ATAC Resources Ltd.

Consolidated Financial Statements

December 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ATAC Resources Ltd.

We have audited the accompanying consolidated financial statements of ATAC Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of ATAC Resources Ltd. 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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

March 9, 2015

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ATAC Resources Ltd.

Consolidated Statements of Financial Position

	Note	**December 31, 2014 $**	December 31, 2013 $
Assets			
Current assets			
Cash and cash equivalents	3	20,424,734	19,662,908
Receivables and prepayments	4	90,116	95,240
Marketable securities	5	85,199	108,766
		20,600,049	19,866,914
Non-current assets			
Marketable securities	5	1	1
Prepaid exploration expenditures		11,852	17,504
Mineral property interests	7	89,583,691	85,177,626
		89,595,544	85,195,131
Total assets		**110,195,593**	105,062,045
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		42,536	197,695
Employee deductions payable		10,078	-
Accounts payable to related parties	10	107,012	332,975
Due to joint exploration partner	7(2)	-	2,503
Flow-through share premium liability	8(a)	339,860	-
		499,486	533,173
Non-current liabilities			
Deferred income tax liability	11	11,382,565	10,696,863
Total liabilities		**11,882,051**	11,230,036
Shareholders' equity			
Share capital	8	113,055,372	107,111,298
Contributed surplus	8	16,033,105	16,486,011
Deficit		(30,774,935)	(29,765,300)
Total shareholders' equity		**98,313,542**	93,832,009
Total liabilities and shareholders' equity		**110,195,593**	105,062,045

Nature of Operations and Going Concern	1
Commitment	14
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Approved on behalf of the Board of Directors on February 27, 2015:

"Bruce J. Kenway" **Director** *"Glenn R. Yeadon"* **Director**

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

For the years ended December 31, 2014 and 2013

	Number of shares #	Share capital $	Contributed surplus $	Deficit $	Total shareholders' equity $
January 1, 2013	103,553,136	94,194,018	24,131,040	(37,006,236)	81,318,822
Share-based payments	-	-	2,483,167	-	2,483,167
Re-allocated on cancellation of options	-	-	(10,128,196)	10,055,854	(72,342)
Private placement shares issued	9,600,000	12,960,000	-	-	12,960,000
Share issue costs	-	(42,720)	-	-	(42,720)
Comprehensive loss for the year	-	-	-	(2,814,918)	(2,814,918)
December 31, 2013	113,153,136	107,111,298	16,486,011	(29,765,300)	93,832,009
January 1, 2014	113,153,136	107,111,298	16,486,011	(29,765,300)	93,832,009
Share-based payments	-	-	1,205,955	-	1,205,955
Exercise of options	860,000	248,000		-	248,000
Re-allocated on exercise of options	-	131,434	(131,434)	-	-
Re-allocated on cancellation of options	-	-	(1,527,427)	1,480,690	(46,737)
Private placement shares issued	3,781,441	6,806,594	-	-	6,806,594
Premium on flow-through shares issued	-	(831,917)	-	-	(831,917)
Share issue costs	-	(410,037)	-	-	(410,037)
Comprehensive loss for the year	-	-	-	(2,490,325)	(2,490,325)
December 31, 2014	**117,794,577**	**113,055,372**	**16,033,105**	**(30,774,935)**	**98,313,542**

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

ATAC Resources Ltd.

Consolidated Statements of Comprehensive Loss

For the years ended December 31,	Note	2014 $	2013 $
Expenses			
Accounting, audit and legal	10	143,654	126,103
Consulting fees	10	42,000	142,000
Flow-through taxes	14	-	3,929
Investor relations	10	141,233	174,650
Office and administration	10	529,234	569,943
Property examination costs		20,347	-
Share-based payments	8	1,159,218	2,410,825
Net loss from operating expenses		(2,035,686)	(3,427,450)
Interest income		**368,858**	373,948
Gain (loss) on marketable securities	5	**9,546**	(81,100)
Write-down of mineral property interests	7	**(518,705)**	-
Gain on option of mineral property interests	7	**23,375**	31,938
Loss before income taxes		**(2,152,612)**	(3,102,664)
Deferred income tax (expense) recovery	11	**(337,713)**	287,746
Comprehensive loss for the year		**(2,490,325)**	(2,814,918)
Loss per share			
Weighted average number of common shares outstanding			
- basic #	9	**116,636,301**	110,753,136
- diluted #	9	**116,636,301**	110,753,136
Basic loss per share $	9	**(0.02)**	(0.03)
Diluted loss per share $	9	**(0.02)**	(0.03)

