Consolidated financial statements of

Potash Ridge Corporation

For the years ended December 31, 2014 and December 31, 2013

TABLE OF CONTENTS

	Page
Management's responsibility for financial reporting	3
Independent Auditor's Report	4 - 5
Consolidated statements of financial position	6
Consolidated statements of loss and comprehensive loss	7
Consolidated statements of changes in equity	8
Consolidated statements of cash flows	9
Notes to the consolidated financial statements	10 — 26

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Potash Ridge Corporation (the “Corporation”) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation’s circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate and timely and comprehensive financial information is prepared. However, any system of internal controls over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders to examine the consolidated financial statements and provide an independent professional opinion. PricewaterhouseCoopers LLP has full and free access to the Board of Directors.

March 5, 2015

Independent Auditor's Report

To the Shareholders of
Potash Ridge Corporation

We have audited the accompanying consolidated financial statements of Potash Ridge Corporation and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2014 and 2013 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise 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 (IFRS), 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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 Potash Ridge Corporation and its subsidiary as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with IFRS.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in these consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Potash Ridge Corporation's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

POTASH RIDGE CORPORATION

(An Exploration and Development Stage Entity)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Canadian dollars)

As at	December 31 2014	December 31 2013
ASSETS		
Current		
Cash and cash equivalents (Note 4)	**$ 1,026,771**	$ 8,031,855
Restricted cash (Note 5)	**592,085**	268,041
Receivables	**35,835**	28,979
Other current assets	**173,518**	240,490
	1,828,209	8,569,365
Exploration and evaluation assets (Note 6)	**26,465,738**	21,107,864
Property, plant and equipment (Note 7)	**429,938**	578,458
Restricted cash (Note 5)	**279,688**	510,272
Other non-current assets	**29,209**	45,006
	$ 29,032,782	$ 30,810,965
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 709,771**	$ 1,579,528
Other current liabilities (Note 14)	**421,537**	-
	1,131,308	1,579,528
Other non-current liabilities (Note 14)	**570,770**	-
	1,702,078	1,579,528
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	**33,428,933**	33,428,933
Contributed surplus (Note 8)	**6,416,018**	6,271,378
Deficit	**(12,341,807)**	(10,435,305)
Accumulated other comprehensive loss	**(172,440)**	(33,569)
	27,330,704	29,231,437
	$ 29,032,782	$ 30,810,965

Nature of Operations and Going Concern (Note 1)

Approved by the Board of Directors on March 5, 2015

(Signed) GUY BENTINCK
Director

(Signed) RAHOUL SHARAN
Director

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

POTASH RIDGE CORPORATION
(An Exploration and Development Stage Entity)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In Canadian dollars)

		Year ended		
		December 31 2014		**December 31 2013**
EXPENSES				
Management, employee, director, general and administrative expenses	**$**	**3,088,257**		4,122,249
Professional fees		**889,083**		1,213,379
Share-based compensation (Note 10)		**305,589**		803,983
Prospecting		**265**		9,701
Depreciation		**202,397**		158,397
		(4,485,591)		(6,307,709)
OTHER ITEMS				
Interest income		**15,785**		60,183
Foreign exchange gain		**2,369,163**		1,714,905
		2,384,948		1,775,088
LOSS BEFORE INCOME TAX		**(2,100,643)**		(4,532,621)
Income tax recovery		**194,141**		-
Net loss for the year		**(1,906,502)**		(4,532,621)
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustment		**(138,871)**		(27,904)
Comprehensive loss for the year	**$**	**(2,045,373)**	$	(4,560,525)
Weighted average number of common shares outstanding		**86,709,032**		86,680,265
Basic and diluted loss per common share	**$**	**(0.02)**	$	(0.05)

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

POTASH RIDGE CORPORATION
(An Exploration and Development Stage Entity)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Canadian dollars)

