DYNASTY METALS & MINING INC.
(the “Company”)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars, unless otherwise noted)

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Dynasty Metals & Mining Inc.

We have audited the accompanying consolidated financial statements of Dynasty Metals & Mining Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of loss and 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 auditors consider 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 Dynasty Metals & Mining Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Dynasty Metals & Mining Inc. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

March 31, 2015

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31,
Expressed in United States dollars unless otherwise noted

	2014	2013[(a)]
OPERATING REVENUES (Note 4)	$ 37,014,115	$ 15,937,132
OPERATING COSTS (Note 4)		
Mining and processing	26,894,664	7,501,301
Royalties	1,628,354	794,852
Depreciation and depletion	4,587,208	1,418,870
	33,110,226	9,715,023
EARNINGS FROM MINE OPERATIONS	**3,903,889**	**6,222,109**
EXPENSES		
Corporate administration (Note 5)	4,704,716	4,352,991
Stock-based compensation (Note 11)	880,195	458,067
	5,584,911	4,811,058
EARNINGS (LOSS) BEFORE INCOME TAXES	**(1,681,022)**	**1,411,051**
INCOME TAXES (Note 14)		
Current tax expense	536,326	1,446,349
Unrecoverable tax pre-payments	513,186	538,991
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$ (2,730,534)**	**$ (574,289)**
BASIC AND DILUTED LOSS PER SHARE	$ (0.06)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	42,461,083	42,461,083

(a) – Commercial production commenced at the Zaruma Gold Project, effective October 1, 2013.

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

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in United States dollars unless otherwise noted

As at	December 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash	$ 3,449,944	$ 4,913,500
Receivables	21,004	20,162
Prepaid expenses	619,266	556,380
Inventory (Note 6)	4,202,349	4,320,543
	8,292,563	9,810,585
Advances, deposits and warranties	306,348	306,348
Mine properties, plant and equipment (Note 7)	47,073,914	51,309,641
Exploration and evaluation properties (Note 8)	15,497,038	14,067,965
	$ 71,169,863	$ 75,494,539
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 5,227,981	$ 6,090,741
Taxes payable	746,608	2,426,941
Short term loans (Note 9)	1,000,000	1,132,591
	6,974,589	9,650,273
Provision for closure and restoration (Note 10)	2,046,799	1,845,452
	9,021,388	11,495,725
Shareholders' equity		
Capital stock (Note 11)	89,059,365	89,059,365
Contributed surplus (Note 11)	14,821,581	13,941,386
Deficit	(41,732,471)	(39,001,937)
	62,148,475	63,998,814
	$ 71,169,863	$ 75,494,539

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

On behalf of the Board:

“Robert Washer” Director   “Leonard Clough” Director

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

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Expressed in United States dollars unless otherwise noted

	Number of Shares	Capital Stock	Deficit	Contributed Surplus	Total
Balance at December 31, 2012	42,461,083	$ 89,059,365	$ (38,427,648)	$ 13,483,319	$ 64,115,036
Net loss for the year	-	-	(574,289)	-	(574,289)
Stock-based compensation	-	-	-	458,067	458,067
Balance at December 31, 2013	42,461,083	89,059,365	(39,001,937)	13,941,386	63,998,814
Net loss for the year	-	-	(2,730,534)	-	(2,730,534)
Stock-based compensation	-	-	-	880,195	880,195
Balance at December 31, 2014	42,461,083	$ 89,059,365	$ (41,732,471)	$ 14,821,581	$ 62,148,475

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

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,
Expressed in United States dollars unless otherwise noted

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (2,730,534)	$ (574,289)
Items not affecting cash:		
Depreciation and depletion	4,778,358	1,738,516
Stock-based compensation	880,195	458,067
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(839)	33,859
(Increase) decrease in prepaid expenses	(62,886)	248,822
Increase in inventory	(315,092)	(626,554)
Increase (decrease) in accounts payable and income taxes payable	(1,692,387)	4,003,506
Net cash provided by operating activities	856,815	5,281,927
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation properties	(1,429,073)	(1,231,215)
Exploration advances and deposits	-	86,764
Pre-production revenue credited to mine properties, plant and equipment	-	23,254,510
Expenditures on mine properties, plant and equipment	(758,707)	(23,138,053)
Increase in advances, deposits and warranties	-	(306,348)
Net cash used in investing activities	(2,187,780)	(1,334,382)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of short term debt	-	2,193,694
Repayment of short term debt	(132,591)	(1,661,103)
Net cash provided by (used in) financing activities	(132,591)	532,591
Change in cash for the year	(1,463,556)	4,480,136
Cash, beginning of year	4,913,500	433,364
Cash, end of year	$ 3,449,944	$ 4,913,500
Cash paid during the year for interest	$ 14,617	$ 89,316
Cash paid during the year for income taxes	$ 1,126,020	$ 723,330
Cash received during the year for interest	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 13)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the laws of the Yukon Territory on June 28, 2000. The Company is in the business of acquiring, exploring, developing and mining mineral concessions. All such concessions are currently situated in Ecuador. The address of the Company's corporate head office and principal place of business is #270 – 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