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

ATAC Resources Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31,	Note	2014 $	2013 $
Operating activities			
Comprehensive loss for the year		(2,490,325)	(2,814,918)
Adjustments for:			
Gain on option of mineral property interests		(23,375)	(31,938)
Write-down of mineral property interests		518,705	-
Share-based payments		1,159,218	2,410,825
(Gain) loss on marketable securities		(9,546)	81,100
Interest income		(368,858)	(373,948)
Deferred income tax expense (recovery)		337,713	(287,746)
		(876,468)	(1,016,625)
Net change in non-cash working capital items	12	(91,006)	150,951
		(967,474)	(865,674)
Financing activities			
Issue of common shares for cash		7,054,594	12,960,000
Share issue costs		(554,104)	(56,960)
		6,500,490	12,903,040
Investing activities			
Interest received		368,858	373,948
Proceeds from sale of marketable securities		36,488	-
Mineral property option proceeds received		20,000	17,500
Mineral property acquisition costs		(131,526)	(164,021)
Prepaid exploration expenditures		(11,852)	(17,504)
Deferred exploration and evaluation expenditures		(5,053,158)	(7,446,524)
		(4,771,190)	(7,236,601)
Increase in cash and cash equivalents		**761,826**	4,800,765
Cash and cash equivalents, beginning of year		**19,662,908**	14,862,143
Cash and cash equivalents, end of year		**20,424,734**	19,662,908

Supplemental cash flow information 12

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

1. Nature of operations and going concern

ATAC Resources Ltd. (the "Company" or "ATAC") was incorporated under the laws of the Province of British Columbia, Canada. Head office is located at 1016 - 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. Its records office is located at 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3. Its main business activity is the acquisition, exploration and evaluation of mineral property interests located in Canada. The consolidated financial statements ("financial statements") of the Company as at and for the years ended December 31, 2014 and 2013 comprise the Company and its subsidiaries, and the Company's interest in jointly controlled operations and entities over which it has significant influence. Its common shares trade on the TSX Venture Exchange ("TSX-V").

The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition of the mineral property interests.

The financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have revenues and historically has recurring operating losses. As at December 31, 2014, the Company had working capital of $20,100,563 (December 31, 2013 - $19,333,741) and shareholders' equity of $98,313,542 (December 31, 2013 - $93,832,009). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements it would be necessary to restate the Company's assets and liabilities on a liquidation basis.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently by the Company and its subsidiaries and any associates.

All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

(b) Principles of consolidation

These financial statements include the financial statements of the Company and all its subsidiaries, and any jointly controlled operations and entities over which it has significant influence.

Subsidiaries are entities controlled by the Company, and are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

2. Significant accounting policies (continued)

(b) Principles of consolidation (continued)

Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. When applicable, the financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Company has an obligation, or has made payments on behalf of the investee. The Company has no associates requiring equity accounting.

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. When applicable, the financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation and its share of any revenues and expenses from the joint operation.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment, to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

(i) Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at FVTPL and loans and receivables.

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

The Company's marketable securities are classified as FVTPL. Marketable securities held in companies with an active market are classified as current assets at fair value. Marketable securities held in non-public companies without an active market are classified as non-current assets and are valued at fair value. In situations where fair value is indeterminable or impracticable to determine, the shares are recorded at cost. This may occur when non-public company shares are received as payment for mineral property interests. In such situations cost is determined by reference to the issue price of similar shares issued by the non-public entity for cash, at or near the time of issue of the investment shares, and in similar volumes. When, at future measurement dates fair value is still indeterminable, or impracticable, cost is used as the measure of fair value. When there is evidence of impairment the shares are written-down to expected realizable value.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

(ii) Derivative financial assets

Warrants are classified as derivative financial assets and are recorded at FVTPL. Warrants without an active market that are received as attachments to common share units are initially recorded at nominal amounts. At the time of purchase the total unit cost is allocated in full to each common share. Subsequent value is determined at measurement date using a valuation technique, such as the Black-Scholes pricing model, or when the valuation technique input variables are not reliable, using the intrinsic value, which is equal to the higher of the market value of the underlying security, less the exercise price of the warrant, or zero. The Company does not own warrants as at December 31, 2014.

(iii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, accounts payable to related parties, and amounts due to joint exploration partners at FVTPL.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(d) Mineral property interests

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Mineral property interests that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units (“CGU”) for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements.

Proceeds received from a partial sale or option of any interest in a property are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

2. Significant accounting policies (continued)

(d) Mineral property interests (continued)

Management reviews its mineral property interests at each reporting period for signs of impairment and annually after each exploration season to consider if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds estimated reserves, an impairment provision is recorded.

Exploration costs renounced to shareholders pursuant to flow-through share subscription agreements remain capitalized, however, for income tax purposes the Company has no right to claim these costs as tax deductible expenses.

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(ii) Non-financial assets

Non-financial assets are reviewed quarterly by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed in note 2(d) above.

2. Significant accounting policies (continued)

(f) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from contributed surplus.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Common shares, which by agreement are designated as flow-through shares, are usually issued at a premium to non-flow-through common shares. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability. Pursuant to any flow-through share agreement the Company must renounce its flow-through share exploration expenditures to the flow-through shareholders, and the Company gives up its rights to the income tax benefits on the exploration expenditures. The loss of the tax benefit is recorded as a deferred tax liability and eliminates the original flow-through share premium liability, with the difference, if any, recorded as a deferred income tax expense. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing the exploration expenditures, the realization of the deductible temporary differences is shown as a recovery in profit or loss in the period of renunciation.

(g) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

On vesting, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed and charged to deficit.

2. Significant accounting policies (continued)

(h) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted at each period-end for the unwinding of the discount rate, for changes to the current market-based discount rate, and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interests.

(i) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

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

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

(j) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company.