	Number of voting shares	Number of non-voting shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
Balance at January 1, 2014	**81,653,778**	**5,055,254**	**$ 33,428,933**	**$ 6,271,378**	**$ (10,435,305)**	**$ (33,569)**	**$ 29,231,437**
Net loss	**-**	**-**	**-**	**-**	**(1,906,502)**	**-**	**(1,906,502)**
Effect on foreign currency translation	**-**	**-**	**-**	**-**	**-**	**(138,871)**	**(138,871)**
Share based compensation (Note 10)	**-**	**-**	**-**	**338,781**	**-**	**-**	**338,781**
Income tax recovery on expired warrants (Note 11)	**-**	**-**	**-**	**(194,141)**	**-**	**-**	**(194,141)**
Balance at December 31, 2014	**81,653,778**	**5,055,254**	**$ 33,428,933**	**$ 6,416,018**	**$ (12,341,807)**	**$ (172,440)**	**$ 27,330,704**
Balance at January 1, 2013	81,303,778	5,055,254	$ 33,267,933	$ 5,317,884	$ (5,902,684)	$ (5,665)	$ 32,677,468
Exercised options	350,000	-	161,000	(73,500)			87,500
Net loss	-	-	-	-	(4,532,621)	-	(4,532,621)
Effect on foreign currency translation	-	-	-	-	-	(27,904)	(27,904)
Share based compensation (Note 10)	-	-	-	1,026,994	-	-	1,026,994
Balance at December 31, 2013	81,653,778	5,055,254	$ 33,428,933	$ 6,271,378	$ (10,435,305)	$ (33,569)	$ 29,231,437

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

POTASH RIDGE CORPORATION
(An Exploration and Development Stage Entity)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian dollars)

		Year ended December 31 2014		Year ended December 31 2013
CASH FLOWS USED IN OPERATING ACTIVITIES				
Loss for the year	$	(1,906,502)	$	(4,532,621)
Items not affecting cash:				
Depreciation		202,397		158,397
Share based compensation (Note 10)		305,589		803,983
Income tax recovery		(194,141)		-
Foreign exchange gain		(2,209,371)		(1,321,868)
Changes in non-cash working capital items:				
(Increase)/Decrease in receivables		(6,856)		332,407
Decrease/(Increase) in other current assets		66,972		(13,056)
Decrease in other non-current assets working capital		15,797		63,702
Increase in operating restricted cash		(93,459)		(565,960)
Decrease in accounts payable and accrued liabilities		(882,309)		(902,033)
Net cash used in operating activities		(4,701,883)		(5,977,049)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of property, plant and equipment		(35,184)		(369,301)
Decrease in short term deposits		-		4,975,000
Exploration and evaluation assets		(2,342,348)		(8,849,056)
Net cash used in investing activities		(2,377,532)		(4,243,357)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from share options exercised		-		87,500
Net cash provided by financing activities		-		87,500
Decrease in cash and cash equivalents for the year		(7,079,415)		(10,132,906)
Effect of foreign exchange rate changes on cash and cash equivalents		74,331		363,871
Cash and cash equivalents, beginning of the year		8,031,855		17,800,890
Cash and cash equivalents, end of the year	$	1,026,771	$	8,031,855

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Potash Ridge Corporation (the "Corporation") is a corporation operating under the Ontario Business Corporation Act. Its registered office is located in Toronto, Canada at 3 Church Street, Suite 600, Toronto, Ontario, M5E 1M2. On December 5, 2012, the Corporation closed its initial public offering (the "IPO") of Common Shares. The Common Shares were listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "PRK" on December 5, 2012. The Common Shares commenced trading on the OTCQX on April 29, 2013 under the symbol "POTRF".

The principal activity of the Corporation is the exploration and development of its Blawn Mountain alunite property in Utah, USA (the "Blawn Mountain Project" or "Project"). The Blawn Mountain Project is located on lands belonging to the State of Utah, managed by the State of Utah School and Institutional Trust Lands Administration ("SITLA") and initially leased to the Corporation through a Mining Exploration Agreement with option to Lease (the "Exploration Agreement"). On March 24, 2014, the Corporation exercised an option (the "Lease Option") in the Exploration Agreement to convert it into a long-term mining lease (Note 14). The Blawn Mountain Project is the Corporation's only material development property.

The Corporation is an exploration and development stage entity and has not yet achieved profitable operations. It is subject to risks and challenges similar to companies in a comparable stage of development. These risks include, but are not limited to, the challenges of securing adequate capital to fund its activities, operational risks inherent in the mining industry, and global economic and commodity price volatility. The underlying value of the Blawn Mountain Project and the recoverability of the related capitalized costs are entirely dependent on the Corporation's ability to successfully develop the Project by, among other things, securing necessary permits, obtaining the required financing to complete the development and construction, and upon future profitable production from, or the proceeds from the disposition of, its mineral property.