On April 18, 2008, Ecuador`s Constitutional Assembly passed a Constituent Mandate resolution (the "Mining Mandate"), which provided, among other provisions, for the suspension of mineral exploration activities for 180 days, or until a new Mining Law was approved. In January 2009, the new Mining Act was published. In November 2009, the regulations and procedures to operate under the new Mining Act were signed by the President of Ecuador and published in the Official Registry, after which time the new Mining Act and Regulations (collectively, the "Mining Law") were enacted. The Mining Law was further amended in July 2013 to distinguish between small, medium and large scale operations. The Mining Law provides that operations mining up to 300 tonnes of mined material per day on an individual concession may be categorized as a smaller scale operation and are required to pay a fixed royalty of 3%; operations mining between 301 and 1,000 tonnes of mined material per day on an individual concession may be categorized as a medium scale operation and are required to pay a fixed royalty of 4%; and operations mining in excess of 1,000 tonnes of mined material per day on an individual concession are categorized as large scale operations and are required to enter into an exploitation contract with the government which sets out specific terms and conditions of the particular operation, including the royalty between 5% and 8% and the application of a windfall tax.

To date, the Company has obtained small scale mining licenses for five concessions at its Zaruma Gold Project. Such licenses permit the Company to mine up to 300 tonnes per day from each concession which has obtained the small scale mining license at a royalty rate of 3%, payable to the Ecuador government, and no windfall tax on the extraction and sale of precious metals. Although these five concessions are the focus of the Company's current mine development plans at its Zaruma Gold Project, there is no assurance that the Company will be able to obtain additional small scale mining licenses for other concessions within the Zaruma Gold Project to the extent they may become necessary based on the Company's development plans in the future.

The Company's other principal projects are expected to fall into either the medium or large scale operation category and may therefore require the Company to enter into exploitation contracts for these projects in the future. There is no assurance that the Company will be able to agree on the terms and conditions an exploitation contract with the government. In the event that an exploitation contract with the government is determined to adversely impact the viability such other projects, it may be necessary, in the future, to re-evaluate the carrying value of the Company's mine exploration and evaluation properties and certain other capital assets.

From inception until 2010, the Company had funded substantially all of its operating and capital expenses with proceeds from the sale of capital stock. From 2010 and up until September 30, 2013, mine development expenses and overheads were primarily funded from the sale of precious metals produced during mine construction at the Zaruma Gold Project. During this time the Company was in the pre-commercial stage of operations having yet to reach the stage of sustainable commercial production.

In the fourth quarter of the year ended December 31, 2013, management determined that commercial production at the Zaruma Gold Project had commenced as the mine was operating as intended. This decision was based on a number of factors including, amongst other, the completion of operational commissioning of major mine components, the achievement of consistent operating results for a period of time and the indication that these results will continue. For accounting purposes the Company commenced recognizing earnings from mine operations separately effective October 1, 2013.

Continuing operations are dependent upon the Company's ability in the future to mitigate the risks and overcome the challenges generally associated with comparable development and early stage production enterprises, most significantly, it must either continue to generate sufficient cash flow from the sale of precious metals in the future or secure additional working capital as required, neither of which is assured.

Expressed in United States dollars unless otherwise noted

1. NATURE AND CONTINUANCE OF OPERATIONS (cont'd)

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, 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 mentioned above, there are conditions and matters which indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. In the event the Company is unable to produce sufficient precious metals for sale in the future or secure additional working capital from debt or equity financings or through the profitable sale of capital assets, these consolidated financial statements may require adjustments relating to the recoverability and classification of recorded assets and liabilities.

2. BASIS OF PRESENTATION

These consolidated financial have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies, methods of computation and presentation applied in these consolidated financial statement are consistent with those of the previous financial year. These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The Board of Directors has approved the audited consolidated financial statements on March 31, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant inter-company transactions and balances have been eliminated upon consolidation.

