Uragold Bay Resources Inc.

Financial Statements
December 31, 2014 and 2013
(Canadian dollars)

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Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Uragold Bay Resources Inc.

We have audited the accompanying financial statements of Uragold Bay Resources Inc., which comprise the statements of financial position as at December 31, 2014 and 2013 and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years ended December 31, 2014 and 2013 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 financial statements in accordance with International Financial Reporting Standards (IFRS) 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 financial statements based on our audits. We conducted our audits in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Uragold Bay Resources Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards (IFRS).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP [1]

Val-d'Or
April 27, 2015

[1] Chartered accountant auditor permit no. A111174

Uragold Bay Resources Inc.
Statements of Financial Position
December 31, 2014 and 2013
(in Canadian dollars)

	Notes	December 31, 2014	December 31, 2013
		$	$
ASSETS			
Current			
Cash		54,335	28,159
Marketable securities in a quoted mining exploration company		-	571,255
Goods and services tax receivable		13,788	31,778
Tax credits receivable		49,750	18,557
Prepaid expenses		2,958	215
Advances to officers, without interest		63,800	-
Loans to a company, 1% (effective rate of 3% and nominal value of $80,000)		75,390	-
Loans to directors, officers and companies owned by a director or an officer	6	221,458	-
		481,479	649,964
Non-current			
Exploration and evaluation assets	7	1,270,089	1,858,861
Property and equipment	8	350	678
		1,270,439	1,859,539
Total assets		1,751,918	2,509,503
LIABILITIES			
Current			
Trade and other payables	9	273,206	261,138
Due to directors, officers and a company owned by a director, without interest		-	387,009
Note payable	10	-	180,000
		273,206	828,147
Non-current			
Due to directors, officers and a company owned by a director, without interest (effective rate of 1.98%)	6	497,818	-
Notes payable	10	230,000	-
		727,818	-
Total liabilities		1,001,024	828,147
EQUITY			
Share capital	11	18,717,584	18,018,709
Contributed surplus		308,586	358,911
Retained deficit		(18,275,276)	(16,696,264)
Total equity		750,894	1,681,356
Total liabilities and equity		1,751,918	2,509,503

The accompanying notes are an integral part of the financial statements.
These financial statements were approved and authorized for issue by the Board of Directors on April 27, 2015.

ON BEHALF OF THE BOARD

(s) Patrick Levasseur, Director
(s) Bernard J. Tourillon, Director

Uragold Bay Resources Inc.
Statements of Comprehensive loss
December 31, 2014 and 2013
(in Canadian dollars)

	Notes	Exercise ended December 31, 2014	2013
		$	$
Expenses			
Salaries and employee benefits expense	12.1	419,742	500,851
Other operating expenses	14	421,845	331,068
Amortization of property and equipment		328	466
Write-off of exploration and evaluation assets [1]		786,227	169,437
Operating loss		1,628,132	1,001,822
Other income and expenses			
Finance income	15	27	395,548
Financial costs	15	(150,591)	(73,483)
Gain on debts settlement		104,283	-
		(46,281)	322,065
Net loss and total comprehensive loss for the period		(1,674,423)	(679,757)
Loss per share			
Basic and diluted loss per share	16	(0.03)	(0.01)

[1] Included a recovered tax credit on a written off property for an amount of $27,793 at 2013.

The accompanying notes are an integral part of the financial statements.

Uragold Bay Resources Inc.
Statements of Changes in Equity
December 31, 2014 and 2013
(in Canadian dollars)

	Notes	Share capital	Contributed surplus	Retained deficit	Total equity
		$	$	$	$
Balance at January 1st, 2013		17,490,238	587,121	(16,287,994)	1,789,365
Units issued by private placements	11.1	523,471	10,854	-	534,325
Issuance for the payment of an account payable	11.1	5,000	-	-	5,000
Share-based payments	12.2	-	42,434	-	42,434
Expiration of options and warrants		-	(281,498)	281,498	-
Issuance cost of units		-	-	(10,011)	(10,011)
		18,018,709	358,911	(16,016,507)	2,361,113
Net loss and total comprehensive loss for the year		-	-	(679,757)	(679,757)
Balance at December 31, 2013		18,018,709	358,911	(16,696,264)	1,681,356
Units issued by private placements	11.1	200,000	-	-	200,000
Units to be issued by private placements	11.1	487,575	54,175	-	541,750
Issuance for the payment of an account payable	11.1	11,300	-	-	11,300
Expiration of options and warrants		-	(104,500)	104,500	-
Issuance cost of units		-		(9,089)	(9,089)
		18,717,584	308,586	(16,600,853)	2,425,317
Net loss and total comprehensive loss for the year		-	-	(1,674,423)	(1,674,423)
Balance at December 31, 2014		18,717,584	308,586	(18,275,276)	750,894

The accompanying notes are an integral part of the financial statements.