The Corporation incurred a comprehensive loss for the year ended December 31, 2014 of $2,045,373 (December 31, 2013 - $4,560,525) and reported an accumulated comprehensive deficit of $12,514,247 as at December 31, 2014 (December 31, 2013 - $10,468,874). The Corporation's sole source of funding has been the issuance of equity securities for cash. As at December 31, 2014, the Corporation had $1,026,771 in cash and cash equivalents (December 31, 2013 - $8,031,855) to settle current liabilities of $1,131,308 (December 31, 2013 - $1,579,528). There are no sources of operating cash flows. The Corporation intends to use its existing cash resources prudently on basic project management and essential, non-discretionary, general corporate and operating expenditures while further capital is sought. Subsequent to the year ended December 31, 2014, the Corporation implemented cost reduction actions to further reduce its expenditures in 2015. The Corporation is seeking to raise additional capital through equity issuances or other available means in order to continue funding its operating, exploration and evaluation activities, and eventual development of the Project. Although the Corporation has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in future fundraisings.

These circumstances, along with other risks relevant to exploration companies, such as continuing losses, result in material uncertainty which lends significant doubt as to the ability of the Corporation to settle current obligations and meet commitments as they become due and, accordingly, the appropriateness ultimately of the use of the accounting principles applicable to a going concern.

These consolidated financial statements have been prepared under the assumption that the Corporation will continue as a going concern. The going concern basis of presentation assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future.

These consolidated financial statements do not give effect to adjustments to the carrying values of assets, liabilities and the reported expenses and classifications that would be necessary should the Corporation be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Corporation on March 5, 2015.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Corporation's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board as outlined in Part 1 of the Chartered Professional Accountants of Canada Handbook - Accounting.

b) Basis of preparation

The consolidated financial statements have been prepared using the historical cost convention, modified by the revaluation of any financial assets and financial liabilities at fair value through profit and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Corporation's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its wholly-owned subsidiary Utah Alunite Corporation ("UAC"). Consolidation is required when the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

d) Foreign currencies

The individual financial records of each group entity are kept in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency, as determined by management, of the Corporation is Canadian dollars and the functional currency of UAC is U.S. dollars. For the purpose of the consolidated financial statements, the results and financial position are reported in Canadian dollars.

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated at the rates of exchange prevailing on the underlying transaction dates.

Exchange differences are recognized in profit and loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign operations are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

e) Share based compensation

The Corporation has a stock option plan that allows the Corporation's employees, directors and consultants to acquire common shares in the Corporation. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in contributed surplus. The fair value of option grants to employees who are primarily dedicated to the exploration and evaluation of mining properties are capitalized with a corresponding increase in contributed surplus. The fair value of options is measured using the Black-Scholes option pricing model and estimated forfeitures as at the grant date and is recognized over the vesting period. At each financial reporting date, the compensation expense is adjusted to reflect any changes to the Corporation's estimate of the number of awards that are expected to vest. Upon exercise of a share option, the consideration received is credited to share capital along with the amounts previously recognized in other reserves.

The Corporation also recognizes share based compensation awards made in the current period through employment contracts. The estimated fair values of these awards are recognized over the service and vesting periods. At each financial reporting date, the compensation expense is adjusted to reflect updated fair value estimates for the awards, to the extent the awards have not been officially granted yet.

f) Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the

consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and loss carry-forwards.

Such deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities 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 laws that have been enacted or substantively enacted by the end of the reporting period. The effect on future tax assets and liabilities of a change in tax rates is generally recognized in income in the period that includes the date of enactment or substantive enactment. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss. In the case of a business combination, the tax effect is included in the accounting for the business combination.

g) *Cash and cash equivalents*

Cash and cash equivalents are comprised of cash at banks and on hand, and highly liquid money market instruments with an original maturity of three months or less.

h) *Short term deposits*

Short term deposits with original terms to maturity of greater than 90 days, but less than one year are recorded as short term deposits. Interest income, if applicable, on these short-term deposits is recorded as earned over the term of the deposit.

i) *Common shares (share capital) and subscriber warrants*

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Subscriber warrants are classified within contributed surplus. Where common shares and subscriber warrants are offered together (as a "unit") the Corporation allocates the consideration received per unit, net of any issuance costs, to the common shares and subscriber warrants based on their relative fair values. The fair value of warrants is measured using a Black-Scholes option pricing model.

j) *Equity financing and listing costs*

Costs directly identifiable with the raising of capital are charged against the related capital account. Costs related to securities not yet but likely to be issued are presented

as a prepaid asset until the issuance of the securities, to which the costs relate, at which time the costs are charged against the related capital account or charged to earnings if the securities are not issued. Costs which are incurred as part of an actual or proposed listing of existing shares are expensed as incurred.

k) *Exploration and evaluation expenditures*

Exploration and evaluation expenditures related to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, technical feasibility studies for extracting alunite and other costs directly attributable to exploration and development projects are capitalized. Mineral rights for exploration and evaluation are carried at cost less any accumulated impairment losses.

