property only when substantial future economic benefits are established, otherwise such expenditures are classified as part of the cost of production and expensed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mineral properties are amortized on a units-of-production basis over estimated recoverable tons. The units-of-production method results in an expense proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves plus, where appropriate, a portion of measured resources).

ix) Commencement of production

The Company assesses the stage of each mine under construction to determine when a mine moves into the production stage, being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Company considers various relevant criteria to assess when the production phases are considered to commence and all related amounts are reclassified from mines under construction to producing mines and plant and equipment. Some of the criteria used will include, but are not limited to, the following:

- Level of capital expenditure incurred compared to the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in salable form (within specification)
- Ability to sustain ongoing production of metal
- Ability to sustain ongoing profitable production

When a mine development / construction project moves into the production stage, the capitalization of certain mine development / construction costs ceases. Costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements, underground mine development or mineable reserve development are assessed to determine whether capitalization is appropriate. It is also at this point that amortization commences.

x) Plant and equipment

Recognition and measurement

On initial recognition, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Assets in the course of construction are capitalized in the capital construction in progress category. On completion, the cost of construction is transferred to the appropriate category of plant and equipment.

Plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses.

When a part or parts of an item of plant and equipment have different useful lives, and have a value of more than 10% of the purchase price, they are accounted for as separate items (major components) of plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of plant and equipment are charged to the consolidated statements of comprehensive loss. Upon repair, the decommissioned component of the asset is derecognized.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Any repair cost that exceeds 10% of the purchase price and provides a useful life into the future that is different from the asset as a whole will be capitalized and depreciated over its useful life. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in the consolidated statements of comprehensive loss.

Depreciation

Mill building and infrastructure	straight-line over 10 - 24 years
Tailings facility	units-of-production
Buildings and Infrastructure	straight-line over 10 - 24 years
Machinery and equipment and vehicles	straight-line over 1 - 24 years
Office furniture and equipment	straight-line over 5 years
Computer software and equipment	straight-line over 3 years

Machinery and equipment under construction will not be depreciated until construction is completed. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Leased assets

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xi) Impairment

The Company conducts annual internal assessments of the values of capitalized exploration and evaluation expenditure. Values of mineral properties, including mines under construction, and 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 of disposal for the asset and the asset's value in use. Fair value less costs of disposal is the amount the Company could receive from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets, management generally applies a value in use model to determine fair value less costs of disposal.

The assessment of value in use often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the individual assets are grouped together into 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.

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 comprehensive loss so as to reduce the carrying amount to its recoverable amount (i.e., the higher of fair value less costs of disposal and value in use). Impairment losses related to continuing operations are recognized in the statement of comprehensive loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal the depreciation or amortization charge is adjusted in future periods to allocate the assets revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xii) Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event for which 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Site restoration costs

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 Company assesses site restoration provisions annually. Significant estimates and assumptions are made in determining the provision for site restoration as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of restoration activities, technological changes, regulatory changes and cost increases as compared to the inflation rates applied. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision as at the reporting date represents management's best estimate of the present value the future restoration cost required. Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the restoration liability and restoration asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 Plant and equipment. Any reduction in the restoration liability, and therefore any deduction from the restoration asset, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is charged to profit and loss.

If the change in estimate results in an increase in the restoration liability, and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36, Impairment of assets. If, for mature mines, the revised mine asset, net of restoration provisions, exceed the recoverable value that portion of the increase is charged to operations. For closed sites, changes to estimated costs are charged to operations. Restoration obligations that arose as a result of the production phase of a mine are expensed as incurred.

xiii) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are measured using the enacted or substantially enacted tax rates that will be in effect when the differences are expected to be reversed or utilized.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

xiv) Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares, share warrants, share options and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

xv) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon qualifying expenses being incurred the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has unrecognized deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

xvi) Stock-based compensation transactions

The Company measures the cost of equity-settled transactions with directors, officers, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for stock-based compensation transactions are disclosed in Note 20.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of an appropriate valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Charges for options that are forfeited before vesting are reversed from stock-based compensation reserve. For those options that expire or are forfeited after vesting, the recorded value is transferred to cumulative loss.

xvii) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Custom milling revenue is recognized when the ore processing service is made by the Company, accepted by the client, and reasonable assurance regarding collectability of the consideration exists.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically delivered into the customer's facility. Revenue is measured at the fair value of the consideration received or receivable.

xviii) Finance income and finance costs

Finance income is comprised of interest income on funds invested (cash and short-term investments). Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprised of interest payable on interest bearing notes and loans, and equipment financing and leases.

xix) Loss per Share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xx) New Accounting Policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning on or after January 1, 2014. Updates that are not applicable or are not consequential to the Company have been excluded.