Name of Subsidiary	Place of Incorporation	Percentage Ownership
Empire Sun Investments Limited	British Virgin Islands	100%
Elipe S.A.	Ecuador	100%
Polimines Corporation	Panama	100%
Golden Valley Planta S.A.	Ecuador	100%
Greentrade Ecuador Overseas Inc.	Panama	100%
Operaciones Greentrade S.A.	Ecuador	100%
Operaciones Greenmining S.A.	Ecuador	100%
Minsupport S.A.	Ecuador	100%

Foreign currency translation

The presentation currency and the functional currency of the Company and all of the Company's operations is the United States Dollar ("USD"). The Company's foreign currency transactions are translated into USD at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results. Non-monetary assets and liabilities are translated using historical rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

Revenue from the sale of gold and silver is recognized when the quantity of metal sold and the sales price are fixed, title has passed to the buyer and collection is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable.

Pre-commercial sales

Pre-commercial sales from the sale of gold and silver will be recognized when the quantity of metal sold and the sales price are fixed, title hs passed to the buyer and collection is reasonably assured.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using all "in the money" options, warrants and equivalents assumed to have been exercised at the beginning of the period and proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

Inventory

Gold and silver dore, gold and silver in-process and stockpiled mined material inventories are recorded at the lower of average cost and net realizable value. The cost of finished goods and gold and silver in-process includes direct materials, direct labour, depreciation of mining assets and depreciation of mining and processing plant and equipment. Net realizable value is the estimated selling price less applicable selling expenses.

Materials and supplies inventories are valued at the lower of average cost and net realizable value.

Mineral Properties, Plant and Equipment

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

Once an economically viable project has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mines under construction within mine properties, plant and equipment.

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

Development properties
When economically viable projects have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that,

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Development properties (cont'd)

amongst other items, the completion of operational commissioning of major mine components has been reached, operating results are being achieved consistently for a period of time, and there are indicators that these operating results will continue.

Once commercial production has been achieved at a project, exploration and development expenditure is amortized on a unit-of-production basis over the measured and indicated resources expected to be extracted economically, and included as part of the production cost.

When further development expenditure is incurred in respect of a mine property subsequent to the commencement of commercial production, such expenditure is capitalized as part of the mine property only when substantial new future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Plant and equipment

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

Depreciation methods and useful lives are reviewed at each annual reporting date and adjusted as appropriate. Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Depreciation is provided using the straight-line method over the following terms:

Office and exploration equipment	5 years
Vehicles	3 years
Mining equipment	5 years
Drill rigs	5 years
Plant	10 years
Office buildings	20 years

Provision for closure and restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the decommissioning and reclamation of mine properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. A liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for reclamation and rehabilitation obligations is estimated using expected cash flows and is discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.

In subsequent periods, the liability is adjusted for any changes in the amount or timing of the estimated future cash costs and for the accretion of discounted underlying future cash flows. The unwinding of the effect of discounting the provision is recorded as an expense in the profit or loss.

Stock-based compensation

Certain employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of stock options. The cost of these stock options is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Stock-based compensation (cont'd)

volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company.

These estimates involve inherent uncertainties and the application of management's judgment. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in contributed surplus in shareholders' equity.

Stock-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Impairment on non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

Income taxes

The Company recognizes the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted, or substantively enacted, tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. Deferred tax assets are recognized to the extent that recovery is estimated to be probable.

Financial assets

Financial assets, other than derivatives, are designated as available-for-sale, loans and receivables held to maturity or at fair value through profit or loss ("FVTPL"). Financial assets classified as available-for-sale are measured on initial recognition plus transaction costs and subsequently at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for financial assets that are considered to be impaired in which case the loss is recognized in profit or loss. The Company has not classified any assets as available-for-sale for the years presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Financial assets classified as held-to-maturity are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Financial assets classified as loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method. The Company's receivables are classified as loans and receivables.

Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in profit or loss. Transaction costs are expensed for assets classified as FVTPL. The Company's cash is classified as FVTPL.

Financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, 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 allocating the interest expense 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, a shorter period. The Company's accounts payable and accrued liabilities and short term loans are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss.

Segment reporting

The chief operating decision-maker has been identified as the Chief Executive Officer of the Company (the "CEO"). The Company has identified one reportable segment (the exploration, mine development and extraction of precious metals, primarily gold). All such concessions and substantially all the capital assets and revenues of the Company are situated in one geographic area, Ecuador, as at the reporting date.

Estimates, judgments, risks and uncertainties

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future period affected.