2. Significant accounting policies (continued)

(k) Use of estimates and critical judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) Option or sale agreements, under which the Company may receive shares as payment, require the Company to determine the fair value of the shares received. Many factors can enter into this determination, including, if public shares, the number of shares received, the trading value of the shares, and volume of shares, and if non-public shares, the underlying asset value of the shares, or value of the claims under option or sale. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.

(ii) Recorded costs of flow-through share premium liabilities reflect the premium received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainly and requires the Company to assess the value of non-flow through shares. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.

(iii) The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

Judgments

(i) Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting period, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

2. Significant accounting policies (continued)

(l) Standards issued but not yet effective

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2015. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

Tentatively effective for annual periods beginning on or after January 1, 2018

- New standard IFRS 9 *Financial Instruments*

  IFRS 9 adds new requirements for impairment of financial assets and makes changes to the classification and measurement of financial instruments. When complete, IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*

The Company has initially assessed that there will be no material reporting changes as a result of adopting the new standard, however, there will be enhanced disclosure requirements.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:	**December 31, 2014**	December 31, 2013
	$	$
Bank and broker balances	2,165,221	317,312
Cashable investment certificates	18,259,513	19,345,596
	20,424,734	19,662,908

4. Receivables and prepayments

Receivables and prepayments consist of the following:	**December 31, 2014**	December 31, 2013
	$	$
Sales tax recoverable	22,570	27,920
Employee deductions recoverable	808	-
Prepaid expenses	66,738	67,320
	90,116	95,240

5. Marketable securities

Marketable securities consist of various common shares received on the option of mineral property interests as follows:

	Shares with an active market		Shares without an active market		
	Cost $	**Fair value** $	**Cost** $	**Fair value** $	**Total gain (loss)** $
January 1, 2013	535,959	175,428	10,000	1	
Additions	14,438	14,438	-	-	
Unrealized loss for the year	-	(81,100)	-	-	(81,100)
December 31, 2013	550,397	108,766	10,000	1	(81,100)
January 1, 2014	550,397	108,766	10,000	1	
Additions	3,375	3,375	-	-	
Proceeds on sale	(36,488)	-	-	-	
Cost of disposals	-	(61,938)	-	-	
Realized loss for the year	(25,450)	-	-	-	(25,450)
Unrealized gain for the year	-	34,996	-	-	34,996
December 31, 2014	**491,834**	**85,199**	**10,000**	**1**	**9,546**

The valuation of the shares with an active market has been determined in whole by reference to the bid price of the shares on the TSX-V or Toronto Stock Exchange ("TSX") at each period end date.

The shares without an active market are private company shares received as payment on optioned mineral property interests. The shares were written-down in 2008 to a carrying value of $1, as no active market existed or exists, and no value can be determined.

6. Subsidiary information

On July 14, 2010 two wholly-owned subsidiary companies were incorporated under the laws of the Province of British Columbia, Canada to facilitate the possible transfer to them of certain of the Company's mineral property interests. From incorporation to December 31, 2014, neither of the subsidiaries have had any transactions other than to issue nominal $1 share capital to the Company.

7. Mineral property interests

The Company's mineral property interests consist of various exploration stage properties located in the Yukon Territory, Canada. The properties have been grouped into those which are being optioned to others parties, those which are wholly-owned, and those which are royalty or other interests. Properties which are in close proximity and could be developed as a single economic unit are grouped into projects.

	Optioned to others $	Wholly-owned $	Other interests $	Total $
January 1, 2013	-	77,525,315	67,464	77,592,779
Acquisitions/staking/assessments	-	161,166	2,855	164,021
Exploration and evaluation	-	7,372,031	48,795	7,420,826
Option proceeds	(31,938)	-	-	(31,938)
Proceeds in excess of cost to loss	31,938	-	-	31,938
December 31, 2013	-	85,058,512	119,114	85,177,626
January 1, 2014	-	85,058,512	119,114	85,177,626
Acquisitions/staking/assessments	-	131,526	-	131,526
Exploration and evaluation	-	4,780,675	12,569	4,793,244
Write-down of mineral property interests	-	(387,023)	(131,682)	(518,705)
Option proceeds	(23,375)	-	-	(23,375)
Proceeds in excess of cost to loss	23,375	-	-	23,375
December 31, 2014	**-**	**89,583,690**	**1**	**89,583,691**

Changes in the project carrying amounts for the years ended December 31, 2014 and 2013 are summarized as follows:

Year ended December 31, 2013

	January 1, 2013 $	Acquisitions / staking/ assessments $	Exploration and evaluation $	Option proceeds $	Excess proceeds to loss $	December 31, 2013 $
Project under option to others						
Idaho Creek	-	-	-	(31,938)	31,938	-
Wholly-owned projects						
Rackla Gold						
-Nadaleen	47,338,744	161,166	6,118,165	-	-	53,618,075
-Rau	29,799,855	-	1,251,482	-	-	31,051,337
Rosy	2,151	-	-	-	-	2,151
Connaught	384,565	-	2,384	-	-	386,949
Total	**77,525,315**	**161,166**	**7,372,031**	**-**	**-**	**85,058,512**
Other interests						
Dawson Gold	67,464	2,855	48,795	-	-	119,114
Total all projects	**77,592,779**	**164,021**	**7,420,826**	**(31,938)**	**31,938**	**85,177,626**