IAS 32, Financial instruments: Presentation is effective for annual periods beginning on or after January 1, 2014. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments also clarify that the right of offset must be available on the current date and cannot be contingent on a future date. At January 1, 2014, the Company adopted this pronouncement and there was no impact on the Company's financial statements.

IAS 36 Impairment of Assets (Amended) modifies certain disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. As at January 1 2014, the Company adopted this pronouncement and applied the disclosure impact on the Company's financial statements.

xxi) Standards, Amendments, and Interpretations Not Yet Effective

The following standards and interpretations have been issued but are not yet effective:

- IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is yet to assess the full impact of IFRS 9 and intends to adopt the standard no later than the accounting period beginning on January 1, 2018.

- IFRS 15 – Revenue from Contracts with Customers. IFRS 15 was issued by the IASB in May 2014 and replaces IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. This standard establishes principles to address the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. This standard is mandatorily effective for annual reporting periods beginning on or after January 1, 2017. Management intends to adopt the standard on its effective date and is in the process of assessing the impact on the Company's financial statements of this new standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

xxii) Reclassification

Certain prior period comparative figures have been reclassified to conform to the current year's presentation.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about the future that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. In the future, actual results may differ from these estimates.

The effect of a change in accounting estimate is recognized prospectively by including it in the statement of operations and comprehensive loss in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

Information about judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

i. Cash generating units

As the Company is not in nickel mining production, the Company has defined its mill assets as a single cash generating unit for purposes of testing for impairment. This assessment is based on the Company's plans to offer custom milling services to other mines.

Exploration and evaluation properties are grouped into cash generating units comprised of mineral claims within close geographical proximity and connection to common mineralized areas or otherwise areas of interest to the Company.

ii. 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 of disposal 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. The assessment of the recoverable amount of plant and equipment requires the use of estimates and assumptions related to future operating performance, capacity of the milling facility and discount rates.

iii. Provisions

The Company's site restoration liabilities primarily consist of estimated costs related to reclaiming surface land and support facilities at its mines in accordance with laws as defined by each mining permit.

The Company estimates the fair value of its site restoration liabilities for final reclamation and mine closure based upon detailed engineering calculations of the amount and timing of future costs for a third-party to perform the required work. Cost estimates are escalated for inflation, and then discounted at a risk adjusted rate. The Company records a capital asset retirement cost associated with the initial recorded liability. The capital asset retirement cost is amortized based on the units-of-production method over the estimated recoverable, proven and probable reserves at the related mine, and the site restoration liability is accreted to the projected settlement date. Changes in estimates could occur in the near term due to revisions of mine plans, changes in estimated costs, and changes in timing of the performance of reclamation activities.

5. TRADE AND OTHER RECEIVABLES

		December 31, 2014		December 31, 2013
Trade receivables	$	1,150,674	$	27,838
HST receivable		-		295,477
	$	1,150,674	$	323,315

6. INVENTORIES

The major components of the Company's inventory accounts are as follows:

		December 31, 2014		December 31, 2013
Supplies Inventory	$	252,953	$	438,407

All inventory is carried at the lower of cost and net realizable value. Supplies inventory is recorded at cost as at December 31, 2014 and 2013. During fiscal 2014 an inventory impairment of $363,904 (2013: $nil) was recognized in cost of sales on the consolidated statement of comprehensive loss reducing the carrying value of inventory to its net realizable value.

7. OTHER CURRENT ASSETS

		December 31, 2014		December 31, 2013
Deposit and prepaid expenses related to acquisition	$	-	$	1,135,881
Prepaid expenses		267,528		186,462
Construction and equipment deposits		-		41,093
Total	$	267,528	$	1,363,436

The Company's other current assets comprise prepaid acquisition costs, supplier advances and deposits, and prepaid insurance. The Company entered into an agreement with QMX in October 2013 to acquire the Snow Lake property, through the acquisition of a subsidiary of QMX, for total consideration of US$20,000,000. Closing of the acquisition was subject to a number of conditions including without limitation, receipt of all necessary government and regulatory approvals in Canada and China and the Company securing the financing necessary to complete the acquisition. The Company was required to pay a deposit to QMX of US$1,000,000 ($1,032,800). The Company entered into an extension agreement with QMX to extend this option. This option expired on September 30, 2014. There were no further extensions, therefore the agreement was terminated. During the year ended December 31, 2014, the Company determined that the collectability of this deposit was unlikely and recorded an impairment charge of $1,032,800 on the consolidated statement of comprehensive loss.