Uragold Bay Resources Inc.
Statements of Cash Flows

December 31, 2014 and 2013
(in Canadian dollars)

	Notes	Exercise ended December 31, 2014	2013
		$	$
OPERATING ACTIVITIES			
Net loss		(1,674,423)	(679,757)
Adjustments			
Amortization of property and equipment		328	466
Write-off of exploration and evaluation assets		786,228	169,437
Share-based payments		-	42,434
Gain on debts settlement		(104,283)	-
Net change in fair value of marketable securities in a quoted mining exploration company		79,180	(395,528)
Updating difference - due to directors, officers and a company owned by a director		(30,440)	-
Updating difference - loans to directors, officers and companies owned by a director or an officer		13 542	-
Updating difference - loans to a company		4,610	-
Salaries and employee benefits expense		242,707	-
Financial costs		71,097	54,832
Changes in working capital items	18	(37,428)	84,401
Cash flows from operating activities		(648,883)	(723,715)
INVESTING ACTIVITIES			
Additions to exploration and evaluation assets		(251,153)	(117,014)
Disposal of marketable securities in a quoted mining exploration company		492,075	249,273
Tax credits received		16,416	32,479
Loans to a company		(80,000)	-
Loans to directors, officers and companies owned by a director or an officer		(235,000)	-
Cash flows from investing activities		(56,602)	164,738
FINANCING ACTIVITIES			
Issuance of units by private placements		741,750	534,325
Issuance cost of units		(9,089)	(10,011)
Cash flows from financing activities		732,661	524,314
Net change in cash		26,176	(34,663)
Cash beginning of year		28,159	62,822
Cash end of the year		54,335	28,159

For additional cash flows information refer to note 18.

The accompanying notes are an integral part of the financial statements.

1. NATURE OF OPERATIONS

Uragold Bay Resources Inc. (hereinafter the "Company") specializes in the exploration of gold and quartz in mining sites located in Québec.

2. GOING CONCERN AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its properties contain mineral deposits that are economically recoverable, the Company has not yet generated income or cash flows from its operations. As at December 31, 2014, the Company has a negative cumulated retained deficit of $18,275,276 ($16,696,264 as at December 31, 2013) and a positive working capital. The current liquidity of the Company are not sufficient to fund its administrative and exploration and evaluation expenses of the next year. These material uncertainties cast a significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

3. GENERAL INFORMATION

The Company is incorporated under the *Canada Business Corporations Act*. The address of the registered office and its principal place of business is 3000 Omer-Lavallee Street, office 306, Montreal, Quebec, Canada. Uragold Bay Resources Inc.' shares are listed on the TSX Venture Exchange.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

4.2 Fonctional and presentation currency

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

4.3 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Recognition, initial measurement and derecognition (continued)

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within Financial costs or Finance income, if applicable.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, advances to officers, advances to a company and advances to directors, officers and companies owned by a director or an officer belong to this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. In 2013, marketable securities in a quoted mining exploration company was classified into this category of financial instruments.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair value of financial assets in this category is determined by reference to active market transactions.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date, to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Financial liabilities

The Company's financial liabilities include trade and other payables, due to directors, officers and a company owned a director (excluding salaries and employee benefits expense) and notes payable.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Financial costs.

4.4 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include stock options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

4.5 Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. The tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

4.6 Exploration and evaluation assets and exploration and evaluation expenditures

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal rights to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights and expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairement losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase. Exploration and evaluation assets include a land recorded as non-amortizable fixed asset and carried at cost less any accumulated impairement losses.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see note 4.8), the difference is then immediately recognized in profit or loss.

4.6 Exploration and evaluation assets and exploration and evaluation expenditures (continued)

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see note 4.8), and any impairment loss is recognized in profit or loss before reclassification.

Presently, neither the technical feasibility nor commercial viability of extracting a mineral resource has been demonstrated.

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

Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

4.7 Property and equipment

Property and equipment are held at cost less accumulated amortization and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intented by management and costs incurred subsequently to add to or replace part thereof. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intented by management.

Upon the transfer of exploration and evaluation assets to property and equipment under Mining assets under construction, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets.

Amortization is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. The periods generally applicable are as follows:

	Useful life
Office furniture	5 years
Computer equipment	3 years

The amortization expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project.

4.7 Property and equipment (continued)

The residual value, amortization method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

4.8 Impairment of exploration and evaluation assets and property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset’s or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset’s or cash-generating unit’s recoverable amount exceeds its carrying amount.

4.9 Provisions and contingent liabilities

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

4.9 Provisions and contingent liabilities (continued)

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provison will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Such situations are disclosed as contigent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision was recognized in the statements of financial position at December 31, 2014 and 2013.

4.10 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Deferred income tax are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Compagny's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 '' Income Taxes'' specifies limited exemptions. As a result of these exemptions the Compagny does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

Tax related to flow-through placements

According to the provisions of tax legislation relating to flow-through placements, the Company has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has fulfilled its obligation to transfer its right, which happens when the Company has incurred eligible expenditures and has renounced or has the intention to renounce to its right to tax deductions, a deferred tax liability is recognized for the taxable temporary difference that arises from difference between the carrying amount of eligible expenditures capitalized in the statement of financial position and its tax basis.

4.11 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when options, broker's unit options and warrants are exercized, the share capital account also comprises the compensation costs and the value of the stock options, broker's unit options and warrants previously recorded as contributed surplus. In addition, if the shares are issued as consideration for the acquisition of a mineral property and other non-monetary assets, the shares were measured at fair value according to the quoted price on the day of the conclusion of the agreement.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to the shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through units represents in substance an issue of common shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to the fair value at the date of issuance and the residual proceeds are allocated to the other liabilities. The fair value of the warrants is determined using the Black-Scholes valuation model. The other liabilities recorded initially on the issuance of units is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

Other elements of equity

Contributed surplus includes charges related to share options, broker's unit options and warrants until such options and warrants are exercised. When they are cancelled or expired, the related compensation cost is transferred in decrease of retained deficit. When options and warrants are exercised, the related compensation cost is transferred to share capital.

Retained deficit includes all current and prior period retained profits or losses, plus issuance costs, net of any underlying income tax benefit from these issuance costs and compensation related to options and warrants cancelled or expired, transferred from Contributed surplus.