The key sources of estimation uncertainty and judgments used in the preparation of theses consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and earnings within the next financial year, are discussed below;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Estimates, judgments, risks and uncertainties (cont'd)

Mineral resource estimation
The carrying value and recoverability of mineral properties requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. The determination of mineral resources also requires the use of estimates. The Company estimates its mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101, *Standards for Disclosure of Mineral Projects*. There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resources and may result in changes to resource estimates.

Inventories
Management makes estimates of recoverable quantities in stockpiled mined material, in-process material and gold and silver dore to determine the average costs of finished goods sold during the period and the value of inventories in the Company's Statement of Financial Position. Net realizable value tests are performed at each reporting period based on the estimated future sales price of the gold and silver dore, based on the prevailing and long-term gold prices, less estimated costs to complete production and bring the gold and silver dore to selling condition.

The recoverable quantity of mined material in stockpiles is estimated based on tonnage added and removed from the stockpiles, the amount of contained gold ounces based on assay data, and the estimated recovery percentage based on the historical recoveries obtained in the expected processing method. Stockpiled mined material tonnage and estimated grade is reconciled to periodic surveys.

Provision for closure and restoration
In estimating the provision for closure and restoration, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as decommissioning costs and techniques are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at accounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political, and safety requirements.

Units-of-production ("UOP") amortization
The Company uses estimated economical measured and indicated resources as the basis for determining the amortization of certain mineral property and capitalized mine development expenditures. This results in an amortization charge proportional to the anticipated remaining mine life. These calculations require the use of estimates and assumptions, including the amount of measured and indicated resources.

Income Taxes
The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Stock-based compensation
Stock-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Estimates, judgments, risks and uncertainties (cont'd)

Stock-based compensation (cont'd)

characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Commencement of commercial production
Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that, amongst other items, the completion of operational commissioning of major mine components has been reached, operating results are being achieved consistently for a period of time, and there are indicators that these operating results will continue, all of which involve management judgments.

New accounting standards and interpretations

The following standards and amendments to existing standards have been adopted by the Company commencing January 1, 2014 and have little or no impact on the Company's financial statements:

IFRIC 21 Levies ("IFRIC 21"), sets out the accounting for an obligation to pay a levy that is not income tax. The Interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

The following standards and amendments to existing standards have been adopted:

IFRS 15 – Revenue from contracts with customers, is effective for annual periods commencing on or after January 1, 2017. This new standard establishes a new control-based revenue recognition model which could change the timing of revenue recognition. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

IFRS 9 – Financial Instruments, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. In addition, this new standard amends some of the requirements of IFRS 7, Financial Instruments: Disclosures, including added disclosure about investments in equity instruments measured at fair value in OCI and guidance on financial liabilities and derecognition of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

4. OPERATING REVENUES AND COSTS

Revenues

In the fourth quarter of the year ended December 31, 2013, management determined that commercial production at the Zaruma Gold Project had commenced as the mine was operating as intended. This decision was based on a number of factors including the completion of operational commissioning of major mine components, the achievement of consistent operating results for a period of time and the indication that these results will continue. The Company commenced recognizing net earnings from production effective October 1, 2013.

Expressed in United States dollars unless otherwise noted

4. OPERATING REVENUES AND COSTS (cont'd)

Operating Costs

	Year ended December 31, 2014	Year ended December 31, 2013[a]
Mining and processing		
Changes in inventories	$ 850,215	$ 910,674
Consumables	7,763,819	1,619,812
Employee participation taxes	162,659	980,591
Equipment maintenance	2,321,142	663,745
Other mining and processing costs	2,218,139	597,876
Rentals	2,530,655	357,506
Utilities	1,853,939	370,851
Salaries and benefits	9,194,096	2,000,246
Total mining and processing	26,894,664	7,501,301
Royalties	1,628,354	794,852
Depreciation and depletion	4,587,208	1,418,870
Total operating costs	**$ 33,110,226**	**$ 9,715,023**

(a) – Represents the three months ended December 31, 2013 since commercial production commenced at the Zaruma Gold Project, effective October 1, 2013.