8. RECLAMATION DEPOSITS AND RESTRICTED CASH

Reclamation Deposits		December 31, 2014		December 31, 2013
Reclamation deposits – Redstone Mine	$	1,318,923	$	1,280,825
Reclamation deposits – Redstone Mill		1,132,851		1,119,031
Reclamation deposits – McWatters Mine		459,275		449,659
Reclamation deposits – Hart Mine		345,433		337,400
	$	3,256,482	$	3,186,915

9. EXPLORATION AND EVALUATION PROPERTIES

	McAra	Shaw Dome	Groves	Hart	Croxall	Total
Balance as at December 31, 2012	$ 1,119,152	$ 974,656	$ 1,340,916	$ 6,811,210	$ 732,897	$ 10,978,831
Property acquisition and maintenance	1,146	-	-	3,671	3,006	7,823
Exploration costs	39,633	-	114,592	1,738	3,057	159,020
Changes in reclamation estimate	-	-	-	(59,038)	-	(59,038)
Balance as at December 31, 2013	$ 1,159,931	$ 974,656	$ 1,455,508	$ 6,757,581	$ 738,960	$ 11,086,636
Property acquisition and maintenance	1,617	-	-	15,086	3,006	19,709
Exploration costs	51,002	-	87,248	-	-	138,250
Changes in reclamation estimate	-	-	-	69,716	-	69,716
Impairment	-	(974,656)	-	-	(741,966)	(1,716,622)
Balance as at December 31, 2014	$ 1,212,550	$ -	$ 1,542,756	$ 6,842,383	$ -	$ 9,597,689

The Company will maintain these properties and keep them in good standing.

McAra

The McAra Lake Property is located in Dufferin Township, south of Shining Tree, Ontario. The property is subject to a 2% Net Smelter Return royalty (“NSR”) with one claim within the property being subject to a 3% NSR.

9. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Shaw Dome and Groves

The Shaw Dome and Groves nickel property consist of various unpatented mining claims south of Timmins, Ontario and lying to the northeast of the Corporation's Hart, Redstone, and McWatters properties and within the Shaw Dome geological formation. The properties are subject to a 3% NSR of which half (1.5%) can be purchased at any time by the Company with a payment of $1 million. The Groves property is located approximately 110km south of Timmins, and 95km southwest of the Corporation's Redstone Mill, within Groves, Brunswick and Togo Townships. The property is host to a Nickel-copper-platinum-palladium and gold ("PGE") occurrence, as well as a historic gold showing. In accordance with the Company's accounting policy, the Company conducts annual assessments for impairment for events or changes in circumstance that indicate the carrying amount of mineral properties may not be recoverable. During fiscal 2014 the Company recorded an impairment charge of $974,656 against the Shaw Dome property.

Croxall (West Redstone)

In 2012, The Company exercised three separate option agreements, which related to the unpatented mining claims that comprise the Croxall property. Thus, the Corporation holds a 100% interest in the 110 unpatented mining claims which comprise this property, subject to underlying royalties on future mineral production. The property is located contiguous with, and immediately to the northwest of the Corporation's Redstone Mine and Mill property. Portions of the property are subject to either a 3% NSR, where 50% may be purchased for $1,500,000 or subject to a 2% NSR where 50% may be purchased for $1,000,000. In accordance with the Company's accounting policy, the Company conducts annual assessments for impairment for events or changes in circumstance that indicate the carrying amount of mineral properties may not be recoverable. During fiscal 2014 the Company recorded an impairment charge of $741,966 against the Croxall property.

Hart

The Company's 100% interest in the Hart Nickel Property was acquired for total cash consideration of $400,000, the issuance of 131,544 common shares of the Company at a market value of $177,000 and the issuance of 200,000 warrants valued at $121,500 over a period of 3 years from 2006 to 2008. All the warrants expired unexercised.

In 2011, the Company purchased 50% of the total NSR (ie. 1% NSR) for $1,000,000. Thus, potential future production royalty due on the Hart property totals 1% NSR.