4.12 Equity-settled share-based payments

The Company operates equity-settled share-based payment plan for its eligible directors, officers, employees and consultants. The Company's plan do not feature any option for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services rendered by reference to the fair value of the equity instruments granted.

4.12 Equity-settled share-based payments (continued)

All equity-settled share-based payments (except warrants to brokers and broker's unit options) are ultimately recognized as an expense in profit or loss or capitalized as exploration and evaluation assets, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment was made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.13 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

4.14 New and revised standards that are effective

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2014. Information on the new standard that is relevant to the Company is presented below:

IFRIC 21 Levies

IFRC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Asset. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when triggering event specified in the legislation occurs. IFRC 21 has been applied retrospectively, and had no materiel effect on the financial for any period present.

4.15 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standars and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9, *Financial Instruments*

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial asstes, a single, forward-looking ‘’expected credit loss’’ impairment model and a substantially-reformed approach to hedge accounting. This new standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet assessed the impact of this new standard on its financial statements.

5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

5.1 Significant management judgments

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Recognition of diferred income tax assets and measurement on income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 4.10).

Going concern

The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

5.2 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual results may be substantially different.

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in any cases (see Note 4.8).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount the individual asset or the cash-generating units must be estimated.

Impairment of exploration and evaluation assets (continued)

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recover from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See Note 7 for the exploration and evaluation assets impairment analysis.

During the period, the Company recognized in profit and loss a write-off of exploration and evaluation assets of $786,227 ($169,437 for the period ended December 31, 2013). No reversal of impairment losses has been recognized for the reporting periods.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Note 11.2).

Provisions and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability and provisions involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty (see Note 22).

5.2 Estimation uncertainty

Tax credits receivable

The calculation of the Company's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods. See Note 4.5 for more information.

6. Loans and due to directors, officers and companies owned by a director or an officer

The Company granted loans for the acquisition of shares of the Company to directors and officers of the Company.

The maturity of the loans, with a nominal value of $235,000, is December 23, 2017 and they bear interest at a rate of 1% (effective rate of 3%). Loans are repayable in full or in part, at any time by the borrower, in principal and interests due and accrued to the date of repayment. The loans must be repaid in full, principal and interests, if the borrower sold the shares of the Company before the maturity of the loan. The Company may retain, until full repayment, an amount equivalent to the total of the outstanding loan and interests due and accrued, an amount equal to what the Company owes to the borrower.

In addition, the Company has wages not paid to directors and officers of a nominal value of $528,258. The Company has obtained confirmation that they will not request repayment prior to 12 months plus one day from the date of the fiscal year end publication of the financial statements. These amounts are classified as non current liabilities and are presented as due to directors, officers and a company owned by a director.

(in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Balance at January 1st, 2014	Additions	Tax credits	Write-off	Balance at December 31, 2014
	$	$	$	$	$
Québec					
Property Moe-River Macdonald Till					
Mining rights	321,198	-	-	(321,198)	-
Exploration and evaluation expenses	460,658	-	-	(460,658)	-
	781,856	-	-	(781,856)	-
Property Bellechasse-Timmis Gold					
Mining rights	-	67,000	-	-	67,000
Exploration and evaluation expenses	-	24,800	(8,680)	-	16,120
	-	91,800	(8,680)	-	83,120
Property Beauce Placer					
Mining rights	184,452	22,794	-	-	207,246
Exploration and evaluation expenses	733,727	81,715	(25,239)	-	790,203
Land	153,750	-	-	-	153,750
	1,071,929	104,509	(25,239)	-	1,151,199
Property Other- Beauce					
Mining rights	5,076	-	-	(4 371)	705
Property Drucourt					
Mining rights	-	548	-	-	548
Exploration and evaluation expenses	-	8,754	(2,400)	-	6,354
	-	9,302	(2,400)	-	6,902
Property Roncevaux					
Mining rights	-	492	-	-	492
Exploration and evaluation expenses	-	9,080	(2,500)	-	6,580
	-	9,572	(2,500)	-	7,072
Property Malvina					
Mining rights	-	110	-	-	110
Exploration and evaluation expenses	-	8,086	(2,600)	-	5,486
	-	8,196	(2,600)	-	5,596

(in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1st, 2014	Additions	Tax credits	Write-off	Balance at December 31, 2014
	$	$	$	$	$
Property Martinville					
Mining rights	-	219	-	-	219
Exploration and evaluation expenses	-	8,086	(2,600)	-	5,486
	-	8,305	(2,600)	-	5,705
Property Carriere Montpetit					
Mining rights	-	219	-	-	219
Exploration and evaluation expenses	-	8,086	(2,600)	-	5,486
	-	8,305	(2,600)	-	5,705
Property Silica-other					
Mining rights	-	2,135	-	-	2,135
Exploration and evaluation expenses	-	3,000	(1,050)	-	1,950
	-	5,135	(1,050)	-	4,085
Sommary					
Mining rights	510,726	93,517	-	(325,569)	278,674
Exploration and evaluation expenses	1,194,385	151,607	(47,669)	(460,658)	837,665
Land	153,750	-	-	-	153,750
	1,858,861	245,124	(47,669)	(786,227)	1,270,089