5. CORPORATE ADMINISTRATION

	Year ended December 31, 2014	Year ended December 31, 2013
Amortization	$ 191,150	$ 253,090
Insurance	267,717	256,369
Office and general	1,732,217	1,340,970
Other	786,617	676,640
Professional fees	643,147	636,700
Salaries and management fees	1,083,868	1,189,222
Total corporate administration	**$ 4,704,716**	**$ 4,352,991**

Expressed in United States dollars unless otherwise noted

6. INVENTORY

	December 31, 2014	December 31, 2013
Stockpiled mined material	$ 783,393	$ 365,674
Gold and silver in-process	98,506	794,962
Gold and silver dore	263,060	905,410
	1,144,959	2,066,046
Materials and supplies	3,057,390	2,254,497
	$ 4,202,349	**$ 4,320,543**

7. MINE PROPERTIES, PLANT AND EQUIPMENT

Net carrying costs at December 31, 2014 and December 31, 2013 are as follows:

	Zaruma Mines	Plant and Equipment	Land and Buildings	Total
Cost				
Balance as at December 31, 2012	$ 30,927,649	$ 33,299,818	$ 3,292,747	$ 67,520,214
Additions	23,021,226	548,814	-	23,570,040
Disposals	-	(264,563)	-	(264,563)
Net-off of pre-commercial sales	(23,254,510)	-	-	(23,254,510)
Balance as at December 31, 2013	30,694,365	33,584,069	3,292,747	67,571,181
Additions	-	469,173	-	469,173
Disposals	-	(130,037)	-	(130,037)
Balance as at December 31, 2014	**$ 30,694,365**	**$ 33,923,205**	**$ 3,292,747**	**$ 67,910,317**
Accumulated amortization				
Balance as at December 31, 2012	$ -	$ 11,799,252	$ 156,217	$ 11,955,469
Amortization	358,555	4,010,521	31,287	4,400,363
Disposals	-	(94,292)	-	(94,292)
Balance as at December 31, 2013	358,555	15,715,481	187,504	16,261,540
Amortization	1,295,779	3,377,834	31,287	4,704,900
Disposals	-	(130,037)	-	(130,037)
Balance as at December 31, 2014	**$ 1,654,334**	**$ 18,963,278**	**$ 218,791**	**$ 20,836,403**
Net book value				
At December 31, 2013	$ 30,335,810	$ 17,868,588	$ 3,105,243	$ 51,309,641
At December 31, 2014	**$ 29,040,031**	**$ 14,959,927**	**$ 3,073,956**	**$ 47,073,914**

Expressed in United States dollars unless otherwise noted

7. MINE PROPERTIES, PLANT AND EQUIPMENT (cont'd)

Zaruma mines

Zaruma mines include all direct costs associated with the acquisition, exploration, evaluation and development of portals to access the Company's resource at its Zaruma Gold Project as well as pre-commercial operating costs, up until the commencement of commercial production on October 1, 2013. It also includes the operating costs of the processing plant from June 30, 2010 to September 30, 2013. During this period, pre-commercial sales from the sale of metals prior to the commencement of commercial production on October 1, 2013 have been credited to mines under construction.

Plant and equipment

The Company has completed the construction of a production facility to process material extracted from its Zaruma Gold Project. Plant construction includes the cost of engineering, materials, construction labor, machinery, equipment and the operating costs of commissioning the plant until June 30, 2010. Subsequent to this date the Company commenced amortizing the plant over its estimated useful life.

Equipment includes various machinery and equipment being used in the development of portals and to mine material from the Zaruma Gold Project.

Land and building

The Company purchased the land on which the Zaruma Gold Project Plant is located as well as certain land to secure surface access to parts of the Dynasty and Zaruma exploration and development projects. The Company also owns office buildings in Quito.

8. EXPLORATION AND EVALUATION PROPERTIES

Title to exploration and evaluation properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, titles to all of its properties, except as described below, are properly registered and in good standing.

	Dynasty Project	Jerusalem Project	Other Projects	Total
Balance, December 31, 2012	$ 11,076,680	$ 1,589,901	$ 170,169	$ 12,836,750
Costs				
Camp supplies and field costs	10,889	-	-	10,889
Geological consulting	69,640	-	-	69,640
Mineral concession rights	983,178	3,578	-	986,756
Project administration	87,700	46,848	-	134,548
Travel and related costs	29,382	-	-	29,382
Additions for the year	1,180,789	50,426	-	1,231,215
Balance, December 31, 2013	$ 12,257,469	$ 1,640,327	$ 170,169	$ 14,067,965

Expressed in United States dollars unless otherwise noted

8. EXPLORATION AND EVALUATION PROPERTIES (cont'd)

	Dynasty Project	Jerusalem Project	Other Projects	Total
Balance, December 31, 2013	$ 12,257,469	$ 1,640,327	$ 170,169	$ 14,067,965
Costs				
Camp supplies and field costs	21,135	-	-	21,135
Geological consulting	192,821	2,556	-	195,377
Mineral concession rights	758,906	3,825	-	762,731
Project administration	172,050	76,503	-	248,553
Technical reports and services	57,151	84,228	-	141,379
Travel and related costs	59,898	-	-	59,898
Additions for the year	1,261,961	167,112	-	1,429,073
Balance, December 31, 2014	$ 13,519,430	$ 1,807,439	$ 170,169	$ 15,497,038

