GALANTAS GOLD CORPORATION

Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended December 31, 2014 and 2013

Abraham Chan LLP
Chartered Accountants

Abraham Chan LLP
Chartered Accountants
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Independent Auditor's Report

To the Shareholders of
Galantas Gold Corporation

We have audited the accompanying consolidated financial statements of Galantas Gold Corporation which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Galantas Gold Corporation, as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes that the Company will require additional financing in order to fund its planned activities. This condition, along with other matters set out in note 1, indicates the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Other Matters
The consolidated financial statements of Galantas Gold Corporation for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on April 16, 2014.

"Abraham Chan LLP"

Toronto, Canada
April 23, 2015

Abraham Chan LLP
Chartered Accountants
Licensed Public Accountants

Galantas Gold Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31,	**2014**	**2013**
ASSETS		
Current assets		
Cash	**$ 20,259**	$ 166,617
Accounts receivable and prepaid expenses (note 8)	**102,213**	405,124
Inventories (note 9)	**111,137**	338,865
Total current assets	**233,609**	910,606
Non-current assets		
Property, plant and equipment (note 10)	**7,087,455**	10,100,319
Long-term deposit (note 12)	**542,130**	467,116
Exploration and evaluation assets (note 11)	**2,070,772**	1,875,771
Total non-current assets	**9,700,357**	12,443,206
Total assets	**$ 9,933,966**	$ 13,353,812
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 13)	**$ 869,322**	$ 1,217,360
Due to related parties (note 18)	**3,095,983**	3,597,550
Total current liabilities	**3,965,305**	4,814,910
Non-current liabilities		
Decommissioning liability (note 12)	**553,544**	528,810
Derivative financial liability (note 14(c))	**368,000**	-
Total non-current liabilities	**921,544**	528,810
Total liabilities	**4,886,849**	5,343,720
Capital and reserves		
Share capital (note 14(a)(b))	**31,825,575**	29,874,693
Reserves	**6,604,330**	6,253,460
Deficit	**(33,382,788)**	(28,118,061)
Total equity	**5,047,117**	8,010,092
Total equity and liabilities	**$ 9,933,966**	$ 13,353,812

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

Going concern (note 1)
Contingent liability (note 20)
Events after the reporting period (note 22)

Approved on behalf of the Board:
"Roland Phelps" , Director "Lionel J. Gunter" , Director

Galantas Gold Corporation
Consolidated Statements of Profit or Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2014	2013
Revenues		
Gold sales	**$ 8,332**	$ 1,531,473
Cost and expenses of operations		
Cost of sales (note 16)	**379,379**	1,591,069
Depreciation (note 10)	**237,813**	500,756
	617,192	2,091,825
Loss before the undernoted	**(608,860)**	(560,352)
General administrative expenses		
Management and administration wages (note 18)	**521,711**	518,195
Other operating expenses (note 9(i))	**326,406**	234,605
Accounting and corporate	**66,345**	62,783
Legal and audit	**149,459**	93,585
Stock-based compensation (note 14(d))	**-**	35,960
Shareholder communication and investor relations	**146,971**	125,373
Transfer agent	**30,752**	22,889
Director fees (note 18)	**27,250**	27,750
General office	**9,076**	8,141
Accretion expenses (note 12)	**11,489**	14,680
Loan interest and bank charges (note 18)	**58,277**	44,436
	1,347,736	1,188,397
Other expenses		
(Gain) loss on disposal of property, plant and equipment	**(20,098)**	105,811
Unrealized gain on fair value of derivative financial liability (note 14(c))	**(15,000)**	-
Impairment of property, plant and equipment (note 10)	**3,170,202**	-
Foreign exchange loss	**173,027**	89,795
	3,308,131	195,606
Net loss for the year	**$ (5,264,727)**	$ (1,944,355)
Basic and diluted net loss per share (note 15)	**$ (0.08)**	$ (0.04)
Weighted average number of common shares outstanding - basic and diluted	**66,876,362**	51,242,015

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

Galantas Gold Corporation
Consolidated Statements of Profit or Loss and Other Comprehensive Income
(Expressed in Canadian Dollars)

	Year Ended December 31, 2014	2013
Net loss for the year	**$ (5,264,727)**	$ (1,944,355)
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Foreign currency translation differences	**350,870**	777,304
Total comprehensive loss	**$ (4,913,857)**	$ (1,167,051)

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

Galantas Gold Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operating activities		
Net loss for the year	**$ (5,264,727)**	$ (1,944,355)
Adjustment for:		
Depreciation	**237,813**	500,756
Stock-based compensation (note 14(d))	**-**	35,960
Interest expense	**55,323**	44,122
Foreign exchange	**(89,271)**	(108,871)
(Gain) loss on disposal of property, plant and equipment	**(20,098)**	105,811
Accretion expenses (note 12)	**11,489**	14,680
Unrealized gain on fair value of derivative financial liability (note 14(c))	**(15,000)**	-
Impairment of property, plant and equipment (note 10)	**3,170,202**	-
Non-cash working capital items:		
Accounts receivable and prepaid expenses	**302,911**	267,930
Inventories	**227,728**	(12,616)
Accounts payable and other liabilities	**(307,371)**	(453,369)
Due to related parties	**518,743**	680,171
Net cash used in operating activities	**(1,172,258)**	(869,781)
Investing activities		
Purchase of property, plant and equipment	**(134,018)**	(343,588)
Proceeds from sale of property, plant and equipment	**34,795**	515,233
Exploration and evaluation assets	**(92,872)**	(357,061)
Net cash used in investing activities	**(192,095)**	(185,416)
Financing activities		
Proceeds of private placement	**968,438**	-
Share issue costs	**(23,706)**	-
Advances from related parties	**272,850**	70,508
Net cash provided by financing activities	**1,217,582**	70,508
Net change in cash	**(146,771)**	(984,689)
Effect of exchange rate changes on cash held in foreign currencies	**413**	(13,562)
Cash, beginning of year	**166,617**	1,164,868
Cash, end of year	**$ 20,259**	$ 166,617

Supplement schedule of non-cash transactions (note 21).