Where the Corporation is incurring costs to prospect or where it is preparing for or applying for prospecting rights, the Corporation expenses those costs as incurred.

l) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The Corporation provides depreciation of its property plant and equipment at the following annual rates:

Office equipment	-	Straight line 3-5 years
Computer equipment	-	Straight line 3 years
Motor vehicles	-	Straight line 5 years
Leasehold improvements	-	Term of the lease

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

m) *Impairment of long-lived assets*

At each reporting period, the Corporation assesses changes to facts and circumstances and determines if there is an indication that the carrying amount of an asset may exceed its recoverable amount.

Where an indicator of impairment exists, a formal estimate of the recoverable amount of the asset is made.

The recoverable amount is the higher of the fair value less costs to sell and value in use:

- Fair value less costs to sell is the amount obtainable from the sale of the asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties less costs of disposal.

- Value in use is determined as the present value of the estimated future pre-tax cash flows expected to arise from the continued use of the asset or cash generating unit in its present form and its eventual disposal, discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to

the asset for which estimates of future cash flows have not been adjusted. Value in use calculations do not take into account future development.

If the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized in the income statement. Previously recognized impairment losses are assessed each reporting period for any indications that the losses have decreased or no longer exist. Such an impairment loss is reversed, in full or in part, if there has been a change in the estimates used to determine the recoverable amount, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment losses had been recognized in previous years.

n) *Loss per share*

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

o) *Financial assets*

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method less any impairment.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

p) *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Refer to Note 17 for analysis of categories of financial liabilities.

Other financial liabilities, including borrowings, are measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The Corporation derecognizes financial liabilities when the obligations are discharged, cancelled or expired.

q) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at the inception date.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Corporation as a lessee are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of earnings on a straight-line basis over the lease term.

r) Changes in accounting policies

IAS 32 'Financial Instruments: Presentation' ("IAS 32")

This IASB published amendments to IAS 32 to provide clarifications on the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. Management determined that, based on the Corporation's existing operations, this standard has no impact on the Corporation's financial statements.

IFRIC 21 'Levies' ("IFRIC 21")

IFRIC 21 is an interpretation on IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. Management determined that, based on the Corporation's existing operations, this standard has no impact on the Corporation's financial statements.

IAS 36 'Impairment of Assets' ("IAS 36")

The IASB published amendments to the disclosures required by IAS 36, when the recoverable amount is determined based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. Management determined that, based on the Corporation's existing operations, this standard has no impact on the Corporation's financial statements.

IFRS 2 'Share Based Payment' ("IFRS 2")

This IASB published amendments to IFRS 2 to provide clarifications on the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. Management determined that, based on the Corporation's existing operations, this standard has no impact on the Corporation's financial statements.

IAS 24 'Related Party Disclosures' ("IAS 24")

The IASB published amendments to IAS 24 to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014. Management determined that, based on the Corporation's existing operations, this standard has no impact on the Corporation's financial statements.

s) Future accounting standards and pronouncements

IFRS 9 'Financial Instruments' ("IFRS 9")

This standard is the first step in the process to replace IAS 39, Financial Instruments: Recognition & Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 has an effective date of January 1, 2018, with early adoption permitted. The Corporation continues to monitor and assess the impact of this standard.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, which are described in Note 2 above, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting estimates and judgments

The Corporation applied judgment in the determination of the types of expenses that are capitalized as exploration and evaluation expenditures as described in the accounting policy in Note 2(k).

The Corporation estimates the fair value of convertible securities such as warrants and options using the Black Scholes option-pricing model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected forfeiture rates. See accounting policies in Note 2(e) and 2(i) as well as Notes 9 and 10 for further details of significant assumptions applied to these areas of estimation.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of $76,345 (December 31, 2013 - $2,418,474) in Canadian dollar denominated current accounts, and $950,426 (December 31, 2013 - $5,613,381) in U.S. dollar denominated current accounts.

All accounts and deposits are with a Canadian chartered bank with a AA- rating from Standard & Poor's except US$22,977, which is held in an account with a Utah-based commercial bank.

