NORTHERNSHIELD RESOURCES INC.

(A Development Stage Company)

Annual Consolidated Financial Statements

For the years ended December 31, 2014 and 2013
(All amounts in Canadian Dollars)

Deloitte.

Deloitte LLP
1600 - 100 Queen Street
Ottawa ON K1P 5T8
Canada

Tel: (613) 236-2442
Fax: (613) 236-2195
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of
Northern Shield Resources Inc.

We have audited the accompanying consolidated financial statements of Northern Shield Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Shield Resources Inc. as at December 31, 2014 and December 31, 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 to the consolidated financial statements which indicates that, as at December 31, 2014, the Company had accumulated losses of accumulated losses of $21,318,644 and for the year then ended had incurred a net loss of $4,495,426 and had negative operating cash flows of $514,177. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

April 21, 2015
Ottawa, Ontario

Audited Consolidated Financial Statements

For the Years Ended December 31, 2014 & 2013

All amounts in Canadian Dollars

	PAGE
Consolidated Statements of Comprehensive Loss	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Cash Flows	3
Consolidated Statements of Changes in Equity	4
Notes to the Consolidated Financial Statements	5 - 30

NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Consolidated Statements of Comprehensive Loss
for the years ended December 31, 2014 and 2013
(in Canadian Dollars)

	2014	2013
Expenses		
Expensed exploration (Note 8)	**$ 3,464,990**	$ 3,096,516
General and administrative (Note 8)	**1,054,698**	1,199,128
Loss before other income (expenses)	**(4,519,688)**	(4,295,644)
Government assistance (Note 13)	**784,948**	-
Loss on sale of mineral property rights (Note 6)	**(628,354)**	-
Loss on sale of property, plant and equipment (Note 7)	**(135,747)**	-
Interest Income	**3,415**	12
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS	**(4,495,426)**	(4,295,632)
Weighted average common shares outstanding	**152,428,668**	144,393,706
Basic and diluted loss per share (Note 4)	**$ (0.03)**	$ (0.03)

All results are from continuing operations.
The accompanying notes are an integral part of the consolidated financial statements.

APPROVED BY THE BOARD

_________________________ Ian C. Bliss, Director

_________________________ William J. Kiff, Director

NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Consolidated Statements of Financial Position
as at December 31, 2014 and 2013
(in Canadian Dollars)

	December 31, 2014	December 31, 2013
CURRENT ASSETS		
Cash	**$ 709,825**	$ 349,719
Unbilled receivables	**89,379**	28,072
Amounts receivable	**36,690**	290,876
Prepaid expenses	**20,396**	36,596
	856,290	705,263
NON-CURRENT ASSETS		
LONG-TERM PORTION OF DEPOSIT	**-**	16,000
INVESTMENT IN SHARES (Note 6)	**8,333**	8,333
MINERAL PROPERTIES (Note 6)	**3,080,737**	7,936,844
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Note 7)	**144,241**	387,763
	$ 4,089,601	$ 9,054,203
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 153,176**	$ 468,829
Deferred exploration funding	**174,131**	341,154
	327,307	809,983
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	**22,129,020**	22,125,020
Reserves	**2,951,918**	2,942,418
Deficit	**(21,318,644)**	(16,823,218)
	3,762,294	8,244,220
	$ 4,089,601	$ 9,054,203

All results are from continuing operations.
The accompanying notes are an integral part of the consolidated financial statements.

NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows
for the years ended December 31, 2014 and 2013
(in Canadian Dollars)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss attributable to owners	**$ (4,495,426)**	$ (4,295,632)
Items not affecting cash		
Amortization - administrative	**16,255**	24,557
Share-based compensation	**9,500**	114,500
Other income	**(3,415)**	(12)
Changes in non-cash operating working capital items:		
Unbilled receivables	**(61,307)**	77,659
Amounts receivable	**254,186**	(162,416)
Prepaid expenses	**16,200**	53,567
Accounts payable and accrued liabilities	**(315,653)**	95,580
Deferred exploration funding	**(167,023)**	189,308
Expensed exploration	**3,464,990**	3,096,516
Loss on sale of mineral property rights	**628,354**	-
Loss on sale of property, plant and equipment	**135,747**	-
Interest income	**3,415**	12
	(514,177)	(806,361)
INVESTING		
Expenditures on mineral properties	**(768,692)**	(5,861,114)
Mineral property funding	**1,531,455**	3,462,217
Long-term portion of deposit	**16,000**	24,000
Purchase of property, plant and equipment	**(30)**	(35,622)
Proceeds from sale of property, plant and equipment	**50,330**	-
Amortization charged to exploration	**41,220**	68,387
	870,283	(2,342,132)
FINANCING		
Interest received	**-**	(12)
Issuance of share capital, net of issuance costs	**4,000**	2,578,678
	4,000	2,578,666
NET CASH INFLOW (OUTFLOW)	**360,106**	(569,827)
CASH, BEGINNING OF YEAR	**349,719**	919,546
CASH, END OF YEAR	**$ 709,825**	$ 349,719

All results are from continuing operations.
The accompanying notes are an integral part of the consolidated financial statements.

NORTHERN SHIELD RESOURCES INC.
(A Development Stage Company)
Consolidated Statements of Changes in Equity
for the years ended December 31, 2014 and 2013
(in Canadian Dollars)

	Share Capital (Note 3)		Reserves			
	Number of Shares	Amount	Share-based Payments	Warrants	Deficit	**Total**
		$	$	$	$	**$**
Balance at January 1, 2013	**127,876,658**	**19,716,079**	**2,256,555**	**401,638**	**(12,527,586)**	**9,846,686**
Shares issued for cash	24,545,435	2,699,998	-	-	-	**2,699,998**
Share issue costs	-	(291,057)	-	169,725	-	**(121,332)**
Share-based compensation	-	-	114,500	-	-	**114,500**
Loss for the year	-	-	-	-	(4,295,632)	**(4,295,632)**
Balance at December 31, 2013	**152,422,093**	**22,125,020**	**2,371,055**	**571,363**	**(16,823,218)**	**8,244,220**
Shares issued for mineral property	200,000	4,000	-	-	-	**4,000**
Share issue costs	-	-	9,500	-	-	**9,500**
Amount reclassified upon expiry of warrants	-	-	401,638	(401,638)	-	**-**
Loss for the year	-	-	-	-	(4,495,426)	**(4,495,426)**
Balance at December 31, 2014	**152,622,093**	**22,129,020**	**2,782,193**	**169,725**	**(21,318,644)**	**3,762,294**

All results are from continuing operations.
The accompanying notes are an integral part of the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Northern Shield Resources Inc. (the "Company" or "Northern Shield"), a development stage company, incorporated under the *Canada Business Corporations Act*, is a natural resource company engaged in the business of identifying, acquiring and exploring mineral properties located primarily in Ontario and Quebec.

The Company's head office is situated at Suite 440, 55 Metcalfe Street, Ottawa, Ontario. The Company's shares trade on the TSX Venture Exchange under the symbol NRN.

The Company has not yet determined whether any of their properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development of the properties, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

As Northern Shield does not have an interest in revenue-producing properties, the Company has no operating income or earnings and, as such, its net loss may not be a meaningful indicator of its performance or potential. Exploration activities and the Company's expenses are financed by the periodic issuance of common shares and other equity securities.

Going concern

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2014, the Company had accumulated losses of $21,318,644 and for the year then ended had incurred a net loss of $4,495,426 and had negative operating cash flows of $514,177.

These factors raise doubt about the Company's ability to continue as a going concern. The Company is currently looking to raise additional financing. Should this financing not materialize and profitable operations ultimately not be attained, this may cast doubt as to the Company's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown in the financial statements and the Company's ability to discharge its liabilities in the normal course of business may be in doubt should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Board of Directors authorized these Financial Statements for issue on April 21, 2015.

Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale or fair value through profit or loss and share-based payments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The policies applied in these consolidated financial statements are based on IFRSs issued and effective as at April 21, 2015 for periods ending on or before December 31, 2014.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its share of joint ventures.

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics: the parties are bound by a contractual arrangement, and the contractual arrangement gives two or more of those parties joint control of the arrangement. (i.e., when decisions about the relevant activities require the unanimous consent of the parties sharing control.)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

When a Company entity undertakes its activities under joint venture arrangements directly, the Company's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Company's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Company and their amount can be measured reliably.