10. PLANT AND EQUIPMENT

Plant and Equipment	Mill & Tailings Facility	Buildings & Infastructure	Machinery & Equipment	Machinery & Equipment Under Finance Lease	Office Furniture & Equipment	Computer Software & Equipment	Total
Cost							
Balance at December 31, 2012	$ 45,078,431	$ 10,506,446	$ 14,599,526	$ 1,820,539	$ 194,877	$ 595,701	$72,795,520
Additions	126,926	-	177,301	-	-	-	304,227
Disposals	-	-	(534,344)	-	(39,867)	(148,587)	(722,798)
Construction in progress	(77,433)	-	(166,651)	-	-	-	(244,084)
Change in reclamation estimate	(558,753)	-	-	-	-	-	(558,753)
Balance at December 31, 2013	$ 44,569,171	$ 10,506,446	$ 14,075,832	$ 1,820,539	$ 155,010	$ 447,114	$71,574,112
Additions	529,311	-	175,444	65,151	4,110	-	774,016
Disposals	-	-	(1,294,840)	-	(59,829)	-	(1,354,669)
Transfer category	-	-	1,609,144	(1,609,144)	-	-	-
Change in reclamation estimate	263,303	-	-	-	-	-	263,303
Balance at December 31, 2014	$ 45,361,785	$ 10,506,446	$ 14,565,580	$ 276,546	$ 99,291	$ 447,114	$71,256,762
Depreciation							
Balance at December 31, 2012	17,696,073	4,813,311	10,201,775	665,752	172,203	365,325	33,914,439
Depreciation for the period	3,022,571	580,860	1,121,221	179,469	6,808	91,797	5,002,726
Disposals	-	-	(405,498)	-	(32,158)	(123,530)	(561,186)
Balance at December 31, 2013	$ 20,718,644	$ 5,394,171	$ 10,917,498	$ 845,221	$ 146,853	$ 333,592	$38,355,979
Depreciation for the period	2,689,049	335,191	627,008	23,865	1,747	82,623	3,759,483
Disposals	-	-	(907,833)	-	(59,055)	-	(966,888)
Transfer category	-	-	753,789	(753,789)	-	-	-
Balance at December 31, 2014	$ 23,407,693	$ 5,729,362	$ 11,390,462	$ 115,297	$ 89,545	$ 416,215	$41,148,574
Carrying amounts							
At December 31, 2013	$ 23,850,527	$ 5,112,275	$ 3,158,334	$ 975,318	$ 8,157	$ 113,522	$33,218,133
At December 31, 2014	$ 21,954,092	$ 4,777,084	$ 3,175,118	$ 161,249	$ 9,746	$ 30,899	$30,108,188

The Company sold various pieces of equipment with a net book value of $387,790 during the year ended December 31, 2014 (2013: $161,612) for gross proceeds of $419,838 (2013: $50,842). The Company recognized a gain on the sale of equipment of $32,048 for the year ended December 31, 2014 (2013: a loss of $110,770, respectively).

During the year ended December 31, 2014, The Company allocated depreciation of $2,880,922 (2013: $nil) to cost of sales and $878,561 (2013: $5,002,726) to operating costs.

11. SEGMENTED REPORTING

For management purposes, the Company is organized into two segments. The segments consist of (1) development and operating mines in the nature of the business activities (the "Operating Segment") and (2) mineral exploration (the "Exploration Segment"). The Company has elected to present its developed mines and related mining and processing infrastructure as one reporting segment with its significant exploration and evaluation assets as another individual reporting segment. As such, amounts disclosed in the consolidated financial statements also represent segment amounts in accordance with the application of this policy.

All items on the consolidated statements of comprehensive loss related to the Operating Segment in the year ended December 31, 2014 and 2013.

All assets and liabilities on the consolidated statements of financial position relate to the Operating Segment with the exception of the Exploration and evaluation properties of $9,597,689 as at December 31, 2014 (2013: $11,086,636) which relates to the exploration segment.

The Company had one customer during the year ended December 31, 2014 and 2013 accounting for its total revenue and trade receivables as at year end.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company entered into settlement agreements with some of its creditors to settle outstanding debt through the payment of $1,146,543 in cash and the issuance of 115,010 shares. As a result, the Company recognized a gain of $122,810 on debt forgiveness for the year ended December 31, 2014 (December 31, 2013: 1,265,881 shares for a loss of $59,218).

13. START-UP FEE NET OF EXPENSES

The Company entered into a definitive agreement with Wallbridge Mining Company Limited ("Wallbridge') in March 2014 to provide custom milling of Wallbridge's ore. As part of this agreement, Wallbridge paid a start-up fee of $500,000 to cover specific costs the Company would incur to restart the mill in accordance with the agreement. As a result, the Company recorded the start-up fee as a current liability, and mill restart costs were applied against this amount as they were incurred. As at December 31, 2014, the Company recorded the $500,000 start-up fee against cost of sales.

14. EQUIPMENT FINANCING AND LEASES

The schedule below represents the commitments for the Company's capital equipment under various finance leases. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. The leases have varying completion dates and range in interest rates from 6.36% to 7.69%. Interest related to lease obligations expensed during the year ended December 31, 2014 was $8,009 (2013: $23,746).