5. RESTRICTED CASH

The Corporation has set aside $871,773 (December 31, 2013 - $778,313) comprising reclamation surety bonds and collateral requirements ($465,738), and a Letter of Credit posted in accordance with the lease of the Corporation's Salt Lake City office ($406,035). The funds relating to the reclamation surety bonds are to be released upon the Corporation meeting all of its commitments to SITLA relating to its on-site Project activities and have therefore been classified as current or non-current assets on the consolidated statements of financial position according to management's estimated timing of completing such commitments.

During the first quarter of 2015, the Corporation reduced its reclamation bonds and collateral requirements by an aggregate amount of US$251,533.

6. EXPLORATION AND EVALUATION ASSETS

The following is a summary of exploration and evaluation expenditures related to the Corporation's Blawn Mountain Project that have been capitalized.

	As at December 31, 2014	**As at December 31, 2013**
Drilling	**$ 5,759,285**	$ 5,280,213
Pre-feasibility study	**5,378,870**	4,923,590
Professional and labour	**4,365,469**	3,436,164
Employee salary and benefits	**3,741,548**	2,200,445
Preliminary economic assessment	**3,164,850**	2,901,591
Mineral leases	**1,935,136**	579,300
Employee share based compensation (non-cash)	**1,046,369**	1,013,177
Transportation	**342,098**	275,140
Equipment rentals	**205,313**	188,235
Feasibility study	**192,113**	26,897
Data acquisition	**157,794**	144,668
Field expenditures	**117,494**	107,721
Other	**59,399**	30,723
Total exploration and evaluation assets	**$ 26,465,738**	$ 21,107,864

7. PROPERTY, PLANT AND EQUIPMENT

The table sets out costs and accumulated depreciation as at December 31, 2014 and 2013.

	Office Equipment	Computer Equipment	Motor Vehicles	Leasehold Improvements	Total
Cost					
Balance as at December 31, 2013	258,508	302,416	-	214,381	**$ 775,305**
Additions	-	-	35,184	-	**35,184**
Disposals	-	(347)	-	-	**(347)**
Foreign exchange	9,397	10,713	5,632	-	**25,742**
Balance as at December 31, 2014	267,905	312,782	40,816	214,381	**$ 835,884**
Accumulated depreciation					
Balance as at December 31, 2013	47,348	92,484	-	57,015	**$ 196,847**
Depreciation expense	52,505	101,185	5,831	42,876	**202,397**
Foreign exchange	2,027	4,383	292	-	**6,702**
Balance as at December 31, 2014	101,880	198,052	6,123	99,891	**$ 405,946**
Carrying amount as at December 31, 2014	**$ 166,025**	**$ 114,730**	**$ 34,693**	**$ 114,490**	**$ 429,938**

	Office Equipment	Computer Equipment	Motor Vehicles	Leasehold Improvements	Property, plant and equipment
Cost					
Balance as at December 31, 2012	95,673	106,573	-	203,758	$ 406,004
Additions	156,648	189,165	-	10,623	356,436
Foreign exchange	6,187	6,678	-	-	12,865
Balance as at December 31, 2013	258,508	302,416	-	214,381	$ 775,305
Accumulated depreciation					
Balance as at December 31, 2012	8,094	13,975	-	15,200	$ 37,269
Depreciation expense	38,902	77,680	-	41,815	158,397
Foreign exchange	352	829	-	-	1,181
Balance as at December 31, 2013	47,348	92,484	-	57,015	$ 196,847
Carrying amount as at December 31, 2013	$ 211,160	$ 209,932	$ -	$ 157,366	$ 578,458

8. ISSUED CAPITAL

a) *Authorized: the Corporation is authorized to issue an unlimited number of common shares (“Common Shares”) and 50,000,000 non-voting shares.*

b) Summary of securities issued:

		Common Shares			Convertible Securities					
	Note	Number of Voting Shares Issued	Number of Non-Voting Shares Issued	Share Capital	Number of Subscriber Warrants	Number of Broker Options	Number of Incentive Options	Number of Broker Warrants	Number of Non-Voting Warrants	Contributed Surplus
Opening Balance at January 1, 2013		81,303,778	5,055,254	33,267,933	10,747,500	1,685,600	6,830,000	839,458	5,055,254	5,317,884
Exercised share options	8(i)	350,000	-	161,000	-	-	(350,000)	-	-	(73,500)
Expired share options	10(a)	-	-	-	-	-	(380,000)	-	-	(12,122)
Share-based compensation	10(b)	-	-	-	-	-	890,000	-	-	1,039,116
Balance at December 31, 2013		**81,653,778**	**5,055,254**	**$ 33,428,933**	**10,747,500**	**1,685,600**	**6,990,000**	**839,458**	**5,055,254**	**$ 6,271,378**
Share options - forfeited	10(d)	-	-	-	-	-	(350,000)	-	-	(91,495)
- expired	10(d)	-	-	-	-	-	(350,000)	-	-	-
Share-based compensation	10(c)	-	-	-	-	-	240,000	-	-	430,276
Expired warrants and options	9, 11	-	-	-	(10,747,500)	(1,685,600)	-	(839,458)	(5,055,254)	(194,141)
Balance at December 31, 2014		**81,653,778**	**5,055,254**	**$ 33,428,933**	**-**	**-**	**6,530,000**	**-**	**-**	**$ 6,416,018**