A joint arrangement that is not structured through a separate vehicle is a joint operation. Since none of the Company's joint arrangements are structured through a separate vehicle, all the arrangements are considered joint operations.

The Company recognizes in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. When the investment or asset is classified as held for sale, it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.* The Company's share of the jointly controlled assets is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Functional Currency and Foreign Currency Translation

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is also the Canadian dollar. The functional currency was determined through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of the transactions. At each financial position reporting date, any material monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Any material non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

A. Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in net loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets 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 net loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with change in fair value recognized through other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in net loss.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

> *Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in net loss.
>
> *Other financial liabilities* - This category includes accounts payable and accrued liabilities, which are recognized at amortized cost.

The Company’s financial instruments consist of cash, unbilled receivables, amounts receivable, investments and accounts payable. The Company has designated its cash, unbilled receivables and amounts receivable as loans and receivables, which are measured at amortized cost. Investments are classified as available-for-sale, measured at fair value.

Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Property, Plant and Equipment and Intangible Assets

Property, plant and equipment (“PP&E”) and intangible assets are stated at cost and are amortised annually on a declining-balance basis using the following rates and term:

PP&E	
Furniture, fixtures & office equipment	20% declining balance
Field equipment	20% declining balance
Intangible Assets	
Computer software	50% declining balance

If impairment indicators are present, the Company compares the carrying value of PP&E or intangible assets to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any impairment. The amortization method, useful life and residual values are assessed annually.

There was no identification of impairment of either PP&E or intangible assets during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets under IAS 36

Non-financial assets, including mineral properties and property, plant and equipment and intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's 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 for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in net loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in net loss for the period.

There was no identification of impairment of non-financial assets during the period apart from those specifically addressed in Note 8 below.

Exploration and Evaluation

The Company is in the exploration stage with respect to its investment in mineral properties and has chosen to follow the cost model, capitalizing all costs relating to the acquisition of and exploration for mineral claims and crediting all sale proceeds received against the cost of the related claims. If proceeds exceed capitalized costs, any excess is recorded as deferred exploration funding. Such costs include, but not are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Exploration and Evaluation (continued)

Exploration and evaluation ("E&E") assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and when the Group has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Consistent with IFRS 6, industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- title to the asset is compromised;
- adverse changes in and variations in commodity prices and markets; and
- 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

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

During the year ended December 31, 2014, three properties were deemed to be without value to the Company and were consequently written-off. Details may be found in Note 6 below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Current income taxes are based on taxable profit (loss) for the year. Taxable profit (loss) differs from profit (loss) as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current income taxes are calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit (loss). Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-Based Compensation Transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Restoration, Rehabilitation and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Any material costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, will be provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability when any obligation to incur such costs arises. The unwinding of any value of discount will be recognized as a borrowing cost.

The Company has no material restoration, rehabilitation and environmental obligations, as the disturbance to date is immaterial.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-Through Shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the market price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in other income. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Loss Per Share

The Company presents the basic 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.

Significant Accounting Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (see paragraph immediately below), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements, are related to the economic recoverability of the mineral properties and the going concern assumption.

Significant Accounting Estimates

The preparation of these annual consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, which 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 amounts receivable and prepayments which are included in the statement of financial position;
- impairment of non-financial assets;
- the estimated useful lives of property, plant and equipment which are included in the statement of financial position and the related depreciation included in the statement of comprehensive loss;
- the inputs used in accounting for share-based compensation expense in the statement of comprehensive loss;
- the inputs used in determining the various commitments and contingencies accrued in the statement of financial position; and
- the inputs used in accounting for warrant value associated to reserves.

Government assistance

Government assistance, consisting of investment tax credits and grants is recorded as a reduction of the related expense over the period in which the related expense occurs, or is recorded as a reduction of the cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program. Investment tax credits are recorded when there is reasonable assurance that they will be realized.

New Accounting Standards and Interpretations

New standards effective for January 1, 2014:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amendments to IAS 32 *Financial Instruments: Presentation* clarify certain aspects because of diversity in application of the requirements on offsetting, focus on four main areas:

- the meaning of "currently has a legally enforceable right of set-off";
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts;
- the unit of account for applying the offsetting requirements.