7. Mineral property interests (continued)

Exploration and evaluation expenditures on the projects consisted of the following:

Year ended December 31, 2013	Nadaleen $	Rau $	Others $	Total $
Assays	686,499	55,918	2,938	745,355
Drilling	1,403,721	-	-	1,403,721
Field	949,066	24,870	1,044	974,980
Helicopter and fixed wing	1,080,051	61,382	8,766	1,150,199
Labour	1,675,230	69,970	2,092	1,747,292
Resource and environmental studies	86,128	1,024,759	-	1,110,887
Surveys	70,549	-	34,500	105,049
Travel and accommodation	166,921	14,583	1,839	183,343
Total	**6,118,165**	**1,251,482**	**51,179**	**7,420,826**

Year ended December 31, 2014

	January 1, 2014 $	**Acquisitions / staking/ assessments $**	**Exploration and evaluation $**	**Impair-ments/ write-offs $**	**Option proceeds $**	**Excess proceeds to loss $**	**December 31, 2014 $**
Project under option to others							
Idaho Creek	-	-	-	-	(23,375)	23,375	-
Wholly-owned projects							
Connaught	386,949	-	75	(387,023)	-	-	1
Idaho Creek	-	680	-	-	-	-	680
Panorama	-	4,082	-	-	-	-	4,082
Rackla Gold							
- Nadaleen	53,618,075	126,764	3,994,392	-	-	-	57,739,231
- Rau	31,051,337	-	785,844	-	-	-	31,837,181
Rosy	2,151	-	364	-	-	-	2,515
Total	**85,058,512**	**131,526**	**4,780,675**	**(387,023)**	**-**	**-**	**89,583,690**
Other interests							
Dawson Gold	119,114	-	12,569	(131,682)	-	-	1
Total all projects	**85,177,626**	**131,526**	**4,793,244**	**(518,705)**	**(23,375)**	**23,375**	**89,583,691**

7. Mineral property interests (continued)

Exploration and evaluation expenditures on the projects consisted of the following:

Year ended December 31, 2014	Nadaleen $	Rau $	Others $	Total $
Assays	220,086	1,000	3,703	224,789
Drilling	921,487	-	-	921,487
Field	740,481	9,795	8,941	759,217
Helicopter and fixed wing	785,739	15,269	-	801,008
Labour	1,067,477	41,368	364	1,109,209
Resource, engineering and environmental studies	34,309	717,487	-	751,796
Survey and consulting	87,172	-	-	87,172
Travel and accommodation	137,641	925	-	138,566
Total	**3,994,392**	**785,844**	**13,008**	**4,793,244**

(1) Wholly-owned projects

The Company's wholly owned projects are comprised of the rights to explore various mineral claims located in the Yukon Territory, which are at various stages of exploration. They are not subject to any option or sale agreements, except as noted below.

Connaught project

The Connaught project consists of a 100% interest in the CN and NC mineral claims located in the Dawson Mining District, Yukon Territory. In 2009, a 50% interest in the project was sold for cash and shares totaling $252,500. The 50% interest was re-purchased in 2012 by issuing 75,000 ATAC common shares at $2.51 per share for total consideration of $188,250. There has been no exploration on the property since 2012, and although the property has potential, no exploration expenditures are planned for the near future, and given there is no purchase or option interest in the property, a write-down of $387,023 to a $1 carrying value has been recorded in the current year.

Idaho Creek project

The Idaho Creek project consists of a 100% interest in the Idaho mineral claims located in the Whitehorse Mining District, Yukon Territory.

By Agreement dated January 19, 2010 the Company granted Golden Predator Canada Corp. ("GPCC"), formerly True North Mining Corp., and its parent company Americas Bullion Royalty Corp. ("Americas Bullion") (formerly Golden Predator Corp. and now Till Capital Ltd.), the right to earn a 100% interest in the Idaho Creek project. Under the Agreement the Company received $72,500 and 150,000 common shares of Americas Bullion (now Till Capital Ltd.) having a value on issue of $64,913.

The Agreement was terminated effective November 18, 2014.

In addition, pursuant to an earlier option agreement with another party, the Company received shares having a value on issue of $132,000.

Panorama project

The Panorama project consists of a 100% interest in the Aussie mineral claims located in the Dawson Mining District, Yukon Territory. The claims are subject to a 3% NSR on all commercial production from the properties. Cash and shares totaling $328,400 have been received under previous option agreements.

7. Mineral property interests (continued)

(1) Wholly-owned projects (continued)

Rackla Gold project

The Rackla Gold project consists of a 100% interest in the Rau (ACX, AT, BT, EX, GF, Gam, PH, Q, R, Rau, RR, S, T and WH mineral claims), Jam, Mouse, Sten (Dale, EN, IS, OS, ST, and Sten mineral claims) and Stoked (HO, Rae and Stoked mineral claims) located in the Mayo Mining District, Yukon Territory. Cash and shares totaling $165,600 have been received under previous option agreements.