(in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1st, 2013	Additions	Tax credits	Write-off	Balance at December 31, 2013
	$	$	$	$	$
Quebec					
Property Moe-River Macdonald Till					
Mining rights	317,699	3,499	-	-	321,198
Exploration and evaluation expenses	461,315	-	(657)	-	460,658
	779,014	3,499	(657)	-	781,856
Property St-François					
Mining rights	145,203	-	-	(145,203)	-
Exploration and evaluation expenses	58,652	-	(6,625)	(52,027)	-
	203,855	-	(6,625)	(197,230)	-
Property Beauce Placer					
Mining rights	184,452	-	-	-	184,452
Exploration and evaluation expense	631,311	117,282	(14,866)	-	733.727
Land	152,500	1,250	-	-	153,750
	968,263	118,532	(14,866)	-	1,071,929
Property Other-Beauce					
Mining rights	3,340	1,736	-	-	5,076
Summary					
Mining rights	650,694	5,235	-	(145,203)	510,726
Exploration and evaluation expenses	1,151,278	117,282	(22,148)	(52,027)	1,194,385
Land	152,500	1,250	-	-	153,750
	1,954,472	123,767	(22,148)	(197,230)	1,858,861

All write-offs are included within Write-off of exploration and evaluation assets in profit or loss.

During the year, management written-off mining rights and exploration and evaluation expenses for the properties Moe-River Macdonald Till and other-Beauce (the property St-François for the period ended December 31, 2013) for the following reasons: Abandon of mining claims, negative results obtained after exploration work and/or no expenditure during the last three years.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Quebec

Property Moe-River Macdonald Till

The Company holds a 100 % interest in 8 claims constituting the property Moe-River Macdonald Till.

With respect of the specific property Moe-River, the Company holds 100 % interest in the concession comprised of 8 claims. Under the agreement previously signed, if the works confirm the presence of 1,000,000 inferred ounces of gold, the Company shall issue common shares with a value equivalent of 8 % of its market capitalization but should not exceed $2,500,000 in value. Moreover, if the works confirm the presence of 2,000,000 measured and indicated ounces of gold, the Company shall issue additional common shares equivalent to 5 % of its market capitalization but that should not exceed $2,500,000. During the year, the Company writen-off the exploration and evaluation assets, for a total amount of $781,856.

Property St-François

Under the agreement, if the works confirm the presence of 1,000,000 inferred ounces of gold, the Company shall issue common shares with a value equivalent of 8 % of its market capitalization but should not exceed $2,500,000 in value. Moreover, if the works confirm the presence of 2,000,000 measured and indicated ounces of gold, the Company shall issue additional common shares equivalent to 5 % of its market capitalization but that should not exceed $2,500,000. During the year, the Company writen-off the exploration and evaluation assets, for a total amount of $197,230.

Property Bellechasse-Timmins Gold

On April 9, 2014, the Company signed an option and joint venture agreement with Golden Hope Mines Limited ("GNH") concerning the acquisition of a 50 % interest in the Bellechasse-Timmins Gold Deposit, located in the Beauce region. In order to acquire the first 30 % interest, the Company will incur costs estimated at $400,000 relating to various works, reports and obtaining certain ministerial authorization.

1) NI 43-101 Resources estimate Revision
2) An economic assessment
3) An environmental audit
4) Obtaining required autorizations
5) Obtaining a certificate of autorisation (C.A.)
6) A land survey
7) A reclamation and restoration plan
8) A mining lease for the operation of a small mine of up to 600 metric tons of mineral per day

The Company may acquire an additional interest of 20 %, for a total of 50 %, by obtaining, within 120 days of the end of the first option, the necessary funding at the beginning of commercial production of the property. The Company shall pay to "GNH" the sum of $100,000 in cash, payable in 3 installments, whose $66,000 have already been paid and $34,000 payable no later than October 9, 2014 (paid on April 8, 2015).

7. EXPLORATION AND EVALUATION ASSETS (continued)

Property Beauce Placer

The Company holds a 100 % interest in 6 claims. The Company committed to pay a royality of 3.5 % NSR on 5 of them.

On October 8, 2014, the Company signed a definitive agreement transaction with Fancamp Exploration Ltd. for the purchase of 29 claims located in the municipality of Saint-Simon-les-Mines in the region of Beauce in Quebec. Following the approval of regulatory authorities on January 22, 2015, the Company issued 8 M units (for a total value of $591,762), each unit consisting of one common share and one warrant. Each warrant shall entitle the seller to purchase one additional common share of the Company at a price $0.20 per share during the first 24 months from the date of issuance of units, at the price of $0.30 from the start of the 25th month until the end of the 48th month, and at a price of $0.40 per share at the start of the 49th month until the end of the 60th month. An amount of $231,762 related to the warrants issued will be recorded an increase of contributed surplus.

Under this agreement, the Company shall perform exploration work over a period of 4 years for an amount of $400,000 allocated as follows: $50,000 for the 15 months, $75,000 for the second year, $100,000 for the third year and $175 000 for the fourth year. Also the Company has committed to pay Fancamp Exploration Ltd a royalty of 3.5% for the duration of the production of gold, as well as, an amount of $500,000 at the beginning of the production. In adition, the Company must pay an amount of $25,000 to Fancamp 15 months after the completion of the agreement.

Moreover, the Company must assume the payment to a third party of a royalty of 1.5 % of which, at the option of the Company, 1% will be redeemable for an amount of $1,000,000.

Property Drucourt

During the period, the Company acquired by staking 10 claims.

Property Roncevaux

During the period, the Company acquired by staking 9 claims.

Property Malvina

During the period, the Company acquired by staking 2 claims.

Property Martinville

During the period, the Company acquired by staking 4 claims.

Property Carriere Montpetit

During the period, the Company acquired by staking 4 claims.

Property Silice-other

During the period, the Company acquired by staking 39 claims.