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

Galantas Gold Corporation
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

		Reserves				
	Share capital	Equity settled share-based payments reserve	Warrant reserve	Foreign currency translation reserve	Deficit	Total
Balance, December 31, 2012	**$ 29,874,693**	**$ 4,477,699**	**$ 957,450**	**$ 5,047**	**$ (26,173,706)**	**$ 9,141,183**
Stock-based compensation (note 14(d))	-	35,960	-	-	-	35,960
Warrants expired	-	957,450	(957,450)	-	-	-
Net loss and other comprehensive income for the year	-	-	-	777,304	(1,944,355)	(1,167,051)
Balance, December 31, 2013	**29,874,693**	**5,471,109**	**-**	**782,351**	**(28,118,061)**	**8,010,092**
Units issued in private placement (note 14(b)(i))	968,438	-	-	-	-	968,438
Warrants issued (note 14(b)(i))	(383,000)	-	-	-	-	(383,000)
Share issue costs (note 14(b)(i))	(23,706)	-	-	-	-	(23,706)
Common shares issued for debt (note 14(b)(ii))	1,389,150	-	-	-	-	1,389,150
Net loss and other comprehensive income for the year	-	-	-	350,870	(5,264,727)	(4,913,857)
Balance, December 31, 2014	**$ 31,825,575**	**$ 5,471,109**	**$ -**	**$ 1,133,221**	**$ (33,382,788)**	**$ 5,047,117**

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

GALANTAS GOLD CORPORATION

1. Going Concern

These consolidated financial statements have been prepared on a going concern basis which contemplates that Galantas Gold Corporation (the "Company") will be able to realize assets and discharge liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Company's future viability depends on the consolidated results of the Company's wholly-owned subsidiary Cavanacaw Corporation ("Cavanacaw"). Cavanacaw has a 100% shareholding in both Omagh Minerals Limited (“Omagh”) and Flintridge Resources Limited ("Flintridge") who are engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland. The Omagh mine has an open pit mine, which is in production and reported as property, plant and equipment and an underground mine which is in the exploration stage and reported as exploration and evaluation assets. The production at the open pit mine was suspended later in 2013 due to falling grades and gold prices.

The going concern assumption is dependent upon the ability of the Company to obtain the following:

a. Planning permission for the development of an underground mine in Omagh; and
b. Securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

Should the Company be unsuccessful in securing the above, there would be significant uncertainty over the Company’s ability to continue as a going concern.

As at December 31, 2014, the Company had a deficit of $33,382,788 (December 31, 2013 - $28,118,061). Management is confident that it will be able to secure the required financing to enable the Company to continue as a going concern. However, this is subject to a number of factors including market conditions.

These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities, the reported expenses and financial position classifications used that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. Incorporation and Nature of Operations

The Company was formed on September 20, 1996 under the name Montemor Resources Inc. on the amalgamation of 1169479 Ontario Inc. and Consolidated Deer Creek Resources Limited. The name was changed to European Gold Resources Inc. by articles of amendment dated July 25, 1997. On May 5, 2004, the Company changed its name from European Gold Resources Inc. to Galantas Gold Corporation. The Company was incorporated to explore for and develop mineral resource properties, principally in Europe. In 1997, it purchased all of the shares of Omagh which owns a mineral property in Northern Ireland, including a delineated gold deposit. Omagh obtained full planning and environmental consents necessary to bring its property into production.

The Company entered into an agreement on April 17, 2000, approved by shareholders on June 26, 2000, whereby Cavanacaw, a private Ontario corporation, acquired Omagh. Cavanacaw has established an open pit mine to extract the Company's gold deposit near Omagh. Cavanacaw also has developed a premium jewellery business founded on the gold produced under the name Galántas Irish Gold Limited ("Galántas"). On April 1, 2014, Galántas amalgamated it's jewelry business with Omagh.

As at July 1, 2007, the Company's Omagh mine began production.

On April 8, 2014, Cavanacaw acquired Flintridge. Following a strategic review of its business by the Company during 2014 certain assets owned by Omagh were acquired by Flintridge.

2. Incorporation and Nature of Operations (Continued)

The Company's operations include the consolidated results of Cavanacaw, and its wholly-owned subsidiaries Omagh, Galántas and Flintridge.

The Company's common shares are listed on the TSX Venture Exchange (the "Exchange") and London Stock Exchange AIM under the symbol GAL. The primary office is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5.

3. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as of April 23, 2015, the date the Board of Directors approved the consolidated financial statements.

(b) Basis of presentation

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

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the year. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 3(e).