Rosy project

The Rosy project consists of a 100% interest in the Rosy mineral claims located in the Whitehorse Mining District, Yukon Territory. Cash and shares totaling $167,000 have been received under previous option agreements.

(2) Other interests

Joint exploration property

Dawson Gold project

The Dawson Gold project consists of a 50% interest in the DM mineral claims located in the Dawson and Whitehorse Mining Districts, Yukon Territory, and the GG, SH and TL mineral claims located in the Dawson Mining District, Yukon Territory.

The other 50% interest was acquired by Arcus Development Group Inc. (“Arcus”) under an option Agreement dated June 9, 2009 and completed on February 21, 2012. Under the Agreement the Company received $185,000 and 1,000,000 Arcus common shares, and Arcus completed a $3,500,000 exploration program.

Effective February 21, 2012 the Company and Arcus agreed to explore the project on a 50/50 basis with Arcus as the Operator. As at December 31, 2014, the Company’s cumulative share of the joint exploration and property expenditures totalled $131,683. The Company’s share of expenditures for the twelve months ended December 31, 2014 totalled $12,569. As at December 31, 2014, no amounts were owed to Arcus for currently completed expenditures.

There has been no significant joint exploration of the property since 2012, and although the property has potential, no exploration expenditures are planned for the near future, and given there is no purchase or option interest in the property, a write-down of $131,682 to a $1 carrying value has been recorded in the current year.

Royalty interests

The Company has a 1% NSR on the Golden Revenue, Nit, Nitro, and Seymour properties located in the Whitehorse Mining District, Yukon Territory.

8. Share capital

The authorized share capital of the Company consists of unlimited common shares without par value, and unlimited Class “A” preferred shares with a par value of $1.00 each. All issued shares are fully paid.

Transactions for the issue of share capital during the year ended December 31, 2014:

(a) On March 27, 2014, the Company completed a flow-through private placement consisting of the issue of 3,781,441 common share units at a price of $1.80 per unit for gross proceeds of $6,806,594. Each unit consisted of one flow-through common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional non-flow-through common share at a price of $2.70 per share until March 27, 2015. The common share warrants can be called for early exercise should the Company’s common shares trade at a weighted average price above $3.75 for a period of ten consecutive days at any time subsequent to July 29, 2014.

The flow-through shares were issued at a premium to the trading value of the Company’s common shares at the date the flow-through was announced, which is a reflection of the value of the income tax write-offs that the Company will pass on to the flow-through shareholders. The premium was determined to be $831,917 and was recorded as a reduction of share capital. An equivalent flow-through share premium liability was recorded which is being reversed as the required exploration expenditures are completed. Flow-through expenditures of $4,024,803 have been completed to the end of December 2014, which have reduced the flow-through share premium liability by $492,057, leaving a liability balance of $339,860 (see note 14).

The Underwriters were paid commissions and expenses of $467,396, and legal, accounting and filing fees amounted to $86,708. The total share issue costs of $554,104, net of deferred tax benefits of $144,067 have been shown as a reduction of share capital.

(b) The Company issued 860,000 common shares on the exercise of options for proceeds of $248,000. In addition $131,434 representing the fair value of the options on initial vesting was re-allocated from contributed surplus to share capital.

Transactions for the issue of share capital during the year ended December 31, 2013:

On March 22, 2013, the Company completed a non-brokered private placement consisting of the issue of 9,600,000 common share units at a price of $1.35 per unit for gross proceeds of $12,960,000. Each common share unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of $2.10 per share until September 22, 2014. The common share warrants expired unexercised.

The private placement had no finders’ fees. Legal and filing fees amounted to $56,960 and were deducted from share capital as a share issue cost, net of deferred tax benefits of $14,240.

Common share rights

The Company has a “Rights Plan” under which one Right is issued for each issued and outstanding common share of the Company. Each Right entitles the holder to purchase from the Company one common share at a price equal to one-half the market price for each common share of the Company, subject to certain anti-dilutive adjustments. The Rights are exercisable only if the Company receives an unacceptable take-over bid as defined in the Rights Agreement. The original Rights Plan was replaced with a new Rights Plan at the June 2014 annual shareholders’ meeting and will remain in effect until the annual shareholders’ meeting in 2017. As at December 31, 2014, there were 117,794,577 Rights outstanding (December 31, 2013 – 113,153,136).

8. Share capital (continued)

Stock options

The Company has an incentive stock option plan (the "Plan"), under which the maximum number of stock options issued cannot exceed 10% of the Company's currently issued and outstanding common shares. The exercise period for any options granted under the Plan cannot exceed ten years. The exercise price of options granted under the Plan cannot not be less than the "discounted market price" of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, less a discount of from 15% to 25%), unless otherwise agreed by the Company and accepted by the TSX-V.

A participant who is not a consultant conducting investor relations activities, who is granted an option under the Plan with exercise prices at or above "Market Price" will have their options vest immediately, unless otherwise determined by the Board of Directors. A participant who is granted an option under the Plan with exercise prices below "Market Price" will become vested with the right to exercise one-sixth of the option upon conclusion of every three months subsequent to the grant date. A participant who is a consultant conducting investor relations activities who is granted options under the Plan will become vested with the right to exercise one-quarter of the options upon conclusion of every three months subsequent to the grant date.