The IAS 32 amendments were applied retrospectively on January 1, 2014 with no impact.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed.

The IAS 36 amendments were applied retrospectively on January 1, 2014 with no impact.

IFRIC 21 Levies ("IFRIC 21")

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- the liability is recognised progressively if the obligating event occurs over a period of time;
- if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

IFRIC 21 was applied retrospectively on January 1, 2014 with no impact.

Amendments to IFRS 2 - Share-based Payments ("IFRS 2")

In the second quarter of 2014, the IASB issued Amendments to IFRS 2. The amendments change the definitions of "vesting condition" and market condition" in the standard, and add definitions for "performance condition" and "service condition". They also clarify that any failure to complete a specified service period would result in a failure to satisfy a service condition. This would result in the reversal, in the current period, of compensation expense previously recorded reflecting the fact that the employee failed to complete a specified service condition.

These amendments were effective for transactions with a grant date on or after July 1, 2014. There was no impact to the Company in implementing this amendment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and revised IFRS in issue but not yet effective:

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace 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. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard.

IFRS 9 is effective starting January 1, 2018; the Company will assess the impact of this ongoing project, as remaining phases of the project are complete.

The Company is currently evaluating the impact that this new standard will have on its financial statements.

3. SHARE CAPITAL

Authorized and Issued

An unlimited number of voting common shares are authorized for issue and, subject to priority rights of other share classes, are entitled to receive dividends when and if declared by the Board of Directors. There were 152,622,093 voting common shares issued and outstanding at December 31, 2014 (152,422,093 at December 31, 2013).

An unlimited number of preferred shares are authorized for issue in series. There were no preferred shares issued at December 31, 2014 (none at December 31, 2013).

During the year, 200,000 common shares were issued through private placements in exchange for an exploration property. The shares were valued at the closing price the day of the transaction, $0.02 per share, for an extended value of $4,000 (2013 - 24,545,435 shares were issued for cash at an average price of $0.11 per share, for gross proceeds of $2,699,998).

3. SHARE CAPITAL (continued)

Authorized and Issued (continued)

During the year no warrants were issued (2013 - 1,818,182 warrants were issued with an exercise price of $0.11 per share that expire May 9, 2015. These warrants were valued at $169,725 using an option pricing model with the following variables, share price of $0.17, life of 2 years, volatility of 79%, Nil dividend rate and interest rate of 1.72%).

During the year no share issue costs were incurred (2013 - $291,057 of share issue costs were incurred, which consisted of $121,332 in cash expenses and $169,725 related to warrants issued).

Warrants

The following continuity summarizes the Company's outstanding warrant obligations over the period covered by these financial statements:

	Quantity	Weighted Average Exercise Price	Weighted Average Expiry Date
Balance, January 1, 2013	**13,490,908**	**$ 0.32**	**June 18, 2014**
Issued during the year	1,818,182	0.11	May 9, 2015
Balance, December 31, 2013	**15,309,090**	**$ 0.29**	**July 26, 2014**
Expired during the year	(13,490,908)	0.32	June 18, 2014
Balance, December 31, 2014	**1,818,182**	**$ 0.11**	**May 9, 2015**

Additional information regarding warrants outstanding at year-ends:

Quantity	Exercise Price	Expiry Date
As at December 31, 2014:		
1,818,182	$ 0.11	May 9, 2015
1,818,182		
As at December 31, 2013:		
6,672,727	$ 0.40	February 1, 2014
454,545	$ 0.40	April 2, 2014
6,363,636	$ 0.22	November 15, 2014
1,818,182	$ 0.11	May 9, 2015
15,309,090		

3. SHARE CAPITAL (continued)

Stock options

The Company has established a Stock Option Plan (the "Plan") to develop the interest and incentive of eligible employees, directors and consultants in the Company's growth and development. The aggregate number of share options which may be issued and outstanding at any time under this plan shall not exceed 10% of the total number of issued and outstanding shares of the Company unless the Company receives the permission of the TSX Venture Exchange and its shareholders. As at December 31, 2014, 15,262,209 common share options were authorized to be issued and outstanding under the Plan (2013 - 15,242,209). Stock options are granted with an exercise price equal to the underlying common stock's fair market value at the time of grant. Once vested, options may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination if the option holder ceases to be a director, officer, employee or consultant of the Company.