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of profit or loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The following wholly owned companies have been consolidated within the consolidated financial statements:

Company	Registered	Principal activity
Galantas Gold Corporation	Ontario, Canada	Parent company
Cavanacaw Corporation (1)	Ontario, Canada	Holding company
Omagh Minerals Limited (2)(3)	Northern Ireland	Operating company
Galántas Irish Gold Limited (2)(4)	Northern Ireland	Operating company
Flintridge Resources Limited (2)(5)	United Kingdom	Operating company

(1) 100% owned by Galantas Gold Corporation;
(2) 100% owned by Cavanacaw Corporation;
(3) Referred to as Omagh (as defined herein);
(4) Referred to as Galántas (as defined herein); and
(5) Referred to as Flintridge.

3. Basis of Preparation (Continued)

(d) Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars ("CAD"), which is the parent Company's presentation and functional currency.

Items included in the financial statements of each of the Company's operating subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the operating subsidiaries is the U.K. Pound Sterling ("GBP"). The functional currency of the subsidiary Cavanacaw, the holding company, is the CAD.

Assets and liabilities of entities with functional currencies other than CAD are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the results of their operations are translated at the rate prevailing on the dates of the transactions. The resulting translation adjustments are recognized as a separate component of equity.

	Year Ended December 31, 2014	Year Ended December 31, 2013
Closing rate (GBP to CAD)	1.8071	1.7627
Average for the year	1.8190	1.6113

(e) Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are applied prospectively. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of exploration and evaluation assets incurred on the Omagh underground mine is dependent upon the ability to obtain planning permission and secure sufficient funding for the development of the underground mine. Drilling has now been suspended, pending the availability of cash for future exploration. Following a strategic review of its business by the Company during 2014 certain assets owned by Omagh were acquired by Flintridge. This process involved a revaluation of the Company's assets to its recoverable amount based on its value in use, determined using a number of factors including liquidity and market participants view. An aggregate impairment loss of $3,170,202 was recorded in the consolidated statement of profit or loss. The Omagh underground mine and the open pit mine are considered as one Cash generating unit ("CGU") and were further tested for impairment at year end. No additional impairment was noted and management is exploring opportunities to secure financing in anticipation of approval of planning permission;

3. Basis of Preparation (Continued)

(e) Use of estimates and judgments (continued)

Critical accounting estimates (continued)

- the estimated life of the ore body based on the estimated recoverable ounces or pounds mined from proven and probable reserves of the mine development costs which impacts the consolidated statements of financial position and the related depreciation included in the consolidated statements of profit or loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statements of profit or loss;
- stock-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments;
- derivative financial liability – management is required to make a number of estimates when determining the fair value of the derivative financial liability, including the forfeiture rate and expected life of the instruments;
- functional currency – the functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined primary economic environment; and
- decommissioning liabilities has been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements and constructive obligations. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual decommissioning costs will ultimately depend on actual future settlement amount for the decommissioning costs which will reflect the market condition at the time the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning provisions may be higher or lower than currently provided for.

Critical accounting judgments

- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements; and
- Going concern assumption – Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

4. Significant Accounting Policies

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the operations at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognized in the consolidated statement of profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

(b) Financial instruments

The Company's financial instruments consist of the following:

Financial assets:	**Classification:**
Cash	Fair value through profit or loss
Accounts receivable	Loans and receivables
Long-term deposit	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities
Due to related parties	Other financial liabilities
Derivative financial liability	Fair value through profit or loss

Fair value through profit or loss ("FVTPL"):

Financial assets or financial liabilities are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets and financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of profit or loss.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized 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.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

4. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

Impairment of financial assets:

Financial assets are assessed for objective evidence of impairment on an incurred loss basis at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statements of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities Cash was measured as a level 1;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). Derivative financial liabilities was measured as a level 3.

(c) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less disposal cost or its value in use. In addition, non-current assets that are not amortized are subject to an annual impairment assessment.

4. Significant Accounting Policies (Continued)

(d) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property, plant and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Buildings	20%	Declining balance
Plant and machinery	20%	Declining balance
Motor vehicles	25%	Declining balance
Office equipment	15%	Declining balance
Moulds	25%	Straight-line
Mine development costs		Unit-of-production

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

(e) Exploration and evaluation assets

These assets relate to the exploration and evaluation expenditures incurred in respect to resource projects that are in the exploration and evaluation stage.

Exploration and evaluation expenditures include costs which are directly attributable to acquisition and evaluation activities, assessing technical feasibility and commercial viability. These expenditures are capitalized using the full cost method until the technical feasibility and commercial viability of extracting the mineral resource of a project are demonstrable. During the exploration period, exploration and evaluation assets are not amortized.

Exploration and evaluation assets are allocated to CGU for the purpose of assessing such assets for impairment and each project is identified as a separate CGU. At the end of each reporting period, each project is reviewed for impairment indicators as per IFRS 6.20:

(i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
(ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
(iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
(iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If such indicators exist, the project is tested for impairment and the recoverable amount of the project is estimated. If the recoverable amount of the project is estimated to be less than its carrying amount, the carrying amount of the project is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss.

4. Significant Accounting Policies (Continued)

(e) Exploration and evaluation assets (continued)

Once the technical feasibility and commercial viability of extracting a mineral resource of a project are demonstrable, the relevant exploration and evaluation asset is assessed for impairment, and any impairment loss recognized, prior to the balance being reclassified as a development asset in property, plant and equipment.

The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors. In general, technical feasibility may be demonstrable once a positive feasibility study is completed. When determining the commercial viability of a project, in addition to the receipt of a feasibility study, the Company also considers factors such as the availability of project financing, the existence of markets and/or long term contracts for the product, and the ability of obtaining the relevant operating permits.

All subsequent expenditures to ready the property for production are capitalized within development assets, other than those costs related to the construction of property, plant and equipment.