A summary of the status of the Company's stock options as at December 31, 2014 and December 31, 2013 and changes during the years then ended is as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	#	$	#	$
Options outstanding, beginning of year	7,758,000	1.95	7,903,000	4.12
Granted	2,330,000	0.75	2,030,000	1.80
Exercised	(860,000)	0.29	-	-
Cancelled	(671,000)	2.10	(2,175,000)	6.41
Options outstanding, end of year	**8,557,000**	**1.77**	7,758,000	1.95

As at December 31, 2014, the Company has stock options outstanding and exercisable as follows:

	Options outstanding	Options exercisable	Exercise price	Expiry date
	#	#	$	
(1)	1,030,000	1,030,000	1.40	January 12, 2015
	100,000	100,000	1.49	June 16, 2015
	1,185,000	1,185,000	1.80	March 11, 2016
	100,000	100,000	2.60	January 20, 2017
	2,057,000	2,057,000	3.00	March 23, 2017
	20,000	20,000	1.70	December 14, 2017
	1,850,000	1,850,000	1.80	January 29, 2018
	2,215,000	1,661,250	0.75	February 3, 2019
	8,557,000	8,003,250		

(1) These options subsequently expired unexercised (see note 15).

8. Share capital (continued)

Stock options (continued)

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

Range of prices $	Options #	Weighted average remaining life years	Weighted average exercise price $
0.75	2,215,000	4.10	0.75
1.40 - 1.80	4,185,000	1.73	1.69
2.60 - 3.00	2,157,000	2.23	2.98
	8,557,000	2.47	1.77

During the year ended December 31, 2014, 2,330,000 stock options (2013 - 2,030,000) were granted to Officers, Directors, related company employees and consultants. The Company has recorded the fair value of all options granted during the years using the Black-Scholes option pricing model. Share-based payment costs were calculated using the following weighted average assumptions: expected life of options - five years (2013 - five years), stock price volatility - 97.69% (2013 - 101.62%), no dividend yield (2013 - nil), and a risk-free interest rate yield - 1.51% (2013 - 1.51%). The fair value is particularly impacted by the Company's stock price volatility, determined using data from the previous five years. Using the above assumptions the fair value of options granted during the year ended December 31, 2014 was $0.50 per option (2013 - $1.30), for a total of $1,164,153 (2013 - $2,617,000). The total share-based payment expense for the year ended December 31, 2014 was $1,205,955 (2013 - $2,483,167), which is presented as an operating expense, and includes only options that vested during the year. The expense has been reduced by $46,737 (2013 - $72,342) for options that were cancelled in the same year as they vested.

During the year ended December 31, 2014, 671,000 former related company employee options were cancelled, comprised of 266,000 exercisable at $3.00 per option, 250,000 exercisable at $1.80 per option, 70,000 exercisable at $1.40 per option and 85,000 exercisable at $0.75 per option. As a result of the cancellations, $1,527,427 has been removed from contributed surplus, with a reduction in deficit of $1,480,690 for options that had vested in prior years and a reduction of share-based payment expense of $46,737 for options that vested in the current year.

During the year ended December 31, 2013, 1,375,000 related company employee and consultant options were modified. The exercise price per option was reduced from $7.00 each to $1.80 each, with no change in the March 11, 2016 expiry date. The incremental fair value of the modification, using the Black-Scholes option pricing model, was calculated to be $709,201 and is included in 2013 share-based payment expense and contributed surplus. None of the modified options were owned by Officers or Directors. Also in 2013, 1,750,000 Officer and Director options and 100,000 related company employee options, exercisable at $7.00 each until March 11, 2016, were surrendered and cancelled. The original fair value of the surrendered options was $9,954,284 and on vesting was charged to share-based payment expense and credited to contributed surplus. As a result of the cancellations, $9,179,134 was removed from 2013 contributed surplus and charged to deficit, with the remaining $775,150 left in contributed surplus representing the incremental fair value of offsetting replacement options. In addition, 325,000 former related company employee options were cancelled, comprised of 120,000 options exercisable at $1.80 per option, 165,000 options exercisable at $3.00 per option and 40,000 options exercisable at $7.00 per option. As a result of the cancellations, $949,062 was removed from 2013 contributed surplus with an offsetting $876,720 reduction of deficit and a $72,342 reduction of share-based payment expense.

8. Share capital (continued)

Warrants

As an incentive to complete private placements the Company may issue units which include common shares and common share purchase warrants. Using the residual value method no value is allocated to warrants attached to the units sold in completed private placements. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the warrants and changes during the years ended December 31, 2014 and December 31, 2013 is as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of year	4,800,000	2.10	2,472,500	4.52
Issued on private placement	1,890,720	2.70	4,800,000	2.10
Expired	(4,800,000)	2.10	(2,472,500)	4.52
Warrants outstanding, end of year	**1,890,720**	**2.70**	4,800,000	2.10

The remaining 1,890,720 warrants are exercisable at $2.70 each until March 27, 2015.