(i) Minimum lease payments

For the year ending:	**December 31, 2014**	December 31, 2013
No later than 1 year	$56,400	$81,775
Later than 1 year, but no later than 5 years	68,898	57,418
	125,298	139,193
Less: future finance charges	(11,110)	(8,693)
Present value of minimum lease payments	$114,188	$130,500

(ii) Present value of minimum lease payments

For the year ending:	**December 31, 2014**	**December 31, 2013**
No later than 1 year	$50,408	$75,799
Later than 1 year, but no later than 5 years	63,780	54,701
	$114,188	$130,500

15. PREFERRED SHARES AND ACCRUED DIVIDENDS

	December 31, 2014	December 31, 2013
Current		
Preferred shares	**$ 16,378,516**	$ 16,378,516
Dividends on preferred shares	**7,342,371**	6,032,090
Total	**$ 23,720,887**	$ 22,410,606

15. PREFERRED SHARES AND ACCRUED DIVIDENDS (CONTINUED)

Preferred shares

Upon the restructuring effective June 30, 2011, all original preferred shares were cancelled and replaced with 148,895,600 preferred shares with the following terms:

a) Redeemable by the Company at a price equal to $0.11 per share plus accrued and unpaid dividends. The amount may be paid in cash or nickel concentrate;
b) Retractable by JIIL at any time at a price equal to $0.11 per share plus accrued and unpaid dividends. The amount may be paid in cash or nickel concentrate; and
c) Subject to an 8.0% cumulative annual dividend, accruing on a quarterly basis.

These shares were transferred to JIIL in 2011. As JIIL can redeem the preferred shares for cash on demand, the fair value of the preferred shares of $16,378,516 is classified as a current liability.

Dividend payable

The Company accrues an 8% cumulative annual dividend to JIIL on the preferred shares. The dividend accrues on a quarterly basis. The Company has recorded dividends payable of $7,342,371 as at December 31, 2014 (2013: $6,032,090).

16. INTEREST BEARING NOTES AND BORROWINGS

		December 31, 2014		December 31, 2013
Current				
US Dollar Term Loan -- JIIL	$	30,917,094	$	-
Term Loans - JIIL		103,763,175		-
Total	$	134,680,269	$	-

		December 31, 2014		December 31, 2013
Long-term				
US Dollar Term Loan -- JIIL	$	-	$	26,432,471
Term Loans - JIIL		-		92,012,983
Total	$	-	$	118,445,454

16. INTEREST BEARING NOTES AND BORROWINGS (CONTINUED)

i) US Dollar Term loan - JIIL

The Company carries a loan payable to JIIL of US$26,581,758 ($30,917,094) which accrues interest monthly at a rate of 10% per annum with a maturity date of December 31, 2015. This loan was originally payable to JJNICL. JJNICL assigned this loan to JIIL as part of a restructuring in 2011. On December 31, 2013, the Company entered into an agreement with JIIL effective January 1, 2014 extending the maturity date of the loan payable to December 31, 2015. Effective January 1, 2014 the Company revalued the loan to its fair value using a market interest rate of 13%. As the loan was provided by JIIL in its capacity as a majority shareholder, the Company recorded the debt discounted to fair value and charged the excess of $1,525,142 (2013: deficit of$377,720) to contributed surplus.

During the year ended December 31, 2014, the Company accrued $3,585,165 (2013: $3,062,418) in interest expense using a market interest rate of 13% (2013: 13%) related to this loan. As at December 31, 2014, this loan is classified as a current liability.

ii) Term loans - JIIL

The Company carries Canadian denominated loans payable to JIIL of $103,763,175 which accrue interest monthly at a rate of 10% per annum and were set to mature first on December 31, 2012 and then extended to June 30, 2014. On December 31, 2013, the Company entered into an agreement with JIIL effective January 1, 2014 extending the maturity date of the loans payable to December 31, 2015. Effective January 1, 2014 the Company revalued the loan to its fair value using a market interest rate of 13%. As the loan was provided by JIIL in its capacity as a majority shareholder, the Company recorded the debt discounted to fair value and charged the excess of $5,309,111 (2013: $557,445) to contributed surplus. The Company may, at its option, prepay at any time all or a portion of the principal amount outstanding or any interest owing without notice or penalty. During the year ended December 31, 2014, JIIL loaned the Company an additional $5,052,808 (2013: $12,104,174). The Company revalued the additional borrowings, discounting to fair value, resulting in a credit to contributed surplus of $220,848 (2013: $nil). In addition, the Company issued 100,000 common shares to JIIL at a value of $0.66 to settle $66,000 of this loan (2013: 1,900,000 common shares to JIIL at a value of $0.66 to settle $1,254,000 of loans). During the year ended December 31, 2014, the Company incurred $12,293,989 in interest expense related to these loans (2013: $8,797,778) using a market interest rate of 13% (2013: 11%). As at December 31, 2014, these loans are classified as a current liability. As at December 31, 2013, these loans were classified as a long-term liability as a result of the extension agreement.