Once production has commenced, all costs included in development assets are reclassified to mine development costs.

Exploration and evaluation expenditures incurred prior to the Company obtaining mineral rights related to the property being explored are recorded as expense in the period in which they are incurred.

(f) Stripping costs

Till stripping costs involving the removal of overburden are capitalized where the underlying ore will be extracted in future periods. The Company defers these till stripping costs and amortizes them on a unit-of-production basis as the underlying ore is extracted.

(g) Inventories

Inventories are comprised of finished goods, concentrate inventory and work-in-process amounts.

All inventories are recorded at the lower of production costs on a first-in, first-out basis, and net realizable value. Production costs include costs related to mining, crushing, mill processing, as well as depreciation on production assets and certain allocations of mine-site overhead expenses attributable to the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Revenue recognition

Revenue from sales of finished goods is recognized at the time of shipment when significant risks and rewards of ownership are considered to be transferred, the terms are fixed or determinable, collection is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

Revenue from sales of gold concentrate is recognized at the time of shipment when title passes and significant risks and benefits of ownership are considered to be transferred and the amount of revenue to be receivable by the Company is known or could be accurately estimated. The final revenue figure at the end of any given period is subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes.

4. Significant Accounting Policies (Continued)

(i) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(j) Share-based payment transactions

Share-based payment transactions
Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, such as share-based payments to employees, they are measured at fair value of the share-based payment.

Share-based payments to employees of the subsidiaries are recognized as cash settled share-based payment transactions.

Equity-settled transactions
The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

4. Significant Accounting Policies (Continued)

(j) Share-based payment transactions (continued)

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

(k) Warrants with an exercise price denominated in a foreign currency

Warrants with an exercise price denominated in a foreign currency are recorded at fair value and classified as a derivative financial liability. The liability is initially measured at fair value with subsequent changes in fair value recorded as a gain or loss in the consolidated statements of profit or loss. As the warrants are exercised, the value of the recorded liability will be included in share capital along with the proceeds from the exercise. If these warrants expire, the related liability is reversed through the consolidated statements of profit or loss.

(l) Income taxes

Income tax on the consolidated statements of profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Significant Accounting Policies (Continued)

(m) Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, when there is a present obligation, as a result of a past event, it is probable to be settled by a future outflow of resources and a reliable estimate can be made of the obligation. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against the consolidated statements of profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits and/or inventories as extraction progresses.

(n) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years. Options and warrants are anti-dilutive and, therefore, have not been taken into account in the per share calculation.

(o) Change in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning January 1, 2014. The following new standards have been adopted.

IAS 32 - Financial Instruments, Presentation ("IAS 32") was effective for annual periods beginning on or after January 1, 2014. IAS 32 was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. At January 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

(p) Recent accounting pronouncements

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In July 2014, the IASB issued the final version of IFRS 9. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 will be effective for accounting periods beginning January 1, 2018. The Company is currently assessing the impact of this pronouncement.

4. Significant Accounting Policies (Continued)

(p) Recent accounting pronouncements (continued)

Various other accounting pronouncements (such as IFRS 14, IFRS 15, and the various annual improvements) that have no material impact to the Company are not included above. The Company has not early adopted these standards. The Company is currently assessing the impact the application of these standards may have on the consolidated financial statements of the Company.

5. Capital Risk Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserves and deficit which at December 31, 2014 totaled $5,047,117 (December 31, 2013 - $8,010,092). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its exploration activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2014. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

6. Financial and Property Risk Management

<u>Property risk</u>

The Company's significant project is the Omagh mine. Unless the Company acquires or develops additional significant projects, the Company will be solely dependent upon the Omagh mine. If no additional projects are acquired by the Company, any adverse development affecting the Omagh mine would have a material effect on the Company's consolidated financial condition and results of operations.

<u>Financial risk</u>

The Company's activities expose it to a variety of financial risks: credit risk and sales concentration, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

6. Financial and Property Risk Management (Continued)

(i) Credit risk and sales concentration

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, accounts receivable and long-term deposit. Cash and long-term deposit are held with financial institutions and the United Kingdom Crown, respectively, from which management believes the risk of loss to be minimal. All the revenue from sales are from one customer and the accounts receivable consist mainly of a trade account receivable from one customer, value added tax receivable and sales tax receivable. The Company is exposed to concentration of credit and sales risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. Valued added tax receivable is collectable from the Government of Northern Ireland. Sales tax receivable is collectable from government authorities in Canada.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company manages liquidity risk by monitoring maturities of financial commitments and maintaining adequate cash reserves and available borrowing facilities to meet these commitments as they come due. As at December 31, 2014, the Company had working capital deficit of $3,731,696 (December 31, 2013 - $3,904,304). All of the Company's financial liabilities have contractual maturities of less than 30 days other than certain related party loans which are due on demand. The Company is seeking additional capital to meet its current and ongoing commitments. As of December 31, 2014, the Company was cash flow negative. The Company's ongoing viability is dependent on obtaining planning consent for the development of an underground mine at Omagh and securing sufficient financing to fund ongoing operational activity and the development of the underground mine.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and significant interest-bearing debt due to related parties. The Company is exposed to interest rate risk on certain related party loans which bear interest at variable rates.

(b) Foreign currency risk

Certain of the Company's expenses are incurred in GBP which is the currencies of Northern Ireland and the United Kingdom while the Company's revenues are received in the currency of United States and are therefore subject to gains and losses due to fluctuations in these currencies against the functional currency.