(in Canadian dollars)

8. PROPERTY AND EQUIPMENT

Property and equipment of the Company are composed of office furniture and computer equipment. The carrying amount is set out as follows:

	Property and equipment		
	Office furniture	Computer equipment	Total
	$	$	$
Gross carrying amount			
Balance at January 1st, 2014 and at December 31, 2014	1,500	500	2,000
Accumulated depreciation and impairment			
Balance at January 1st, 2014	850	472	1,322
Depreciation	300	28	328
Balance at December 31, 2014	1,150	500	1,650
Carrying amount at December 31, 2014	350	-	350

	Property and equipment		
	Office furniture	Computer equipment	Total
	$	$	$
Gross carrying amount			
Balance at January 1st, 2013	1,500	1,300	2,800
Impairment loss	-	(800)	(800)
Balance at December 31, 2013	1,500	500	2,000
Accumulated depreciation and impairment			
Balance at January 1st, 2013	550	1,106	1,656
Depreciation	300	166	466
Impairment loss	-	(800)	(800)
Balance at December 31, 2013	850	472	1,322
Carrying amount at December 31, 2013	650	28	678

All depreciation charges are included within Amortization of property and equipment.

(in Canadian dollars)

9. TRADE AND OTHER PAYABLES

	December 31, 2014	December 31, 2013
	$	$
Accrued interest on note payable	29,412	95,270
Trade accounts	227,013	141,421
Other	16,781	24,447
	273,206	261,138

10. NOTES PAYABLE

On February 6, 2012, the Company signed an estate mortgage to secure a loan for a sum of $180,000 bearing interest at compound rate of 25 % annually and secured by the land on Beauce Placer's property. On June 30, 2014, the Company deferred the term of the note payable until February 6, 2016 and has signed a new note payable for an amount of $50,000 in the same terms.

11. EQUITY

11.1 Share capital

The share capital of the Company consists only of common shares and an unlimited number of shares without par value. All shares are participating and are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholder's meeting of Uragold Bay Resources Inc.

	December 31, 2014	December 31, 2013
	Number of shares	Number of shares
Shares issued at the beginning of the period	54,339,743	45,334,327
Private placements (a) (b) (d) (e)	3,333,333	8,905,416
Issuances for the payment of an account payable (c) (f)	282,500	100,000
Total shares issued and fully paid	57,955,576	54,339,743
Shares to be issued (g)	10,835,000	-
Total shares at the end of the period	68,790,576	54,339,743

(a) On March 15, 2013, the Company completed a private placement for a total amount of $118,200. The Company issued 1,970,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.10 per share, during a period of 24 months following the closing of the financing. No amount related to warrants was recorded in Contributed surplus.

(b) On April 25, 2013, the Company completed a private placement for a total amount of $65,125. The Company issued 1,085,416 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.10 per share, during a period of 24 months following the closing of the placement. An amount of $10,854 related to warrants was recorded in contributed surplus.

(in Canadian dollars)

11.1 Share capital (continued)

(c) On May 15, 2013, the Company carried out a debt settlement of $5,000 by the issuance of 100,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.10 per share, during a period of 36 months. No amount related to warrants was recorded in Contributed surplus.

(d) On July 6, 2013, the Company completed a private placement for a total amount of $351,000. The Company issued 5,850,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.10 per share, during a period of 24 months following the closing of the financing. No amount related to warrants was recorded in Contributed surplus.

(e) On July 30, 2014, the Company completed a private placement for a total amount of $200,000. The Company issued 3,333,333 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.10 per share, during a period of 24 months following the closing of the financing. No amount related to warrants was recorded in Contributed surplus.

(f) On November 5, 2014, the Company carried out a debt settlement of $14,125 by the issuance of 282,500 common shares.

(g) On December 29, 2014, the Company completed a private placement for a total amount of $541,750. The Company issued 10,835,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.07 per share, during a period of 36 months following the closing of the financing. The amount of $54,175 related to warrants was recorded in Contributed surplus.

11.2 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	December 31, 2014		December 31, 2013	
	Number of warrants	Weighted average exercise price	Number of warants	Weighted average exercise price
	$	$	$	$
Balance, beginning of period	12,047,083	0.11	11,244,667	0.14
Granted	3,333,333	0.10	9,005,416	0.10
Expired	(3,041,667)	0,15	(8,203,000)	0.14
	12,338,749	0.10	12,047,083	0.11
To be issued	10,835,000	0.07	-	-
Balance, end of period	23,173,749	0.09	12,047,083	0.11

(in Canadian dollars)

11.2 Warrants (continued)

Outlined below are the outstanding warrants which could be exercised for an equivalent number of common shares:

	December 31, 2014		December 31, 2013	
Expiration date	Number	Exercise price	Number	Exercise price
		$		$
May 2014	-	-	330,000	0.40
June 2014	-	-	200,000	0.40
August 2014	-	-	1,936,667	0.10
December 2014	-	-	575,000	0.10
March 2015	1,970,000	0.10	1,970,000	0.10
April 2015	1,085,416	0.10	1,085,416	0.10
July 2015	5,850,000	0.10	5,850,000	0.10
May 2016	100,000	0.10	100,000	0.10
July 2016	3,333,333	0.10	-	-
January 2018	10,835,000	0.07	-	-
	23,173,749	0.09	12,047,083	0.11

11.3 Broker's unit options

Outstanding broker's unit options entitle their holder to subscribe to an equivalent number of unit options, as follows:

	December 31, 2013	
	Units number	Weighted average exercise price
		$
Balance, beginning of period	145,000	0.40
Expired	(145,000)	0.40
Balance, end of period	-	-

(in Canadian dollars)

12. EMPLOYEE REMUNERATION

12.1 Salaries and employee benefits expense

Salaries and employee benefits expense recognized are analysed below:

	December 31, 2014	December 31, 2013
	$	$
Salaries and benefits	236,640	265,417
Management fees	150,000	150,000
Remuneration of director	50,000	43,000
Share-based payments	-	42,434
Change of the present value of the due and loans to directors, officers and companies owned by a director or an officer for the effective rate	(16,898)	-
	419,742	500,851

12.2 Share-based payments

The Company has adopted a share-based payment plan under which members of the the Board of Directors may award to directors, officers, employees and consultants, options entitling its holder to purchase common shares of the Company. The maximum number of shares issuable under the plan is 4,400,000 common shares.