The following are security over both these term loans:

a) a debenture dated May 25, 2009 providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
b) a supplemental debenture in favour of JIIL providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
c) a share-pledge of Company's shares in Liberty Cobalt Inc. and 2004428 Ontario Inc. in favour of JIIL;
d) a demand debenture of $200,000,000 USD or a lesser amount and interest of 25% or a lesser rate on default of the agreement entered between the Company and JIIL dated June 30, 2011; and
e) other security interest entered by the Company in favour of JIIL.

17. PROVISIONS

Site restoration obligation

The site restoration obligation relates to reclamation and closure costs for the Redstone mine, the Redstone mill, the McWatters mine and the Hart project. As at December 31, 2014, the Company has assessed its total provision for site restoration obligation and estimated it to be $2,528,042 (2013: $2,121,220) based on a total future liability of approximate $2,475,000 (2013: $2,475,000), an inflation rate of 2.1% (2013: 1.1%), and a discount rate ranging between 0.97% and 2.33% (2013: 1.1% and 3.24%). Reclamation is expected to occur in one to fifteen years. Adjustments arising from remeasurement are applied against the respective asset. As the Redstone mine property was written off in prior years, the Company recognized an impairment charge of $31,815 to the consolidated statements of comprehensive loss for the year ended December 31, 2014 (2013: a reversal of impairment of $840,330 due to changes to the Redstone mine and McWatters mine reclamation obligations).

At December 31, 2012	$	3,475,002
Adjustments arising from remeasurement		(1,458,122)
Accretion of discount		104,340
At December 31, 2013	$	2,121,220
Adjustments arising from remeasurement		364,834
Accretion of discount		41,988
At December 31, 2014	$	2,528,042

18. CONTINGENT LIABILITIES

Two former employees of the Company had started legal proceedings against the Company for unfair dismissal. The Company vigorously denies that it was at fault and is intending to defend itself against any such actions. A settlement of $125,000 was finalized during fiscal 2014 with one of the Company's employees.

19. SHARE CAPITAL

a) Common shares

An unlimited number of common and preferred shares are authorized to issue in series.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All common shares are ranked equally with regard to the Company's residual assets.

19. SHARE CAPITAL (CONTINUED)

In August 2013, the Company consolidated its common shares on the basis of one new common share for every 50 common shares outstanding. All common shares, options and per share amounts have been restated to give retroactive effect to the share consolidation.

b) Movement in share capital

	Number of common shares outstanding		Value of Common shares outstanding
December 31, 2012	4,129,544	$	78,320,593
Transactions during the year:			
Shares issued for debt settlement (Note 12)	1,265,881		962,070
Shares issued for debt settlement (Note 16)	1,900,000		1,254,000
December 31, 2013	7,295,425	$	80,536,663
Transactions during the year:			
Shares issued for debt settlement (Note 12)	115,010		81,657
Shares issued for debt settlement (Note 16)	100,000		66,000
December 31, 2014	7,510,435	$	80,684,320

20. SHARE-BASED PAYMENT RESERVE

a) Option plan details

The Company has an incentive option plan for certain employees, officers, directors and consultants. The purpose of the plan is to attract, retain and motivate those employees, officers, directors and other individuals or entities integral to the Company's success. Options issued under the plan vest over periods not exceeding three years and all options must be exercised over specified periods not to exceed five years from the date granted. The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten per cent of the total number of common shares outstanding immediately prior to such an issuance. At December 31, 2014, 629,943(December 31, 2013: 601,443) common shares were available for issuance under the plan. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed ten per cent of the total number of common shares outstanding immediately prior to such an issuance. The exercise price of the options is fixed by the Board of Directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

20. SHARE-BASED PAYMENT RESERVE (CONTINUED)

The continuity of the Company's outstanding and exercisable options for the period ended December 31, 2014 is as follows:

	Number of Options	Weighted Average Exercise Price	Grant Date Fair Value of Options
December 31, 2012	312,800	$6.50	$ 1,473,895
Expired	(7,000)	$62.86	(370,099)
Cancelled	(177,700)	$5.23	(560,396)
December 31, 2013	128,100	$5.32	$ 543,400
Value of vested options	-	-	13,275
Value of expired options	(7,000)	$10.00	(55,650)
December 31, 2014	121,100	$5.05	$ 501,025