(c) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to gold to determine the appropriate course of action to be taken by the Company.

6. Financial and Property Risk Management (Continued)

Sensitivity analysis

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

(i) Certain related party loans are subject to interest rate risk. As at December 31, 2014, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the year ended December 31, 2014, would have been approximately $26,000 lower/higher respectively, as a result of lower/higher interest rates from certain related party loans. Similarly, as at December 31, 2014, shareholders' equity would have been approximately $26,000 higher/lower as a result of a 1% decrease/increase in interest rates from certain related party loans.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and prepaid expenses, long-term deposit, accounts payable and other liabilities and due to related parties that are denominated in GBP. As at December 31, 2014, had the GBP weakened/strengthened by 5% against the CAD with all other variables held constant, the Company's consolidated other comprehensive income for the year ended December 31, 2014 would have been approximately $132,000 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2014, shareholders' equity would have been approximately $132,000 lower/higher had the GBP weakened/strengthened by 5% against the CAD as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments.

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce production of its mineral resources, which could have a material and adverse effect on the Company's value. Net income would be impacted by changes in average realized gold prices. Sensitivity to a plus or a minus 10% change in average realized gold prices on the inventories would affect net loss/income and shareholders' equity by approximately $12,000.

7. Categories of Financial Instruments

As at December 31,	**2014**	**2013**
Financial assets:		
FVTPL		
Cash	**$ 20,259**	$ 166,617
Loans and receivables		
Accounts receivable	**52,362**	234,823
Long-term deposit	**542,130**	467,116
Financial liabilities:		
FVTPL		
Derivative financing liability	**368,000**	-
Other financial liabilities		
Accounts payable and other liabilities	**869,322**	1,217,360
Due to related parties	**3,095,983**	3,597,550

As of December 31, 2014 and 2013, the fair value of all the Company's financial instruments approximates the carrying value.

(Expressed in Canadian Dollars)

8. Accounts Receivable and Prepaid Expenses

As at December 31,		2014		2013
Sales tax receivable - Canada	**$**	**1,469**	$	21,866
Valued added tax receivable - Northern Ireland		**14,894**		10,752
Accounts receivable		**35,999**		202,205
Prepaid expenses		**49,851**		170,301
	$	**102,213**	$	405,124

Prepaid expenses includes advances for consumables and for construction of the passing bays in the Omagh mine.

The following is an aged analysis of accounts receivable:

As at December 31,		2014		2013
Less than 3 months	**$**	**16,363**	$	138,839
3 to 12 months		**11,316**		59,177
More than 12 months		**24,683**		36,807
Total accounts receivable	**$**	**52,362**	$	234,823

9. Inventories

As at December 31,		2014		2013
Concentrate inventories	**$**	**11,746**	$	11,458
Finished goods		**99,391**		327,407
	$	**111,137**	$	338,865

Refer to note 16 for inventory movement.

(i) During the year ended December 31, 2014, following a strategic review of its business by the Company, certain assets owned by Omagh were acquired by Flintridge at its recoverable value. This included inventories resulting in an impairment of inventories of $224,605, which is included in other operating expenses.

(Expressed in Canadian Dollars)

10. Property, Plant and Equipment

Cost	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2012	$ 2,706,775	$ 5,996,937	$ 84,171	$ 105,396	$ 58,844	$ 12,422,216	**$ 21,374,339**
Additions	-	-	-	-	-	343,588	**343,588**
Disposals	-	(1,369,832)	(11,986)	-	-	-	**(1,381,818)**
Foreign exchange adjustment	242,434	534,617	7,538	9,449	5,271	1,112,726	**1,912,035**
Balance, December 31, 2013	2,949,209	5,161,722	79,723	114,845	64,115	13,878,530	**22,248,144**
Additions	2,087	-	-	2,091	-	129,840	**134,018**
Disposals	-	(131,705)	-	(4,724)	(64,115)	-	**(200,544)**
Transfer [(1)]	(585,067)	-	-	-	-	585,067	**-**
Foreign exchange adjustment	74,286	129,311	2,009	(920)	-	349,581	**554,267**
Balance, December 31, 2014	$ 2,440,515	$ 5,159,328	$ 81,732	$ 111,292	$ -	$ 14,943,018	**$ 22,735,885**

Accumulated depreciation	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2012	$ 1,240,146	$ 3,987,043	$ 54,149	$ 45,164	$ 58,844	$ 5,962,024	**$ 11,347,370**
Depreciation	12,573	400,922	7,475	8,993	-	70,793	**500,756**
Disposals	-	(750,631)	(10,143)	-	-	-	**(760,774)**
Foreign exchange adjustment	112,256	391,847	5,553	4,897	5,271	540,649	**1,060,473**
Balance, December 31, 2013	1,364,975	4,029,181	57,034	59,054	64,115	6,573,466	**12,147,825**
Depreciation	14,465	211,554	4,520	7,274	-	-	**237,813**
Disposals	-	(118,069)	-	(3,663)	(64,115)	-	**(185,847)**
Impairment	558,982	78,812	12,926	24,213	-	2,495,269	**3,170,202**
Foreign exchange adjustment	30,630	98,907	1,323	(1,675)	-	149,252	**278,437**
Balance, December 31, 2014	$ 1,969,052	$ 4,300,385	$ 75,803	$ 85,203	$ -	$ 9,217,987	**$ 15,648,430**

Carrying value	Freehold land and buildings	Plant and machinery	Motor vehicles	Office equipment	Moulds	Mine development costs	Total
Balance, December 31, 2013	$ 1,584,234	$ 1,132,541	$ 22,689	$ 55,791	$ -	$ 7,305,064	**$ 10,100,319**
Balance, December 31, 2014	$ 471,463	$ 858,943	$ 5,929	$ 26,089	$ -	$ 5,725,031	**$ 7,087,455**

[(1)] During the year the Company transferred the cost of certain assets, primarily the cost of decommissioning liability for the Omagh open pit mine from Freehold property to Mine development costs.