The following summarizes the Company's outstanding option obligations over the period covered by these financial statements:

	Quantity	Weighted Average Exercise Price
Balance, January 1, 2013	**8,815,000**	**$0.22**
Options expired during the period	(250,000)	$0.45
Balance, December 31, 2013	**8,565,000**	**$0.22**
Options expired during the period	(1,835,000)	$0.18
Balance, December 31, 2014	**6,730,000**	**$0.22**

At December 31, 2014, the remaining pool of options available for grant was 8,532,209 (2013 - 6,677,209).

3. SHARE CAPITAL (continued)

Stock options (continued)

Additional information regarding options outstanding at year-ends:

Issue Date	Exercise Price	Quantity	Expiry Date	Exercisable
As at December 31, 2014:				
October 29, 2010	$ 0.18	2,055,000	October 29, 2015	2,055,000
October 5, 2011	$ 0.25	2,450,000	October 5, 2016	2,450,000
March 26, 2012	$ 0.25	1,850,000	March 26, 2017	1,850,000
July 3, 2012	$ 0.20	375,000	July 3, 2017	375,000
		6,730,000		**6,730,000**
As at December 31, 2013:				
June 3, 2009	$ 0.19	1,660,000	June 3, 2014	1,660,000
November 26, 2009	$ 0.14	175,000	November 26, 2014	175,000
October 29, 2010	$ 0.18	2,055,000	October 29, 2015	2,055,000
October 5, 2011	$ 0.25	2,450,000	October 5, 2016	2,450,000
March 26, 2012	$ 0.25	1,850,000	March 26, 2017	1,233,330
July 3, 2012	$ 0.20	375,000	July 3, 2017	249,999
		8,565,000		**7,823,329**

Share-based compensation

The Black-Scholes option pricing model, used by the Company to calculate option values, as well as other currently accepted valuation models, were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's option awards. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values, summarized in the table below. Accordingly, management believes that this model does not necessarily provide a reliable single measure of the fair value of the Company's stock option awards.

Assumptions	**2014**	2013
Lifetime	n/a	n/a
Interest Rate	n/a	n/a
Annual Volatility	n/a	n/a
Dividends	n/a	n/a

During the year ended December 31, 2014, the Company expensed $9,500 relating to options granted during the current and previous periods with periodic vesting dates (2013 - $114,500). All of the amounts were attributable to the General and Administration function.

4. LOSS PER SHARE

The treasury stock method is used for the calculation of diluted loss per share. Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year. As the Company has recorded a loss in each of the years presented, the following table presents the anti-dilutive effect of securities excluded from the loss per share computation for the years ended December 31, 2014 and 2013:

	2014	2013
Stock options	**7,583,329**	8,672,945
Stock purchase warrants	**8,079,402**	14,666,500
	15,662,731	23,339,445

5. DEFERRED TAXES

During the year, the Company renounced no flow-through expenditures (2013 - nil) on eligible Canadian Exploration Expenditures (“CEE”).

Tax reconciliation

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings from continuing operations before taxes. These differences result from the following items:

	2014	2013
Loss before income taxes	**(4,495,426)**	(4,295,632)
Expected recovery of tax	**(1,191,288)**	(1,138,342)
Increase resulting from:		
Renounced expenditures	**-**	-
Permanent differences - share-based compensation	**2,518**	30,343
Permanent differences - meals and donations	**1,573**	5,062
	4,091	35,404
Unrecorded benefit of loss carryforward and timing differences	**1,212,905**	807,534
Provision true-up	**(26,793)**	122,161
Other	**1,085**	122,161
Tax recovery recorded	**-**	-

5. DEFERRED TAXES (continued)

The overall Canadian income tax rate has remained consistent in fiscal 2013 and 2014 at 26.5%.

The following deferred tax assets have not been recognized at the reporting date:

Tax losses	1,928,935
Resource assets and property and equipment	1,695,901
Undeducted share issuance costs	28,022
Unused tax credits	924,786

The unrecognized tax losses will expire between 2015 and 2034. The unused tax credits will expire between 2023 and 2034.