Zaruma Gold Project

The Zaruma Gold Project comprises 46 concessions, located in the El Oro Province of southwestern Ecuador, in the vicinity of the towns of Zaruma and Portovelo. As at December 31, 2014, 43 of the concessions are 100% owned, one is 50% owned and one is 25% owned and subject to a concession sharing arrangement. The Company has title to the remaining concession and has paid the majority of applicable option payments on this concession.

Two of the concessions are subject to a 1% Net Smelter Return ("NSR") royalty payable to a company controlled by a director, three concessions are subject to a 2% NSR royalty and 39 are subject to a 1.5% NSR royalty. The Company has no work obligations with respect to the project concessions.

The Company is aware of actions taken by other parties to secure ownership of a concession within the Zaruma Gold Project and access certain other concessions. The Company believes that these actions are unlawful and has taken steps to protect its interest.

Jerusalem Project

The Jerusalem Project consists of one, 100% owned concession.

The project is subject to 1% NSR royalty, payable to a company controlled by a director. The Company has no work obligations with respect to the project property.

During fiscal 2012 a group of informal miners set up camps and conducted illegal mining operations at the Jerusalem property. To the best of the Company's knowledge any illegal mining that has occurred to date has been near surface and has not had a material effect on the Company's resources. The Company has lodged petitions with the appropriate government authorities to remove the informal miners and dismantle their operations, however, as at the date hereof no action has been taken by such authorities.

Illegal mining is widespread in Ecuador. Illegal miners have and may continue to trespass on our properties and engage in very dangerous practices. The Company is unable to continuously monitor the full extent of our exploration and operating properties. The presence of illegal miners could also lead to project delays and disputes regarding the development or operation of our precious metals deposits, including disputes with Ecuadorian governmental authorities. Although the Company have and will continue to take all necessary and available steps to remove such miners and cease their illegal activities, there is no assurance that such steps will be successful and the

Expressed in United States dollars unless otherwise noted

8. EXPLORATION AND EVALUATION PROPERTIES (cont'd)

Jerusalem Project (cont'd)

illegal activities of these miners could cause environmental damage or other damage to our properties or personal injury or death, for which we could potentially be held responsible, all of which could have an adverse impact on our future results of operations and financial condition.

Dynasty Project

The Dynasty Project, also known as the Dynasty Copper-Gold Belt consists of 52, 100% owned concessions.

Five of the project concessions are subject to a 1% NSR royalty, payable to a company controlled be a director. The Company has no work obligations with respect to the project property.

9. SHORT TERM LOANS

	December 31 2014	December 31 2013
Banco Bolivariano Loan	$ -	$ 132,591
Related Party Loan	1,000,000	1,000,000
	$ 1,000,000	$ 1,132,591

Banco Bolivariano Loan
In November, 2012 the Company entered into a short term loan totalling $600,000 with a local Ecuadorian bank. The loan was secured with the Company's owned office premises in Quito and was repaid in full in March 2014.

Related Party Loan
The Company entered into an interest free promissory note with corporations represented by the Company's President and Chief Executive Officer. The principal amount of the note is $1,000,000 and it is repayable on demand. The promissory note is secured by way of a General Security Agreement over certain assets of the Company.

10. PROVISION FOR CLOSURE AND RESTORATION

The Company's environmental permit at the Zaruma Gold Project requires that it reclaim any land it disturbs during the mine and plant construction and operations. Although the timing and the amount of the actual expenditures are uncertain, the Company has estimated the present value of the future reclamation obligation arising from its activities to December 31, 2014 to be $2,046,799 (2013 - $1,845,452). The present value of the future reclamation obligation assumes an inflation rate of 2.5% and a discount rate of 4.0%, an undiscounted amount to settle the obligation of $1,915,501 and the commencement of reclamation activities after the life of the mine, which is estimated at 15 years.

	December 31 2014	December 31 2013
Balance, beginning of year	$ 1,845,452	$ 1,676,998
Liabilities incurred in the year	127,890	101,897
Accretion expense	73,457	66,557
Balance, end of year	$ 2,046,799	$ 1,845,452

11. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized and issued shares

At December 31, 2014, the Company had an unlimited number of authorized common shares and 42,461,083 shares outstanding (2013 – 42,461,083). All per share amounts below are in Canadian dollars (CAD) which, at December 31, 2014, is equivalent to 0.86199 US dollars.