(Expressed in Canadian Dollars)

10. Property, Plant and Equipment (Continued)

During the year ended December 31, 2014, following a strategic review of its business by the Company, certain assets owned by Omagh were acquired by Flintridge at its recoverable value. This resulted in an aggregate impairment of property, plant and equipment by $3,170,202.

11. Exploration and Evaluation Assets

Exploration and evaluation assets are expenditures for the underground mining operations in Omagh. The proposed underground mine is dependent on the ability of the Company to obtain the necessary planning permission.

Cost	**Exploration and evaluation assets**
Balance, December 31, 2012	$ 1,399,254
Additions	357,061
Foreign exchange adjustment	119,456
Balance, December 31, 2013	1,875,771
Additions	92,872
Foreign exchange adjustment	102,129
Balance, December 31, 2014	$ 2,070,772

Carrying value	**Exploration and evaluation assets**
Balance, December 31, 2013	$ 1,875,771
Balance, December 31, 2014	$ 2,070,772

12. Decommissioning Liability

The Company's decommissioning liability is a result of mining activities at the Omagh mine in Northern Ireland. The Company estimated its decommissioning liability at December 31, 2014 based on a risk-free discount rate of 1% (December 31, 2013 - 1%) and an inflation rate of 1.50% (December 31, 2013 - 1.50%). The expected undiscounted future obligations allowing for inflation are GBP 330,000 and based on management's best estimate the decommissioning is expected to occur over the next 5 to 10 years. On December 31, 2014, the estimated fair value of the liability is $553,544 (December 31, 2013 - $528,810). Changes in the provision during the years ended December 31, 2014 and 2013 are as follows:

As at December 31,	**2014**	**2013**
Decommissioning liability, beginning of year	**$ 528,810**	$ 404,450
Revision due to change in estimate	**-**	109,680
Accretion	**11,489**	14,680
Foreign exchange	**13,245**	-
Decommissioning liability, end of year	**$ 553,544**	$ 528,810

(Expressed in Canadian Dollars)

12. Decommissioning Liability (Continued)

As required by the Crown in Northern Ireland, the Company is required to provide a bond for reclamation related to the Omagh mine in the amount of GBP 300,000 (December 31, 2013 - GBP 300,000), of which GBP 300,000 was funded as of December 31, 2014 (GBP 265,000 was funded as of December 31, 2013) and reported as long-term deposit of $542,130 (December 31, 2013 - $467,116).

13. Accounts Payable and Other Liabilities

Accounts payable and other liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities, amounts payable for financing activities and professional fees activities.

As at December 31,	2014	2013
Accounts payable	**$ 306,359**	$ 545,557
Accrued liabilities	**562,963**	671,803
Total accounts payable and other liabilities	**$ 869,322**	$ 1,217,360

The following is an aged analysis of the accounts payable and other liabilities:

As at December 31,	2014	2013
Less than 3 months	**$ 240,145**	$ 376,400
3 to 12 months	**183,164**	361,376
12 to 24 months	**120,987**	122,183
More than 24 months	**325,026**	357,401
Total accounts payable and other liabilities	**$ 869,322**	$ 1,217,360

14. Share Capital and Reserves

On April 14, 2014, the Company completed the consolidation of its issued and outstanding common shares on the basis of one post-consolidated common shares for five pre-consolidated common shares. As part of the share consolidation all applicable references to the number of shares, warrants and stock options and their exercise price and per share information has been restated.

a) Authorized share capital

At December 31, 2014, the authorized share capital consisted of an unlimited number of common and preference shares issuable in Series.

The common shares do not have a par value. All issued shares are fully paid.

No preference shares have been issued. The preference shares do not have a par value.

(Expressed in Canadian Dollars)

14. Share Capital and Reserves (Continued)

b) Common shares issued

At December 31, 2014, the issued share capital amounted to $31,825,575. The change in issued share capital for the years presented is as follows:

	Number of common shares	Amount
Balance, December 31, 2012 and December 31, 2013	**51,242,015**	**$ 29,874,693**
Units issued in private placement (i)	10,330,000	968,438
Warrants issued (i)	-	(383,000)
Share issue costs (i)	-	(23,706)
Common shares issued for debt (ii)	15,125,140	1,389,150
Balance, December 31, 2014	**76,697,155**	**$ 31,825,575**

(i) On May 7, 2014, the Company completed a private placement of 10,330,000 units at GBP 0.05 ($0.09375) per unit for gross proceeds of GBP 516,500 ($968,438). Each unit is comprised of 1 common share and 1 warrant. Each warrant entitles the holder to purchase 1 further common share at GBP 0.10 per share for a period of two years. The common share issued were subject to a four month hold period. Commissions of $8,156 were paid in connection with the placement and was included in the share issue costs.

The fair value of the 10,330,000 warrants was estimated at $383,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 168.92%, risk-free interest rate - 1.07% and an expected average life of 2 years. As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are considered a derivative financial liability.