i. During the year ended December 31, 2013, 350,000 stock options were exercised at an exercise price of $0.25, resulting in net cash proceeds of $87,500 and a fair value of $161,000 recorded in share capital.

9. CONVERTIBLE SECURITIES – WARRANTS, BROKER WARRANTS OR OPTIONS

Expiry date	Type	Fair value ($) (at issuance)	Exercise price ($)	Issued	Exercised	Expired	Outstanding
November 27, 2014	Subscriber Warrants	0.04	0.50	10,787,500	(40,000)	(10,747,500)	-
November 27, 2014	Broker unit options	0.15	0.25	1,685,600	-	(1,685,600)	-
November 27, 2014	Broker warrants	0.42	0.75	839,458	-	(839,458)	-
December 5, 2014	Warrants	0.30	1.00	5,055,254	-	(5,055,254)	-
				18,367,812	(40,000)	(18,327,812)	-

10. SHARE-BASED COMPENSATION

The Corporation maintains a stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors, or consultants of the Corporation, options to acquire common shares in such numbers, for such terms and at such exercise prices, as may be determined by the Board of Directors or such committee. The stock option plan provides that the total number of common shares that may be reserved for issuance for all purposes under the stock option plan cannot be more than 10% of the outstanding Common Shares at the time of any grant of stock options. The terms of the options, including when they vest, are determined by the Board of Directors as they are granted.

The following table reflects the continuity of stock options for the year ended December 31, 2014 and for the year ended December 31, 2013:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2012	6,830,000	0.65
Granted (b)	890,000	0.28
Exercised (Note 8 (i))	(350,000)	0.25
Expired (a)	(360,000)	0.76
Forfeited (a)	(20,000)	1.00
Balance, December 31, 2013	**6,990,000**	**0.62**
Granted (c)	240,000	0.33
Expired (d)	(350,000)	0.71
Forfeited (d)	(350,000)	0.43
Balance, December 31, 2014	**6,530,000**	**0.61**
Exercisable, December 31, 2014	**6,230,000**	**0.62**

a) In 2013, 360,000 stock options at an average exercise price of $0.76 expired unexercised and 20,000 stock options with an exercise price of $1.00 were forfeited.

b) During the year ended December 31, 2013, the Corporation granted a total of 890,000 stock options to certain employees. The stock options were granted with a term of 10 years from the date of grant. 140,000 of the options granted are exercisable at a price of $1.00 and the remaining 750,000 options granted are exercisable at a price of $0.14. These options vest on the following schedule: 1/3 on grant, 1/3 a year after grant, 1/3 two years after grant.

Key assumptions used for 140,000 of the options granted in March and May 2013 were as follows:

Grant	
Exercise price	$1.00
Risk-free interest rate	0.97%
Annualized expected volatility	100%
Expected life of options	7.5 years
Dividend rate	0%
Forfeiture rate	0%
Value per option	$0.39

Key assumptions used for the remaining 750,000 of the options granted in November 2013 were as follows:

Grant	
Exercise price	$0.14
Risk-free interest rate	0.97%
Annualized expected volatility	100%
Expected life of options	7.5 years
Dividend rate	0%
Forfeiture rate	0%
Value per option	$0.12

c) During the year ended December 31, 2014, the Corporation granted a total of 240,000 stock options to certain officers. The stock options were granted with a term of 10 years from the date of grant and are exercisable at a price of $0.325. These options vest on the following schedule: 1/2 on grant, 1/2 a year after grant.

Key assumptions used for 240,000 of the options granted in May 2014 were as follows:

Grant	
Exercise price	$0.325
Risk-free interest rate	0.97%
Annualized expected volatility	100%
Expected life of options	7.5 years
Dividend rate	0%
Forfeiture rate	0%
Value per option	$0.27

d) During the year ended December 31, 2014, 350,000 stock options at an average price of $0.71 expired and 350,000 stock options at an average price of $0.43 were forfeited.