The exercise price of each option is determined by the Board of Directors and cannot be less than the market price of common shares as defined by TSX Venture Exchance policies on the day prior the award, and the term of the options cannot exceed ten years.

The maximum number of common shares that can be issued to a beneficiary, during any 12-month period is limited to 5 % of issued and outstanding shares.

The maximum numbers of shares that can be issued to consultant during any 12 month period is limited to 2 % of issued and outstanding shares; moreover, the options granted to consultants performing investor relations activities may be exercised by stages over a period of 12 months after the grant, at a rate of 25 % per quarter.

(in Canadian dollars)

12.2 Share-based payments (continued)

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's share options are as follows for the reporting periods presented:

	December 31, 2014		December 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at January 1st	4,337,500	0.19	3,837,500	0.20
Granted			500,000	0.11
Cancelled	(425,000)	0.20	-	-
Outstanding and exercisable at end of period	3,912,500	0.19	4,337,500	0.19

The table below summarizes the information related to outstanding share options as at December 31, 2014:

Outstanding options		
Number of options	Weighted average exercise price	Weigthed average remaining contractual life (years)
	$	
200,000	0.10	0.57
2,750,000	0.12	3.01
962,500	0.40	1.93
3,912,500	0.19	2.62

(in Canadian dollars)

12.2 Share-based payments (continued)

The table below summarizes the information related to outstanding share options as at December 31, 2013:

Outstanding options		
Number of options	Weighted average exercise price	Weigthed average remaining contractual life (years)
	$	
200,000	0.10	1.57
3,050,000	0.12	4.01
1,087,500	0.40	2.93
4,337,500	0.19	3.63

The weighted fair value of the granted options of $0.084 as at December 31, 2013 was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2013
Average share price at date of grant	$0.10
Expected dividend yield	0 %
Expected weighted volatility	158 %
Average risk-free interest rate	2.20 %
Expected average life	3.8 years
Average exercise price at date of grant	$0.11

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

An amount of $42,434 of employee remuneration expenses (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the reporting period that ended on December 31, 2013 and credited to contributed surplus.

(in Canadian dollars)

13. FAIR VALUE MEASUREMENT

13.1 Financial instruments measured at fair value

Financial assets and liabilities measured at fair value in the statement of financial position are presented in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;

– Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

– Level 3: Inputs for the assets or liabilities that are not based on observable market data.

In 2013, the fair value of the marketable securities in a quoted mining exploration company classified in level 1 was determinated based on the quoted price at the date of presentation of financial information.

13.2 Financial instruments measured at amortized cost for which the fair value is disclosed

The carrying value of cash, advances to officers, trade and other payables, due to directors, officers and a company owned by a director (excluding salaries and employee benefits expense) and current note payable is considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

The fair value of loans to directors, officers and companies owned by a director or an officer, loans to a company, due to directors and non-current notes payable was estimated using an analysis of cash flows discounted using an interest rate for similar financial instruments. Financial instruments are classified in level 2 of the fair value hierarchy of evaluations.

14. OTHER OPERATING EXPENSES

Other operating expenses are detailed as follows:

	December 31,	
	2014	2013
	$	$
Professionnal fees	288,630	196,605
Traveling expenses	35,158	40,651
Office expenses	51,961	47,991
Information to shareholders and registration fees	39,172	44,104
Bank charges	2,314	1,717
Change in the present value of the loans to a company, at the effective rate (1)	4,610	-
	421,845	331,068

(1) Relating to professional fees

(in Canadian dollars)

15. FINANCE INCOME AND FINANCIAL COSTS

Finance income may be analyzed as follows for the reporting periods presented:

	December 31, 2014	December 31, 2013
	$	$
Interest income from cash	27	20
Net change in fair value of marketable securities in a quoted mining exploration company	-	395,528
	27	395,548

Financial costs may be analyzed as follows for the reporting periods presented:

	December 31, 2014	December 31, 2013
	$	$
Interest charge on notes payable	(71,097)	(54,832)
Net change in fair value of marketable securities in a quoted mining exploration company	(79,180)	-
XII.6 tax portion	-	(17,948)
Other interest charges	(314)	(703)
	(150,591)	(73,483)

16. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 11 and 12.

Both the basic and diluted loss per share have been calculated using the loss as the numerator, i.e. no adjustement to the loss were necessary in 2014 and 2013.

	December 31, 2014	December 31, 2013
Net loss	$(1,674,423)	$(679.757)
Weighted average number of outstanding shares	55,774,928	50,556,217
Basic and diluted loss per share	$(0.03)	$(0.01)

See Note 23 for transactions involving shares completed after December 31, 2014.