Contributed surplus

Contributed surplus includes the accumulated fair value of stock options recognized as share-based payments and the fair value of finders' warrants issued on private placements. Contributed surplus is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants expire, or are exercised or cancelled. Contributed surplus is comprised of the following:

	Options $	Finders' Warrants $	Total $
January 1, 2013	24,131,040	-	24,131,040
Options vesting	2,483,167	-	2,483,167
Options cancelled	(10,128,196)	-	(10,128,196)
December 31, 2013	16,486,011	-	16,486,011
January 1, 2014	16,486,011	-	16,486,011
Options vesting	1,205,955	-	1,205,955
Options exercised	(131,434)	-	(131,434)
Options cancelled	(1,527,427)	-	(1,527,427)
December 31, 2014	**16,033,105**	**-**	**16,033,105**

9. Loss per share

The calculation of basic loss per share for the year ended December 31, 2014 was based on the loss attributable to common shareholders of $2,490,325 (2013 - $2,814,918) and a weighted average number of common shares outstanding of 116,636,301 (2013 - 110,753,136).

The calculation of diluted loss per share for the year ended December 31, 2014 was based on the loss attributable to common shareholders of $2,490,325 (2013 - $2,814,918), and a weighted average number of common shares outstanding (with no adjustment for the dilutive effects of outstanding options and warrants), of 116,636,301 (2013 - 110,753,136).

As at December 31, 2014, 8,557,000 options (2013 - 7,758,000) and 1,890,720 warrants (2013 - 4,800,000) were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

10. Related party payables and transactions

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. There were no loans to management personnel or Directors, or entities over which they have control or significant influence during the years ended December 31, 2014 or 2013.

A number of key management personnel and Directors, or their related entities, transacted with the Company in the reporting period. The terms and conditions of these transactions were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities, on an arm's length basis.

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan. During the year ended December 31, 2014, 1,200,000 stock options (2013 - 1,750,000) were granted to key management personnel and Directors having a fair value on issue of $599,564 (2013 - $2,266,463). The new options are exercisable at $0.75 each until February 3, 2019 and vest over a one year period ending February 3, 2015. During the year ended December 31, 2013, the Officers and Directors surrendered 1,750,000 of their prior year options that were exercisable at $7.00 each until March 11, 2016. The original fair value of the surrendered options was $9,416,212 and on vesting was charged to share-based payment expense and credited to contributed surplus. As a result of the cancellations, $8,658,338 was removed from contributed surplus and charged to deficit, with the remaining $757,829 left in contributed surplus representing the incremental fair value of offsetting replacement options (see note 8).

The following are the Company's related parties:

(a) Archer, Cathro & Associates (1981) Limited ("Archer Cathro") is a geological consulting firm that is a related party through its management contracts, which confer significant influence over operations. Charges are for property location, acquisition, exploration, management, and office rent and administration. The charges by Archer Cathro also include the services of Graham Downs, who is the Company's CEO, and Robert Carne, who is the Company's President.

(b) Glenn Yeadon is a Director and the Company's Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp."), which provides the Company with legal services.

(c) Larry Donaldson is the Company's CFO. He is a partner of Donaldson Grassi, Chartered Accountants, a firm in which he has significant influence. Donaldson Grassi provides the Company with accounting and tax services.

(d) Douglas Goss is a Director and the Company's Chairman of the Board. He controls Douglas O. Goss Professional Corporation ("D. Goss Corporation"), which provides consulting services to the Company.

(e) Ian Talbot is the Company's COO. He provides the Company with management services.

10. Related party payables and transactions (continued)

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	Transactions year ended December 31, 2014 $	Transactions year ended December 31, 2013 $	**Balances outstanding December 31, 2014 $**	Balances outstanding December 31, 2013 $
Archer, Cathro				
- geological services	1,723,689	2,639,223	53,790	227,201
- rent and administration	396,285	412,969	34,520	79,829
	2,119,974	3,052,192	88,310	307,030
Yeadon Law Corp.	84,754	57,283	4,986	5,439
Donaldson Grassi	43,000	44,250	10,500	12,500
D. Goss Corporation	42,000	60,000	-	5,250
Ian Talbot	40,906	38,281	3,216	2,756
	2,330,634	3,252,006	**107,012**	332,975

All related party balances are unsecured and are due within thirty days without interest.

11. Income taxes

Income tax (expense) recovery for the years ended December 31, 2014 and 2013 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	December 31, 2014 $	December 31, 2013 $
Loss before income taxes	(2,152,612)	(3,102,664)
Statutory Canadian corporate tax rate	26.0%	25.75%
Anticipated income tax recovery	559,679	798,936
Change in tax resulting from:		
Effect of income tax rate change	-	(434,481)
Unrecognized items for tax purposes	(300,157)	(631,229)
Reversal of tax benefits on losses expired or expected to expire	(42,843)	-
Tax benefits recognized on investment tax credits	-	872,395
Tax benefits renounced on flow-through expenditures	(554,392)	(317,875)
Net deferred income tax (expense) recovery	**(337,713)**	287,746

11. **Income taxes** (continued)

The significant components of the Company's deferred income tax liability are as follows:

	December 31, 2014	December 31, 2013
	$	$
Unrealized losses on marketable securities	54,162	58,712
Mineral property interests	(14,762,894)	(13,850,306)
Unclaimed investment tax credits	872,395	872,395
Non-capital loss carry forwards	2,097,689	1,793,266
Capital loss carry forwards	42,697	39,388
Share issue costs	313,386	389,682
Net deferred income tax liability	**(11,382,565)**	(10,696,863)

As at December 31, 2014 the Company has non-capital loss carry forwards of approximately $8,133,000 of which $65,000 will expire in 2015, $7,000 in 2028, $471,000 in 2029, $1,175,000 in 2030, and $6,415,000 thereafter. The 2014 loss of $99,000 expired during the year and the loss expiring in 2015 is unlikely to be used and both losses have been reversed from deferred income tax benefits in the current year.