The total share-based compensation of $338,781 for the year ended December 31, 2014 (December 31, 2013 - $1,026,994) was allocated as follows:

Year ended December 31,	**2014**	**2013**
Share-based compensation	**305,589**	803,983
Exploration and evaluation assets	**33,192**	223,011
	338,781	1,026,994

The following table summarizes incentive stock options outstanding at December 31, 2014:

Number outstanding	Number vested and exercisable	Exercise price	Expiry date	Weighted average remaining actual life (years)
2,500,000	2,500,000	$0.25	December 9, 2021	6.9
600,000	600,000	0.75	January 26, 2022	7.0
60,000	60,000	0.75	February 1, 2022	7.0
2,590,000	2,590,000	1.00	December 5, 2022	7.9
110,000	73,333	1.00	March 27, 2023	8.2
30,000	20,000	1.00	May 9, 2023	8.4
400,000	266,667	0.14	November 22, 2023	8.9
240,000	120,000	0.33	May 13, 2024	9.4
6,530,000	6,230,000			

11. INCOME TAXES

As at December 31, 2014 the Corporation has temporary differences for which no deferred tax asset has been recognized of non capital Canadian losses of $11,888,223 that expire between 2031 and 2034, and non capital U.S. tax losses of $5,390,277 that expire between 2031 and 2034, and other deductible temporary differences of $1,538,762, the benefits of which have not been recognized in the consolidated financial statements.

Income tax expense varies from the amount that would be computed from applying the combined federal and provincial to rate to accounting loss before taxes as follows:

	2014	2013
Consolidated loss before taxes	**$(2,100,643)**	$(4,532,621)
Expected tax recovery at combined statutory rate of 26.5%	**556,670**	1,201,144
Impact of differences between Canada and U.S. tax rates	**90,029**	82,772
Non-deductible expenses	**(279,574)**	(219,389)
Tax benefits not recognized	**(172,984)**	(1,064,527)
Total tax recovery	**$194,141**	$—

The Corporation incurred a tax recovery of $194,141 in the year ended December 31, 2014 due to the recognition of previously unrecognized tax losses that will be utilized against the capital gain on the expiry of certain unexercised warrants (Notes 8 and 9). The tax expense associated with the warrant expiry has been recorded in contributed surplus.

12. SEGMENTED INFORMATION

The Corporation operates in one reportable segment, that being the exploration, evaluation and development of mineral properties. The Corporation's development property is located in the United States of America.

13. RELATED PARTY TRANSACTIONS

The Corporation's related parties as defined by IAS 24 "Related Party Disclosures", include the Corporation's subsidiary, executive and non-executive directors, senior officers and entities controlled or jointly controlled by the Corporation's directors or senior officers.

The compensation expense incurred by the Corporation including its subsidiary is summarized in the tables below:

	Short term compensation and benefits or fees	Share-based awards	Total
Year ended December 31, 2014			
Senior officers	$ 1,251,959	$ 184,140	$ 1,436,099
Directors	228,391	192,500	420,891
Year ended December 31, 2013			
Senior officers	1,793,529	382,681	2,176,210
Directors	230,429	595,000	825,429

The Corporation entered into indemnity agreements with all of its directors and officers in 2012 in respect of possible liabilities or expenses, which such directors and officers may incur as a result of acting as a director or officer of the Corporation or its related entities. No liability has been incurred in 2014 or 2013.

14. OTHER CURRENT AND NON-CURRENT LIABILITIES

On March 24, 2014, the Corporation exercised the Lease Option in the Exploration Agreement to convert into a long-term mining lease (the "Mining Lease"). The Corporation made an initial payment to SITLA of US$200,000 and has entered into an arrangement whereby it will make further payments, as follows:

- March 31, 2015 US$164,000
- August 31, 2015 US$164,000
- March 31, 2016 US$164,000
- August 31, 2016 US$164,000
- March 31, 2017 US$164,000

The Corporation classified this agreement as 'other financial liabilities' and recorded it at fair value on initial recognition. The Corporation has agreed to pay a finance charge of 5.75% per annum on the outstanding balance during this three year period.

Under the terms of the Mining Lease, a minimum annual royalty payment of US$46,200 and an annual rental payment of US$11,500 is due to SITLA. The first annual royalty and rental payments were made on March 24, 2014.