Deferred income tax liabilities

In accordance with IFRS, the Company has not recognized a future tax asset or liability on initial recognition of the asset or liability that affects neither accounting nor taxable profit and loss. The Company is in a deferred income tax asset position as at December 31, 2014. Deferred tax assets and liabilities have been offset where they relate to the same taxation authority and the Company has the legal right to offset. The remaining deferred tax assets have not been recognized, as the Company does not have a history of taxable earnings.

6. MINERAL PROPERTIES

The following table summarizes the exploration expenditures incurred on each of the Company's mineral properties:

	Highbank Lake	Wabassi	Max	Storm	Idefix	Ikertoq	Lac D'Argent	Other Properties	Total
Percent Ownership	*60%*	*0%*	*0%*	*100%*	*100%*	*0%*	*100%*	*100%*	
At December 31, 2012	**$ 1,296,580**	**$ 1,460,491**	**$2,234,823**	**$3,394,995**	**$ 13,565**	**$ -**	**$ 140,405**	**$ 93,604**	**$ 8,634,463**
Expenditures									
Acquisition	-	10,333	-	5,187	5,301	7,434	-	42,706	**70,961**
Exploration	8,093	2,737,407	300	96,228	945,578	1,827,872	-	174,675	**5,790,153**
Total Expenditures	8,093	2,747,740	300	101,415	950,879	1,835,306	-	217,381	**5,861,114**
External Funding	-	(2,511,338)	-	-	(950,879)	-	-	-	**(3,462,217)**
Write-Down	(804,673)	-	(1,985,123)	-	-	-	(140,405)	(166,315)	**(3,096,516)**
At December 31, 2013	**$ 500,000**	**$ 1,696,893**	**$ 250,000**	**$3,496,410**	**$ 13,565**	**$1,835,306**	**$ -**	**$ 144,670**	**$ 7,936,844**
Expenditures									
Acquisition	-	765	-	765	12,510	-	-	52,030	**66,070**
Exploration	-	148,446	846	17,428	25,485	169,889	-	340,528	**702,622**
Total Expenditures	-	149,211	846	18,193	37,995	169,889	-	392,558	**768,692**
External Funding	-	(1,368,460)	(100,000)	(25,000)	(37,995)	-	-	-	**(1,531,455)**
Write-Down	(500,000)	-	(136)	(872,400)	-	(1,755,195)	-	(337,259)	**(3,464,990)**
Loss on Disposal	-	(477,644)	(150,710)	-	-	-	-	-	**(628,354)**
At December 31, 2014	**$ -**	**$ -**	**$ -**	**$2,617,203**	**$ 13,565**	**$ 250,000**	**$ -**	**$ 199,969**	**$ 3,080,737**

The Company holds less than a 100% stake in four of its properties. The nature of the shared ownership of each is as follows:

Highbank Lake: Impala Platinum Holdings Limited of South Africa ("Impala") holds a 40% stake in the property under a now-expired option agreement. Each $230,000 that the Company now spends on the property increases the Company's stake by 5%.

Wabassi & Max: In the second quarter of 2014, the Company sold its remaining interest in the Wabassi and Max properties (along with a first right of refusal on its Storm Property [below] and its interest in the nearby exploration camp [Note 7]) to Great Lakes Resources LLC ("Great Lakes"), a private U.S. based company, for $1,400,000 cash and royalties. Under the terms of the sale agreement, the Company transferred its 49% interest in Wabassi and its 59% interest in Max to Great Lakes. The Company maintains a 0.5% net smelter return ("NSR") royalty on the Wabassi property and a 0.6% NSR royalty on the Max property. Half of each NSR royalty is subject to a buy-back. The Company also granted Great Lakes a First Right of Refusal on the Storm Property in which Northern Shield still maintains a 100% interest. Of the $1,400,000, $1,225,000 was allocated to the sale of Wabassi and $100,000 was allocated to the sale of Max and recorded as External Funding. The NSR royalty was not allocated any value in the transaction.

6. MINERAL PROPERTIES (continued)

As part of an option agreement on Wabassi, in 2011 NSRI received 250,000 common shares of Discovery Harbour Resources Corp., a publicly listed company, valued at $62,500 and recorded this amount as an increase in external funding of this project. After a share consolidation, the Company holds 83,333 shares. These shares have been classified as available for sale and were written down to their market value of $8,333 in fiscal 2013. There was no change in valuation in fiscal 2014.