As at December 31, 2014 the Company has unused capital losses of $328,437, which have no expiry date and can only be used to reduce future income from capital gains.

As at December 31, 2014 the Company has unclaimed resource and other deductions in the amount of $32,803,330 (December 31, 2013 - $31,907,220), which may be deducted against future taxable income.

As at December 31, 2014 there are share issue costs totaling $1,205,331 (December 31, 2013 - $1,498,777), which have not been claimed for income tax purposes.

As at December 31, 2014 the Company has unused investment tax credits totaling $1,178,912, (December 31, 2013 - $1,178,912), which have not been claimed for income tax purposes. $957,999 of the tax credits expire in 2032 and $220,913 in 2033.

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

12. Supplemental cash flow information

Changes in non-cash operating working capital during the years ended December 31, 2014 and 2013 were comprised of the following:

	December 31, 2014 $	December 31, 2013 $
Receivables and prepayments	5,932	129,425
Accounts payable and accrued liabilities	(44,384)	35,758
Accounts payable to related parties	(52,554)	(6,136)
Sales tax due to joint exploration partner	-	(8,096)
Net change	**(91,006)**	150,951

The Company incurred non-cash financing and investing activities during the years ended December 31, 2014 and 2013 as follows:

	December 31, 2014 $	December 31, 2013 $
Non-cash financing activity:		
Share capital reduced by flow-through share premium	**(831,917)**	-
Non-cash investing activities:		
Marketable securities acquired on optioned mineral property interests	(3,375)	(14,438)
Mineral property option proceeds received by marketable securities	3,375	14,438
Deferred exploration expenditures included in accounts payable and related party payables	53,791	331,209
	53,791	331,209

During the years ended December 31, 2014 and 2013 no amounts were paid for interest or income tax expenses.

13. Financial risk management

Capital management

The Company is a junior exploration company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at December 31, 2014 is comprised of shareholders' equity of $98,313,542 (December 31, 2013 - $93,832,009).

The Company currently has no source of revenues. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral properties and its ability to borrow or raise additional financing from equity markets.

13. Financial risk management (continued)

Financial instruments - fair value

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities, and accounts payable to related parties.

The carrying value of accounts payable and accrued liabilities and accounts payable to related parties approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2014				
Cash and cash equivalents	20,424,734	-	-	20,424,734
Marketable securities	85,199	-	1	85,200
	20,509,933	**-**	**1**	**20,509,934**
December 31, 2013				
Cash and cash equivalents	19,662,908	-	-	19,662,908
Marketable securities	108,766	-	1	108,767
	19,771,674	-	1	19,771,675

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, and liquidity risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash and cash equivalents. This risk is minimized by holding the funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal accounts receivable exposure, and its various refundable credits are due from Canadian governments.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable feature of its cash equivalents. For the year ended December 31, 2014 every 1% fluctuation in interest rates up or down would have impacted loss for the year, up or down, by approximately $200,000 (2013 - $198,000) before income taxes.

13. Financial risk management (continued)

Financial instruments – risk (continued)

(c) Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the December 31, 2014 value of marketable securities every 10% increase or decrease in the share prices of these companies would have impacted loss for the year, up or down, by approximately $8,500 (2013 - $11,000) before income taxes.

(d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

14. Commitment

Flow-through shares

On March 27, 2014 the Company completed a private placement of flow-through shares for gross proceeds of $6,806,594 (see note 8(a)). A flow-through share premium liability of $831,917 was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2015. The Company must renounce all of the required expenditures to the flow-through shareholders as of December 31, 2014. As at December 31, 2014, the Company had spent approximately $4,025,000 of the flow-through funds on qualified programs, and under the look-back rules permitted by Canadian tax authorities will spend the remaining funds in 2015. Under the look-back rules, effective from March 1, 2015, any unspent flow-through funds are charged a floating rate interest tax, which is currently set at 1% per annum. On renouncement the Company gives up its rights to available income tax benefits. A deferred income tax liability of $1,046,449 has been accrued for the tax benefits that were renounced for funds spent to the end of 2014, and the flow-through share premium liability has been reduced pro-rata by $492,057, with the difference of $554,392 being recorded as a deferred income tax expense.

15. Events after the reporting period

On January 12, 2015, 1,030,000 Officer, Director, related company employee and consultant incentive stock options exercisable at $1.40 each, expired unexercised.

On January 23, 2015, the Company granted 1,800,000 incentive stock options to certain Officers, Directors, related company employees and consultants, which vest one-quarter every three months at an exercise price of $0.75 each for a period of five years.