(in Canadian dollars)

17. INCOME TAXES

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2014	2013
	$	$
Origination and reversal of temporary differences	(428,051)	(195,378)
Difference of previous year deferred tax	-	13,450
Temporary difference not recorded	428,051	181,928
	-	-

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive income can be reconciled as follows:

	2014	2013
	$	$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9% (26.9% in 2013)	(450,420)	(182,855)
Adjustments for the following items :		
Share-based payments	-	11,415
Difference of previous year deferred tax	-	13,450
Fiscal impact of temporary difference not recorded	428,051	181,928
Non-taxable portion of the variation of fair value	10,650	(53,198)
Reversal of exemption from the initial recognition of deferred tax	10,020	24,523
Other non-deductible expenses	1,699	4,737
Deferred income tax income	-	-

(in Canadian dollars)

17. INCOME TAXES (continued)

Deferred tax assets and liabilities and variation of recognized amounts during the period

The following differences between the carrying amounts and tax bases from temporary differences, unused tax losses and unused tax credits give rise to the following recognized deferred income tax assets and liabilities, and the following unrecognized temporary differences, unsued tax losses and unused tax:

	Balance January 1, 2014	Recognized in profit or loss	Balance December 31, 2014
	$	$	$
Recognized			
Maketable securities	(53,605)	53,605	-
Tax credits	(1,206)	(2,554)	(3,760)
Deductible capital losses	-	(8,188)	(8,188)
Non-capital losses	54,811	(42,863)	11,948
Recognized deferred tax assets and liabilities	-	-	-

	Balance January 1, 2013	Recognized in profit or loss	Balance December 31, 2013
	$	$	$
Recognized			
Maketable securities	(13,450)	(40,155)	(53,605)
Tax credits	-	(1,206)	(1,206)
Deductible capital losses	890	(890)	-
Non-capital losses	12,560	42,251	54,811
Recognized deferred tax assets and liabilities	-	-	-

(in Canadian dollars)

17. INCOME TAXES (continued)

	December 31, 2014	
	Federal	Provincial
	$	$
Deductible temporary differences and tax losses not recognized		
Property and equipment	264,651	251,658
Intangible assets	29,571	23,787
Issuance costs of equity instruments	32,102	32,102
Exploration and evaluation assets	4,552,844	7,212,948
Provisions and reserves	294,258	294,258
Loans to officers	13,542	13,542
Loans to a company	4,610	4,610
Unused loss carry-forwards	5,548,002	5,386,671
	10,739,580	13,219,576

	December 31, 2013	
	Federal	Provincial
	$	$
Deductible temporary differences and tax losses not recognized		
Property and equipment	264,323	251,330
Intangible assets	29,571	23,787
Issuance costs of equity instruments	67,029	67,029
Exploration and evaluation assets	3,844,585	6,483,227
Provisions and reserves	172,647	172,647
Unused loss carry-forwards	4,759,465	4,623,228
	9,137,620	11,621,248

The ability to realize the tax benefits depends on many factors, including the probability to generate future taxable incomes. The deferred tax assets are recognized only if it is probable that sufficient taxable profits will be available to allow the recovery of theses assets. Therefore, some deferred tax assets have not been recognized, these unrecognized assets totaling an amount of $3,184,068 ($2,753,572 in 2013).

(in Canadian dollars)

17. INCOME TAXES (continued)

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the statement of financial position that can be carried over the following years:

	Federal	Provincial
	$	$
2015	141,731	107,740
2026	197,271	197,018
2027	160,236	90,537
2028	870,544	835,380
2029	614,130	610,009
2030	627,620	624,214
2031	759,417	755,536
2032	649,448	647,675
2033	803,620	798,209
2034	723,985	720,353
	5,548,002	5,386,671

The Company has tax credits for investment which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the statement of financial position that can be carried over the following years:

	Federal	Provincial
	$	$
2017	-	204,976
2027	3,363	-
2028	70,404	-
2029	8,810	-
2030	6,540	-
2031	310	-
2032	4,501	-
2033	1,200	-
	95,128	204,976

(in Canadian dollars)

18. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	December 31,	
	2014	2013
	$	$
Goods and services tax receivable	17,990	(3,673)
Prepaid expenses	(2,743)	11,880
Advances to officers	(63,800)	-
Trade and other payables	11,125	(14,860)
Due to directors, officers and a company owned by a director	-	91,054
	(37,428)	84,401

Non-cash balance sheet transactions are detailled as follows :

	2014	2013
	$	$
Issuance of shares for payment of an account payable	11,300	5,000
Trade and other payables included in exploration and evaluation assets	83,869	89,898

19. RELATED PARTY TRANSACTIONS

The Company's related parties include joint key management and a company held by a director, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

19.1 Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors and officers. Key management personnel remuneration includes the following expenses:

	December 31,	
	2014	2013
	$	$
Short-term employee benefits		
Salaries and benefits	236,640	265,417
Management fees (1)	150,000	150,000
Directors remuneration	50,000	43,000
Change in present value of due and loans to directors, officers and companies owned by a director or an officer, at the effective rate	(16,898)	-
Total short-term employee benefits	436,640	458,417
Share-based payments	-	27,596
Total remuneration	436,640	486,013

(1) Paid to a company owned by a director.

19.1 Transactions with key management personnel (continued)

On December 31, 2014, advances to officers, loans to directors, officers and companies owned by a director or an officer totaling $285,258.

Trade and other payables are including $5,546 due to directors and to a company owned by a director.

On December 31, 2014, due to directors, officers and a company owned by a director totaling $497,818 ($387,009 as at December 31, 2013).

20. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, to increase of the assets of the business, and to provide an adequate return to owners of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flows, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues a flow-through placement for which an amount should be used for exploration work. See all the details in Note 22.

The Company finances its exploration and evaluation activities mainly by seeking additional capital either through private placements or public placements. When funding conditions are not optimal, the Company can sign option agreements or other agreements to be able to continue its exploration and evaluation activities or can slow down its activities until conditions funding improves.

21. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The main types of risks are price risk sensibility, credit risk and liquidity risk.

The Company risk management is coordinated in close cooperation with the Board of Directors. The Company's risk management focuses on actively securing the Company short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes.

The most significant financial risks to which the Company is exposed are described below.

21.1 Price risk sensitivity

In 2013, the Company was exposed to fluctuations in the market prices of its holding marketable securities in a quoted mining exploration company. The maximum risk to which the shares were exposed is equal to their fair value.

If the quoted share price for these shares had changed by plus or minus 20 % as at December 31, 2013, the comprehensive loss and equity would have changed by $114,250.

21. FINANCIAL INSTRUMENT RISKS (continued)

21.2 Credit risk

Credit risk is the risk than another party to a financial instrument fails to its obligations and, therefore, leads the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of cash, advances to officers, loans to a company and loans to directors, officers and companies owned by a director or an officer for an amount of $414,983 as at December 31, 2014 ($28,159 as at December 31, 2013).

The credit risk for advances to officers, loans to a company and loans to directors, officers and companies owned by a director or an officer is considered limited. The Company continuously monitors default of counterparties. No impairment loss has been recognized in the periods presented.

The Company's management considers that all the above financial assets, for each of the reporting dates under review are of good credit quality.

The credit risk for cash is considered negligeable, since the counterparty is a reputable bank with high quality external credit ratings.

21.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations with financial liabilities that are settled by cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the period, the Company has financed its exploration programs, its working capital requirements and acquisitions of mining properties through private placements.

The Company expects to respect its obligations with its cash flows related to placements.

Trade and other payables for an amount of $273,206 ($261,138 as at December 31, 2013) have contractual maturities of less than three months. The due to directors, officers and a company owned by a director of $497,818 ($85,112 as at December 31, 2013) and the notes payable for an amount of $230,000 plus interests of $29,412 ($180,000 plus interests of $95,270 as at December 31, 2013) have maturities up to February 6, 2016 (without terms of repayment as at December 31, 2013).

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash, maketable securities and tax credits receivable.

22. CONTINGENCIES AND COMMITMENTS

The Company is partially financed through the issuance of flow-through units and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the first of the following dates:

- Two years following the flow-through financings;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

22. CONTINGENCIES AND COMMITMENTS (continued)

The Company entered into agreements with subscribers whereby the Company had to incur $245,000 of Canadian Exploration Expenses ("CEE") before December 31, 2012. The Company had incurred $163,875 in CEE before December 31, 2012 and an approximate balance of $77,000 of CEE renounced to the investors was not been incurred as at December 31, 2012 and was used for other purposes than exploration expenses. The maximal contingency for the Company, in relation to non-compliance with its obligations with subscribers, is approximately $55,000. As at December 2013, the Company has accrued for liability pertaining to part XII.6 taxes an amount of $24,448 included in trade and other payables and written-off its flow-through shares obligation for an amount of $18,781. As at February 28, 2014, the Company had produced the reductions forms related to the amount of $77,000 in CEE renounced to the investors and that have not been incurred as at December 31, 2012.

As mentioned in Note 7, an exploration and evaluation assets, relating to the transaction with "GNH", for the next 18 months the Company will incur costs estimated at $400,000 relating to various work, reports and the obtaining of certain ministerial authorization.

Pursuant to the terms of the Agreement signed on July 15, 2014, the Company will issue shares for services rendered by AGORACOM in exchange for the online advertising, marketing and branding services. Pursuant to the terms of the Agreement, the Company will issue shares for an amount of $12,500 + HST for services rendered until January 15, 2015 (see Note 23). The number of shares to be issued at the end of each period will be determined by using the closing price of the shares of the Company on the TSX Venture Exchange at the date of issue of the press release announcing the payment. The term of the Agreement is 12 months starting on July 15, 2014. The services totalizing $50,000 must be paid by the Company at the end of each quarter for the amount of $12 500 – TVH.

23. POST-REPORTING DATE EVENTS

On January 22, 2015, the Company issued 8M units for the acquisition of 29 claims in the region of Beauce in Quebec (see Note 7).

On February 13, 2015, the Company completed a private placement for a total amount of $164,500. The Company issued 3,290,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.07 per share, during a period of 36 months following the closing of the financing. An amount of $49,350 related to warrants will be recorded as an increase of contributed surplus.

On February 24, 2015, the Company issued 282,500 common shares to AGORACOM to pay the second installment payable under the agreement for the debt settlement policies of the TSX Venture Exchange. An amount of $4,025 will be recorded in profit or loss as gain on debt settlement.

On February 24, 2015 the Company acquired 5 claims, (the Morin property located in the city of Saint-Augustin-de Woburn) by the issuance of 1,100,000 units (for a total amount of $56,951). Each unit is consisting of one common share and one half warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.07 per share, during a period of 36 months following the closing of the financing. An amount of $12,951 related to warrants will be recorded as an increase of contributed surplus.

On March 5, 2015 the Company acquired a 8 claims of quartz by the issuance of 400,000 units (for a total amount of $36,053). Each unit is consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.07 per share, during a period of 36 months following the closing of the financing. An amount of $14,053 related to warrants will be recorded as an increase of contributed surplus.