The other current and non-current liabilities of the Corporation as at December 31, 2014 and December 31, 2013 are detailed in the table below:

	As at December 31, 2014	**As at December 31, 2013**
Other current liabilities	**421,537**	-
Other non-current liabilities	**570,770**	-
	992,307	-

15. COMMITMENTS AND CONTINGENCIES

The future minimum payments under various lease arrangements and other contractual obligations are as follows, as at December 31, 2014:

	Less than 1 year	1 - 5 years	After 5 years	Total
Mining Lease	$ 66,997	$ 281,382	$ 455,571	$ 803,950
Exploration leases	6,756	22,504	13,486	42,746
Operating leases	475,177	1,367,402	258,681	2,101,260
Total	**$ 548,930**	**$ 1,671,288**	**$ 727,738**	**$ 2,947,956**

16. RISK MANAGEMENT

Capital risk management

The Corporation defines capital as total shareholders' equity including share capital, other reserves, deficit and accumulated other comprehensive loss. The Corporation manages its capital to ensure that adequate funds are available or are scheduled to be raised to carry out the Corporation's defined development program and to meet its ongoing administrative costs. This is achieved by the Board of Directors' review and acceptance of budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other fund raisings.

The Corporation is not subject to any externally imposed capital requirements imposed by a regulator or lending institution.

Liquidity risk management

The Corporation manages liquidity risk by maintaining adequate cash balances in order to meet liabilities as they come due. As at December 31, 2014 the Corporation had insufficient cash and cash equivalents of $1,026,771 (December 31, 2013 - $8,031,855) to settle current liabilities of $1,131,308 (December 31, 2013 - $1,579,528) and 2015 commitments of $548,930 (December 31, 2013 - $1,762,657). The Corporation is seeking to raise additional capital through equity issuances or other available means in order to continue funding its operating, exploration and evaluation activities, and to settle all of its current liabilities and future commitments (refer to Note 1 – Nature of operations and going concern). The Corporation is also in discussions with SITLA with regards to its financial obligations under the terms of the Mining Lease (refer to Note 14).

The Corporation regularly monitors actual cash flows to budgets and updates projected cash forecasts as needed. The Corporation will defer discretionary expenditures, as required, in order to manage and conserve its available cash balances for current liabilities and commitments.

Foreign currency risk management

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash. Short term deposits, if any, consist of term deposits with a Canadian chartered bank and are callable at any time prior to maturity.

As at December 31, 2014 the cash and cash equivalents was $1,026,771 (December 31, 2013 - $8,031,855). The Corporation's cash and cash equivalents are denominated in the following currencies:

	As at December 31, 2014	As at December 31, 2013
Cash and cash equivalents (expressed in Canadian dollars)		
Denomination in Canadian dollars	**$76,345**	$2,418,474
Denomination in U.S. dollars	**950,426**	5,613,381
	$1,026,771	$8,031,855

The Corporation undertakes transactions denominated in foreign currencies and consequently, is exposed to exchange rate risks. Exchange rate risks are managed by matching levels of foreign currency balances and related obligations. The rate published by the Bank of Canada at the close of business on December 31, 2014 was $1.1601 (December 31, 2013 - $1.0636) per US dollar. Based on the balances at December 31, 2014, net loss would change by approximately $48,000 (December 31, 2013 - $281,000) given a 5% increase or decrease in the US dollar to Canadian dollar.

Interest rate risk management

The Corporation's overall exposure to the risk of changes in market interest rates relates primarily to its bank current account balances and short-term marketable securities. At prevailing market interest rates, the impact on interest income is minimal.

Credit risk management

The Corporation's main credit risk arises from its cash deposits with banks. The majority of the Corporation's cash and cash equivalent balances are with a major Canadian chartered bank. The Corporation limits its counterparty credit risk on its deposits by dealing only with highly rated financial institutions.

17. CATEGORIES OF FINANCIAL INSTRUMENTS

	Financial Instrument Classification	**Dec 31, 2014**	Dec 31, 2013
Financial assets			
Cash and cash equivalents	Loans and receivables	$ 1,026,771	$ 8,031,855
Restricted cash	Loans and receivables	871,773	778,313
Receivables	Loans and receivables	35,835	28,979
Financial liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	$ 709,771	$ 1,579,528
Other liabilities	Other financial liabilities	992,307	-

The carrying amount of each of the financial instruments approximates the fair value thereof.

18. SUBSEQUENT EVENT

During the first quarter of 2015, in conjunction with the Corporation's cost reduction actions, the employment agreements of a group of non-management employees were terminated. As a result of these employment terminations, a severance obligation in the aggregate amount of $295,000 was triggered.