(ii) On May 30, 2014, the Company issued 15,125,140 common shares as settlement of accounts payable and other liabilities of GBP 21,976 ($40,667) and due to related parties of GBP 718,256 ($1,319,054) and GBP 16,025 ($29,429).

Due to related parties consisted of amounts owing to Roland Phelps (President & Chief Executive Officer) for a loan of GBP 718,256 settled for 14,365,120 common shares and Leo O'Shaughnessy (Chief Financial Officer) for a loan of GBP 16,025 settled for 320,500 common shares.

c) Warrant reserve

The following table shows the continuity of warrants for the years presented:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2012	**4,910,000**	**$ 0.50**
Expired	(4,910,000)	0.50
Balance, December 31, 2013	**-**	**-**
Issued (Note 14(b)(i))	10,330,000	0.18
Balance, December 31, 2014	**10,330,000**	**$ 0.18**

(Expressed in Canadian Dollars)

14. Share Capital and Reserves (Continued)

c) Warrant reserve (continued)

The following table reflects the actual warrants issued and outstanding as of December 31, 2014:

Expiry date	Number of warrants	Grant date fair value ($)	Exercise price (GBP)	Fair value December 31, 2014 ($)
May 7, 2016	10,330,000	383,000	0.10	368,000

As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are considered a derivative financial liability. The warrants are revalued at each period end with any gain or loss in the fair value being record in the consolidated statements of loss as an unrealized gain or loss on fair value of derivative financial liability.

On December 31, 2014, the fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 196.13%; risk free interest rate of 1.00%; and an expected life of 1.35 years. As a result, the fair value of the warrants was calculated to be $368,000 and the Company recorded an unrealized gain on fair value of derivative financial liability for the year ended December 31, 2014 of $15,000.

d) Stock options

The Company has a stock option plan (the "Plan"), the purpose of which is to attract, retain and compensate qualified persons as directors, senior officers and employees of, and consultants to the Company and its affiliates and subsidiaries by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Company. The number of shares reserved for issuance under the Plan cannot be more than a maximum of 10% of the issued and outstanding shares at the time of any grant of options. The period for exercising an option shall not extend beyond a period of five years following the date the option is granted.

Insiders of the Company are restricted on an individual basis from holding options which when exercised would entitle them to receive more than 5% of the total issued and outstanding shares at the time the option is granted. The exercise price of options granted in accordance with the Plan must not be lower than the closing price of the shares on the Exchange immediately preceding the date on which the option is granted and in no circumstances may it be less than the permissible discounting in accordance with the Corporate Finance Policies of the Exchange.

The Company records a charge to the consolidated statements of loss using the Black-Scholes option pricing model. The valuation is dependent on a number of inputs and estimates, including the strike price, exercise price, risk-free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to the historic traded daily closing share price at the date of issue.

Option pricing models require the inputs including the expected price volatility. Changes in the inputs can materially affect the fair value estimate.

(Expressed in Canadian Dollars)

14. Share Capital and Reserves (Continued)

d) Stock options (continued)

The following table shows the continuity of stock options for the years presented:

	Number of options	Weighted average exercise price
Balance, December 31, 2012	**1,990,000**	**$ 0.50**
Expired	(400,000)	0.50
Forfeited	(650,000)	0.50
Balance, December 31, 2013 and December 31, 2014	**940,000**	**$ 0.50**

Stock-based compensation for the year ended December 31, 2013 amounted to $35,960 relating to stock options granted in previous years that vested during the year ended December 31, 2013. There were no stock-based compensation for the year ended December 31, 2014.

The following table reflects the actual stock options issued and outstanding as of December 31, 2014:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
November 23, 2015	0.50	0.90	200,000	200,000	-
January 28, 2016	0.50	1.08	50,000	50,000	-
September 6, 2016	0.50	1.68	690,000	690,000	-
	0.50	1.48	940,000	940,000	-

15. Net Loss per Common Share

The calculation of basic and diluted loss per share for the year ended December 31, 2014 was based on the loss attributable to common shareholders of $5,264,727 (year ended December 31, 2013 - $1,944,355) and the weighted average number of common shares outstanding of 66,876,362 (year ended December 31, 2013 - 51,242,015) for basic and diluted loss per share. Diluted loss did not include the effect of warrants and options for the year ended December 31, 2014 and 2013, as they are anti-dilutive.

(Expressed in Canadian Dollars)

16. Cost of Sales

	Year Ended December 31, 2014	2013
Production wages	**$ 156,101**	$ 591,101
Oil and fuel	**37,233**	559,047
Repairs and servicing	**56,629**	123,387
Equipment hire	**19,607**	37,756
Consumable	**9,932**	161,586
Royalties	**38,921**	34,747
Carriage	**-**	29,783
Other costs	**60,956**	66,278
Production costs	**379,379**	1,603,685
Inventory movement	**-**	(12,616)
Cost of sales	**$ 379,379**	$ 1,591,069

17. Taxation

(a) Provision for income taxes

A reconciliation of the expected tax recovery to actual is provided as follows:

Year Ended December 31,	**2014**	**2013**
Loss before income taxes	**$ (5,264,727)**	$ (1,944,355)
Expected tax recovery at statutory rate of 26.5% (2013 - 26.5%)	**(1,395,150)**	(515,300)
Difference resulting from:		
Foreign tax rate differential	**195,860**	(16,600)
Stock-based compensation	**-**	9,500
Expiry of warrants	**-**	126,900
Re-evaluation of warrants	**3,975**	-
Impairment of assets	**840,104**	-
Non-capital losses not recognized	**355,211**	395,500
	$ -	$ -