Storm: Although still holding a 100% stake in its Storm property two agreements are in place which may affect the Company's future ownership share:

1) Callinan Royalties Corporation ("Callinan") has paid the Company $300,000 to acquire a royalty option on one of the six Storm properties of its choosing. The royalty option allows Callinan to acquire a 1% NSR royalty by paying the Company $2,000,000 at any time up to the later of five years from the date of the option agreement (November 14, 2012) or the beginning of the mine development stage. The Company will also grant to Callinan a Right of First Refusal on the sale of any other royalties on the Storm property group owned by the Company.
2) Pursuant to the sale transaction mentioned above of the Wabassi and Max properties, the Company granted Great Lakes a First Right of Refusal on the Storm property. Of the $1,400,000 consideration paid to the Company under the agreement, $25,000 was allocated to the First Right of Refusal and recorded as External Funding.

During the year, the Company took a write-down of $3,464,990 on various mineral properties (Note 8). The Company considered the impairment indicators under IFRS 6 for each property.

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Field Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Software	Total
Cost						
January 1, 2013	486,592	29,981	95,495	23,418	33,208	**668,694**
Additions	17,748	-	17,874	-	-	**35,622**
Disposals	-	-	-	-	-	**-**
December 31, 2013	504,340	29,981	113,369	23,418	33,208	**704,316**
Additions	-	-	-	-	-	**-**
Disposals	(303,160)	-	(300)	-	-	**(303,460)**
December 31, 2014	201,180	29,981	113,069	23,418	33,208	**400,856**
Accumulated Amortization						
January 1, 2013	(123,499)	(16,373)	(47,870)	(19,905)	(15,962)	**(223,609)**
Amortization	(68,387)	(2,524)	(11,384)	(3,513)	(7,136)	**(92,944)**
Disposal Reversals	-	-	-	-	-	**-**
December 31, 2013	(191,886)	(18,897)	(59,254)	(23,418)	(23,098)	**(316,553)**
Amortization	(41,220)	(2,056)	(10,016)	-	(4,183)	**(57,475)**
Disposal Reversals	117,413	-	-	-	-	**117,413**
December 31, 2014	(115,693)	(20,953)	(69,270)	(23,418)	(27,281)	**(256,615)**
Carrying Values						
January 1, 2013	363,093	13,608	47,625	3,513	17,246	**445,085**
December 31, 2013	312,456	11,083	54,116	-	10,109	**387,763**
December 31, 2014	85,489	9,027	43,800	-	5,926	**144,241**

As part of the divestiture of the Wabassi and Max mineral exploration properties, the Company sold its 49% stake in the Mink Lake Camp, used as a base of operations for exploration in Northern Ontario. The Company allocated $50,000 of the total sale price of $1,400,000 to the camp, which had a carrying value of $185,748 ($303,160 of cost and $117,412 of accumulated depreciation). The result was a loss on disposal of $135,748.

Amortization of exploration-related assets in the amount of $41,220 was allocated to mineral properties during the year ended December 31, 2014 (2013 - $68,387).

8. NATURE OF EXPENSES

General and administrative expenses comprised the following during the years ended December 31:

	2014	2013	Change	as %
Remuneration and consulting fees	**506,252**	561,466	(55,214)	-10%
Share-based compensation	**9,500**	114,500	(105,000)	-92%
Office expenses	**270,621**	290,674	(20,053)	-7%
Travel expenses	**79,666**	130,653	(50,987)	-39%
Marketing expenses	**66,841**	186,758	(119,917)	-64%
Professional fees	**101,566**	189,126	(87,560)	-46%
Public company expenses	**31,145**	34,565	(3,420)	-10%
Insurance expenses	**27,337**	27,001	336	1%
	1,092,928	1,534,743	(441,815)	-40%
General and administrative recovery	**(38,230)**	(335,615)	297,385	-89%
	1,054,698	1,199,128	(144,430)	-14%

Included in the 2014 general and administrative recovery is $14,230 of external funding amounts received related to general and administrative expenses (2013 - $302,759).