Stock options and warrants

The Company has an incentive stock option plan, pursuant to which its Board of Directors grants stock options, from time to time, to directors, officers, employees and certain consultants. The exercise price of each option is no less than the market price of the Company's common shares at the date of grant. The options can be granted for a maximum term of 10 years. The Company's Board of Directors determines the vesting requirements for options granted. The Company received shareholder approval at its 2013 Annual General Meeting to grant a maximum of 8,492,216 options.

The Company uses a fair value method of accounting for all stock-based payments. Under this method, the Company recorded a stock-based compensation expense of $880,195 for the year ended December 31, 2014 (2013 - $458,067) with a corresponding credit to contributed surplus. The fair value of the stock options is estimated as at the date of the grant using the Black-Scholes pricing model assuming the following weighted average assumptions:

	2014	2013
Risk-free interest rate	1.23%	1.22%
Expected life	3.57 years	3.40 years
Annualized volatility	63.94%	53.27%
Pre-vest forfeiture rate	10.00%	10.00%
Dividend rate	0.00%	0.00%

During fiscal 2014, the Company granted 2,361,500 (2013 – 1,490,000) options with a fair value of $925,944 (2013 - $360,176), which is being recognized over the vesting periods of the options.

The continuity of incentive stock options issued and outstanding is as follows:

	Stock options	
	Number	**Weighted Average Exercise Price (CAD$)**
Balance, December 31, 2012	4,436,300	$ 4.03
Granted	1,490,000	0.64
Forfeited	(425,000)	3.66
Expired	(325,000)	2.42
Balance, December 31, 2013	5,176,300	3.19
Granted	2,361,500	0.93
Expired	(1,810,000)	5.13
Balance, December 31, 2014	5,727,800	$ 1.64

Expressed in United States dollars unless otherwise noted

11. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd)

Stock options and warrants (cont'd)

The following stock options were outstanding as at December 31, 2014:

	Options outstanding			Options exercisable	
Exercise price range	**Number of stock options outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (CAD$)**	**Number of stock options exercisable**	**Weighted average exercise price (CAD$)**
\$0.64 - \$0.77	1,490,000	3.54	0.64	1,490,000	0.64
\$0.78 - \$0.91	623,500	4.00	0.89	155,875	0.89
\$0.92 - \$1.20	1,678,000	4.89	0.92	1,678,000	0.92
\$1.21 - \$3.20	1,431,000	2.05	3.00	1,361,000	3.04
\$3.21 - \$5.45	505,300	1.28	4.08	505,300	4.08
	5,727,800	3.41	1.64	5,190,175	1.70

In 2014, no options were exercised (2013 – nil). The weighted average fair value per stock option granted during fiscal 2014 was \$0.39 (2013 - \$0.24) per option. As at December 31, 2014, the non-vested stock-based compensation expense not yet recognized was \$77,827 which is to be recognized over the next 18.36 months.

There are no outstanding warrants for the years presented.

Subsequent to December 31, 2014, 70,000 options to purchase common shares were cancelled upon their expiry.

12. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include executive officers and directors of the Company. Compensation of the Company's key management personnel is comprised of the following:

	December 31 2014	December 31 2013
Executive salaries and short-term benefits(1)	\$ 578,407	\$ 589,880
Non-executive directors fees	-	-
Fees paid to companies affiliated with non-executive directors(2)	-	-
Stock-based compensation	684,194	367,282
	\$ 1,262,601	\$ 957,162

(1) \$105,000 and \$259,750 of these expenses in the year ended December 31, 2014 and 2013, respectively, were capitalized and included in either mineral property, mines under construction or plant construction costs.

As at December 31, 2014 there was \$25,248 due from (2013 - \$110,500 due to) related parties included in accounts payable and accrued liabilities.

Expressed in United States dollars unless otherwise noted

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

a) During the year ended December 31, 2014, the Company acquired inventory at a cost of $899,791, acquired land at a cost of $80,000, incurred capital expenditures of $8,792 through accounts payable. In addition the Company accrued additional plant and equipment costs of $127,890 through the provision for closure and restoration.

b) During the year ended December 31, 2013, the Company acquired inventory at a cost of $1,549,933, acquired land at a cost of $80,000, incurred capital expenditures of $251,059 and incurred mine development expenditures of $216,856 through accounts payable. In addition, the Company capitalized $1,268,243 and $1,428,805 of amortization on mining equipment and the plant, respectively to mine development costs.

14. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanied consolidated statements of comprehensive loss is provided below:

	2014	2013
Earnings (loss) before income taxes	$ (1,681,022)	$ 1,411,051
Combined federal and provincial statutory income tax rate	26.0%	25.8%
Income tax (recovery) at statutory rates	$ (437,000)	$ 363,000
Impact of different foreign statutory tax rates on earnings of subsidiaries	(86,000)	(15,000)
Non-deductible expenditures and non-taxable revenues	207,000	277,000
Impact of future tax rates applied versus current statutory rate	-	(6,000)
5% participation tax paid to Ecuador government	157,000	490,000
Change in unrecognized deductible temporary differences and other	1,208,000	876,000
	$ 1,049,000	$ 1,985,000

The Canadian income tax rate decline during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2014	2013
Deferred tax assets (liabilities):		
Mine properties, plant and equipment	$ (1,652,000)	$ (1,725,000)
Non-capital losses	1,652,000	1,725,000
Net deferred tax liability	$ -	$ -

Expressed in United States dollars unless otherwise noted

14. INCOME TAXES (cont'd)

The significant components of the Company's deferred tax assets that have not been set up are as follows:

	2014	2013
Share issue costs	$ -	$ 52,000
Non-capital losses	4,555,000	5,674,000
Total	$ 4,555,000	$ 5,726,000

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statements of financial position are as follows:

	2014	Expiry Date Range	2013	Expiry Date Range
Share issue costs	$ -	-	$ 201,000	2034
Non-capital losses	18,556,000	2015 to 2034	24,131,000	2014 to 2033

15. CAPITAL DISCLOSURE

The Company's capital currently consists of common shares, options and warrants. As the Company is in the early stage production phase for the year ended December 31, 2014 its principal source of funds is currently from the production and sale of precious metals and it is not subject to any externally imposed capital restrictions. The Company's capital management objectives are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to have sufficient capital to be able to meet the Company's property development and exploration plans. These objectives have not changed during the year ended December 31, 2014.

16. FINANCIAL INSTRUMENTS

Financial assets and liabilities

The fair value hierarchy establishes three levels in which to classify the inputs of valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices). Level 3 inputs are unobservable (supported by little or no market activity) such as non-corroborative indicative prices for a particular instrument provided by a third party.

There were no transfers between Level 1 and 2 or any transfers into or out of Level 3 during the year. Cash is stated at fair value and classified within Level 1. The fair values of receivable, accounts payable and accrued liabilities and short term loans approximate carrying values because of the short term nature of these instruments.

16. FINANCIAL INSTRUMENTS (cont'd)

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and receivables. The Company deposits cash with high quality financial institutions as determined by rating agencies in Canada, for which management believes the risk of loss to be minimal. The Company holds minimal balances in banks in Ecuador.

Receivables mainly consist of employee advances and sales tax refunds from the Federal Governments of Canada and Ecuador. Management believes that the credit risk concentration with respect to receivables is minimal.

Currency Risk

The Company's operations in Canada and Ecuador create exposure to foreign currency fluctuation. Some of the Company's operating expenditures are incurred in Canadian dollars, and the fluctuation of the US dollar in relation to the Canadian dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's financial assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

A portion of the Company's cash, receivables and accounts payable and accruals are denominated in the Canadian dollar and are therefore subject to fluctuation in exchange rates, however these balances are not large enough to expose the Company to significant foreign exchange risk.

Interest Rate Risk

The Company maintains short-term deposits in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. The Company has no significant interest bearing debt and other interest rate risks on the Company's operations are not considered material.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors gold and other commodity prices to determine the appropriate course of action to be taken by the Company.

17. SUBSEQUENT EVENTS

On March 24, 2015 the Company entered into an interest free promissory note with corporations represented by the Company's President and Chief Executive Officer. The principal amount of the note is $1,000,000 and it is repayable on demand. The promissory note is secured by way of a General Security Agreement over certain assets of the Company.

17. SUBSEQUENT EVENTS (cont'd)

On February 17, 2015 the Company acquired a new Atlas Copco two Boom Jumbo for $750,000 and concurrently entered into a loan with Atlas Copco Customer Finance AB to loan $600,000 to be applied to the purchase price. The Loan is secured with the acquired equipment; the loan principal is repayable in 36 equal monthly payments of $16,668 commencing on March 31, 2015; and interest is charged at 8.5% on a reducing balance basis and is due on the date principal repayments are made.