(b) Deferred tax balances

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities that have not been recognized for financial statement purposes are as follows:

	2014	**2013**
Deferred income tax assets (liabilities)		
Non-capital losses	**$ 5,406,824**	$ 5,268,300
Share issue costs	**5,026**	1,200
Property, plant and equipment and deferred development costs	**(848,006)**	(1,524,800)
Valuation allowance (impairment)	**(4,563,844)**	(3,744,700)
	$ -	$ -

(Expressed in Canadian Dollars)

17. Taxation (Continued)

(c) Losses carried forward

As at December 31, 2014, the Company had non-capital losses carried forward of $23,216,780 (2013 - $18,435,879) for income tax purposes as follows:

Expires	2015	$ 568,540
	2026	1,064,484
	2027	598,595
	2029	373,962
	2030	440,512
	2031	993,770
	2032	600,689
	2033	1,100,268
	2034	906,576
Indefinite		16,569,384
		$ 23,216,780

The loss carry-forward amounts have not been recognized for accounting purposes because it is not probable that future profit will be available against which the Company can utilize the benefits therefrom.

18. Related Party Disclosures

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the fair value and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) The Company entered into the following transactions with related parties:

	Notes	Year Ended December 31, 2014	Year Ended December 31, 2013
Interest on related party loans	(i)	**$ 55,323**	$ 44,122

(i) G&F Phelps Limited ("G&F Phelps"), a company controlled by a director of the Company, had amalgamated loans to the Company of $2,338,872 (GBP 1,294,268) (December 31, 2013 - $2,017,000 - GBP 1,144,268) included with due to related parties bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. Interest accrued on related party loans is included with due to related parties. As at December 31, 2014, the amount of interest accrued is $218,113 (GBP 120,698) (December 31, 2013 - $159,144 - GBP 90,284).

(ii) During the year ended December 31, 2013, G&F Phelps acquired a container from the Company for $2,095 (GBP 1,300) which has been offset against the G&F Phelps loan included with due to related parties.

(iii) See Note 14(b)(ii).

(Expressed in Canadian Dollars)

18. Related Party Disclosures (Continued)

(b) Remuneration of key management of the Company was as follows:

	Year Ended December 31, 2014	2013
Salaries and benefits [1]	**$ 463,255**	$ 419,485
Stock-based compensation	**-**	21,318
	$ 463,255	$ 440,803

[1] Salaries and benefits include director fees. As at December 31, 2014, due to directors for fees amounted to $55,000 (December 31, 2013 - $27,750) and due to key management, mainly for salaries and benefits accrued amounted to $483,998 (GBP 267,831) (December 31, 2013 - $1,393,656 - GBP 790,637), and is included with due to related parties.

(c) As of December 31, 2014, Kenglo One Limited ("Kenglo") owns 13,222,068 common shares of the Company or approximately 17.2% of the outstanding common shares of the Company. Roland Phelps, Chief Executive Officer and director, owns, directly and indirectly, 21,472,915 common shares of the Company or approximately 28.0% of the outstanding common shares of the Company. The remaining 54.8% of the shares are widely held, which includes various small holdings which are owned by directors of the Company. These holdings can change at anytime at the discretion of the owner.

The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company.

19. Segment Disclosure

The Company has determined that it has one reportable segment. The Company's operations are substantially all related to its investment in Cavanacaw and its subsidiaries, Omagh and Galántas. Substantially all of the Company's revenues, costs and assets of the business that support these operations are derived or located in Northern Ireland. Segmented information on a geographic basis is as follows:

December 31, 2014	**United Kingdom**	**Canada**	**Total**
Current assets	$ 208,066	$ 25,543	**$ 233,609**
Non-current assets	9,639,643	60,714	**9,700,357**
Revenues	$ 8,332	$ -	**$ 8,332**

December 31, 2013	**United Kingdom**	**Canada**	**Total**
Current assets	$ 800,604	$ 110,002	**$ 910,606**
Non-current assets	12,382,249	60,957	**12,443,206**
Revenues	$ 1,531,473	$ -	**$ 1,531,473**

(Expressed in Canadian Dollars)

20. Contingent Liability

During the year ended December 31, 2010, the Company's subsidiary Omagh received a payment demand from Her Majesty's Revenue and Customs in the amount of $549,882 (GBP 304,290) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company's subsidiary Omagh intends to vigorously defend itself against this claim. A hearing date for the appeal has not yet been determined. No provision has been made for the claim in the consolidated financial statements.

21. Supplement Schedule of Non-Cash Transactions

	Year Ended December 31, 2014	Year Ended December 31, 2013
Shares issued to settle accounts payable and other liabilities (note 14(b)(ii))	**$ 40,667**	$ -
Shares issued to settle due to related parties (note 14(b)(ii))	**$ 1,348,483**	$ -

22. Events After the Reporting Period

(i) On January 9, 2015, the Company announced that G&F Phelps had loaned an additional GBP 100,000 to the Company bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets.

(ii) On February 16, 2015, the Company closed a private placement of 10,599,999 common shares at GBP 0.03 ($0.05727) per common share for gross proceeds of GBP 316,667. The common share issued are subject to a four month hold period. Commissions of $36,424 were paid in connection with the placement. The agent also received 636,000 warrants. Each warrant can be exercised for one common share at an exercise price of GBP 0.045 for a period of 3 years. The fair value of the 636,000 warrants was estimated at $32,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 168.98%, risk-free interest rate - 0.43% and an expected average life of 3 years.