Expensed exploration comprised the following during the years ended December 31:

	2014	2013
Expensed prospecting activities	**337,395**	166,315
Write-down of mineral properties	**3,127,595**	2,930,201
	3,464,990	3,096,516

9. RELATED PARTY TRANSACTIONS

The following table presents the legal fees that the Company incurred with a law firm at which one of the Company's directors is a partner and the Company's corporate secretary is an associate. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

	2014	2013
Fees incurred during the year	**$ 66,024**	$ 142,092
Amounts payable as at year-end	**$ 8,141**	$ -

10. KEY MANAGEMENT COMPENSATION

The following table presents the compensation earned by key members of management during the years ended December 31, noted below:

	2014	2013
Salaries	**$ 323,869**	$ 324,667
Benefits	**9,948**	10,299
Share-based payments	**3,679**	37,223
	$ 337,496	$ 372,189

11. COMMITMENTS

The Company is committed to operating leases as follows:

	2015	2016	Total
Premises lease	$ 203,200	$ 187,200	**$ 390,400**

12. EMPLOYEE COMPENSATION

The following table presents the compensation earned by the employees (including key management during the years ended December 31, noted below:

	2014	2013
Salaries	**$ 564,256**	$ 734,287
Benefits	**44,280**	66,082
Share-based payments	**6,154**	63,539
	$ 614,690	$ 863,908

The expenses in the above table were partially recorded as General and Administration expenses, the remainder capitalized to Mineral Properties.

13. GOVERNMENT ASSISTANCE

An amount of $784,948 in government resource tax credits was recognized in income in the current year.

14. SEGMENT INFORMATION

The Company has one operating segment involved in the exploration of resource properties. All of the Company's exploration activities were located in Canada apart from the exploration on the Ikertoq property in Greenland.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the Company's income (loss) or the value of its financial instruments.

It is in management's opinion that the Company is not exposed to significant equity price, currency or interest rate risks arising from its financial instruments.

Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Foreign exchange risk

The Company is not exposed to significant foreign exchange risk due to the low volume of foreign currency transactions.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's unbilled receivables.

a) Concentration of credit risk

Counterparties expose the Company to credit-related losses in the event of non-performance. By dealing with only creditworthy counterparties, the Company's credit exposure is minimized. At December 31, 2014, two business partners represent 100% of the Company's $89,379 of unbilled receivables (December 31, 2013 - two partners represented 100% of the Company's $28,072 of unbilled receivables).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

b) Credit risk exposure

The carrying amounts of the cash, unbilled receivables, amounts receivable and long-term deposit represent the maximum exposure to credit risk. The maximum exposure to credit risk at December 31, 2014 was $835,894 (2013 - $684,667). The cash is held by the Company's bank, one of the large Canadian chartered banks. Since the inception of the Company, no losses have been suffered in relation to cash held in the bank.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company had a cash balance of $709,825 (2013 - $349,719). To date, the Company has incurred significant operating losses. The Company's ability to continue as a going concern is dependent on its ability to generate sufficient capital through either revenues or through further financings.

The Company accrues expenses when incurred. Accounts are deemed payable once an event occurs that requires payment by a specific date. As at December 31, 2014, more than 50% of accounts payable were under sixty days.

Fair values

a) The fair value of cash, unbilled receivables, amounts receivable, long-term deposit, accounts payable and accrued liabilities is approximately equal to their carrying value due to their short-terms to maturity.

b) Fair value hierarchy

Financial instruments recorded at fair value on the Statement 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;

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values (continued)

b) Fair value hierarchy (continued)

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);

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The fair value of the investment in private company is determined based on recent market transactions for similar instruments issued by that company. The investment in shares is a level 1 instrument. All other financial instruments are classified as level 2 instruments.

16. CAPITAL MANAGEMENT

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to fund future exploration and maintain the ability to continue as a going concern. Capital is defined as the Company's shareholders' equity. The Company does not have any long-term debt and the Company does not intend to assume any until any given development project warrants it. The Board of Directors does not establish quantitative capital criteria for management; but rather promotes the use of periodic equity financing events as the primary method of funding administrative operations and exploration and development. Other methods open to management to fund exploration include extending joint venture or earn-in opportunities to other parties relating to specific properties.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.