The following table summarizes information about the options outstanding and exercisable at December 31, 2014:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date (per share)
3,000	3,000	12-Feb-10	12-Feb-15*	$12.50	$10.25
15,600	15,600	15-Jun-10	15-Jun-15	$9.50	$7.71
11,000	11,000	20-May-11	20-May-16	$6.00	$4.87
41,500	41,500	30-Jun-11	30-Jun-16	$5.00	$4.06
1,800	1,800	4-Aug-11	4-Aug-16	$4.50	$3.64
48,200	48,200	28-Aug-12	28-Aug-17	$3.00	$2.52
121,100	121,100			$5.05	$4.14

*These options expired unexercised subsequent to year end

Fair value of options issued during the period

No options were granted for the years ended December 31, 2014 and 2013. Stock-based compensation expense for the year ended December 31, 2014 was $13,275 (2013: $54,573), relating to options granted in prior periods that vested during the period. Of this amount, $4,459 was allocated to site operational expenses for the year ended December 31, 2014 (2013: $12,357) with the balance allocated to corporate general and administrative expense.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

21. RELATED PARTY TRANSACTIONS

As at December 31, 2014, JJNICL, through its wholly-owned subsidiary JIIL, is the Company's majority shareholder. Transactions with these entities are detailed in Notes 15 and 16.

The Company had engaged Forbes & Manhattan, Inc. ("Forbes") through the better part of 2014. Through Forbes, the Company received access to mining and business professionals, including various officers of the Company. In addition, the Company received strategic advice from Mr. Stan Bharti, the Executive Chairman of Forbes. Starting from June 2013, an administration fee of $100,000 per month was charged by Forbes which provided for amounts to be paid to various corporate professionals, including various officers of the Company as well as corporate overheads including rent, accounting, legal, communications, IT and administrative support staff. The Company terminated its contract with Forbes during the fourth quarter of 2014.

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. For the years presented, key management personnel compensation comprised the following (excluding the amounts paid to Forbes mentioned above):

	For the years ended December 31,	
	2014	2013
Employee benefits and directors fees	$ 258,110	$ 1,331,161
Share-based payments	$ -	$ -

Mr. David Rigg, the president and CEO of the Company and Mrs. Deborah Battiston, the CFO of the Company, are both officers of QMX. During the fourth quarter of 2014, both Mr. Rigg and Mrs. Battiston resigned their positions. Mr. James Xiang was appointed Interim President and CEO of the Company and Mr. Sean Choi was appointed CFO of the Company.

22. LOSS PER SHARE

The basic and diluted losses per share are the same as outstanding options are anti-dilutive in the periods presented.

23. COST OF SALES

	For the years ended	
	December 31, 2014	December 31, 2013
Direct labour	$ 2,402,273	$ -
Direct material	1,112,191	-
Utilities	1,038,565	-
Depreciation	2,880,922	-
Other	681,167	-
Total cost of sales	$ 8,115,118	$ -

24. OPERATING COSTS

	For the years ended	
	December 31, 2014	December 31, 2013
Care and maintenance	$ 646,926	$ 2,426,436
Standby costs	880,759	-
Abestos remediation	-	4,872,456
Insurance	246,277	187,858
Depreciation	878,561	5,002,726
Accretion	41,988	104,340
Stock-based compensation	4,459	12,357
Total cost of sales	$ 2,698,970	$ 12,606,173

25. CORPORATE GENERAL AND ADMINISTRATION

Corporate general and administration overheads totals are detailed below.

	For the years ended	
	December 31, 2014	December 31, 2013
Salaries and compensation	$ 11,846	$ 742,033
Consultants	460,913	1,391,760
Legal fees and settlements	448,133	132,452
Audit fees	51,582	-
General office expense	118,759	206,643
Shareholder communications and board fees	66,674	-
Stock-based compensation	8,816	42,215
Travel	10,781	34,708
Insurance	36,693	34,121
Royalties	-	1,683
Penalties	(320,828)	(193,873)
Total	$ 893,369	$ 2,391,742

26. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2013 – 26.5%) to the effective tax rate is as follows:

For the years ended	December 31, 2014	December 31, 2013
Net loss for the year	$ 28,745,974	$ 28,911,699
Expected income tax recovery on loss	(7,618,000)	(7,662,000)
Difference due to recognition of items for tax purposes:		
Non-deductible expenses	297,000	568,000
Effect of change in statutory rates	849,000	(1,996,000)
Utilization of losses not previously recognized	33,000	-
Adjustment due to changes in estimates	-	(65,000)
Change in unrecognized deferred tax assets	6,439,000	9,155,000
	$ -	$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

As at	December 31, 2014	December 31, 2013
Exploration and evaluation properties	$ 37,492,000	$ 32,192,000
Property, plant and equipment	24,037,000	20,781,000
Equipment financing and leases	65,000	-
Unrealized foreign exchange loss (gain)	3,232,000	(2,264,000)
Cumulative eligible capital	86,000	-
Site restoration obligations	2,528,000	2,121,000
Non-capital losses carried forward	117,579,000	105,864,000
Net capital losses carried forward	1,033,000	-
Donations	6,000	-
Unrecognized deferred tax assets	(186,058,000)	(158,694,000)
	$ -	$ -

The Canadian non-capital loss carry forwards expire as noted in the table below. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probably that future taxable profit will be available against which the group can utilize the benefits therefrom.

26. INCOME TAXES (CONTINUED)

The Company's Canadian non-capital income tax losses expire as follows:

2027	$	11,763,610
2028		10,471,110
2029		6,021,540
2030		10,893,230
2031		19,564,930
2032		24,717,390
2033		21,794,540
2034		12,352,650
	$	117,579,000

27. CAPITAL MANAGEMENT

The Company considers its common shares, preferred shares, stock options, accumulated deficit and debt facilities with shareholders as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future developments and production of the business.

The Company is not exposed to any externally imposed capital requirements.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

All financial instruments presented on the consolidated statements of financial position are carried at amortized cost.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in the note.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Foreign Currency Risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar will affect the Company's operations and financial results. The Company has significant exposure to foreign exchange rate fluctuation. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. The Company holds debt balances in US dollars which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate of the USD dollars against the Canadian dollar would affect the reported loss and comprehensive loss by approximately $2,667,000 (2013: $2,487,000) as detailed below:

US Dollar Balances	December 31, 2014	December 31, 2013
Cash	$ 419	$ 26
Trade Payables	(19,622)	(20,975)
Interest bearing note	(26,650,370)	(24,851,891)
Net	($26,669,573)	($24,872,840)
10% Change in Exchange Rate Impact	**($2,666,957)**	**($2,487,284)**

The values in the table represent US dollar balances at the end of the period defined above.

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings with interest rates based on market rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions as these deposits do not earn interest.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Commodity Price Risk:

The Company is exposed to commodity price risk as sales of nickel concentrate are based on market commodity prices. The Company ceased production in 2012 as a result of the downturn in nickel prices. The ability of the Company to secure custom milling contracts will be affected by commodity prices. The Company does not currently use commodity hedges to reduce its exposure to commodity price risk.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and trade receivables. The Company carried approximately $1,150,000 in trade receivables as at December 31, 2014 (2013: $nil).

The carrying amounts of financial assets represent the maximum credit exposure. The Company has gross credit exposure at December 31, 2014 and 2013 relating to cash and cash equivalents of $566,262 and $556,774, net of deposits, respectively. Cash and cash equivalents are held at two Canadian chartered banks. The Company has considered changes in the credit risk associated with these banks and considers this risk to be minimal for its cash based on changes that are reasonably possible at the reporting date. There are no overdue trade receivables from Wallbridge, the Company's only customer, as at December 31, 2014. The Company is exposed to economic dependence risk due to having only one custom milling customer, Wallbridge, as of December 31, 2014.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases (Note 2).

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 180 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditures.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The following table sets out the principal contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Payments Due				
	Total	Less than 1 year	1 and 2 years	3 to 5 years	Over 5 years
As at December 31, 2014	$ 160,996,683	$ 160,932,903	$ 43,447	$ 20,333	$ -
As at December 31, 2013	$ 144,847,404	$ 26,347,249	$ 118,483,626	$ 16,529	$ -

Determination of Fair Value:
Fair values have been determined for measurement and/or disclosure purposes. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statement of financial position carrying amounts for cash, trade receivables and accounts payable and accrued liabilities and term loans approximate fair value due to their short-term nature.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

As at December 31, 2014, no financial assets or liabilities were measured at fair value.

29. COMMITMENT

The Company's operating lease expired in September 2014 and all payments relating to this lease were made. The Company recorded $78,713 as an operating lease expense during the year ended December 31, 2014 (2013: $104,251).

30. SUBSEQUENT EVENT

Subsequent to December 31, 2014 and up to the date of this report, the Company received $336,000 in funding from JIIL to support operations.