Atlantic Gold Corporation

(formerly Spur Ventures Inc.)

Consolidated Financial Statements
December 31, 2014 and 2013
(Expressed in Canadian dollars)

April 6, 2015

Independent Auditor's Report

To the Shareholders of Atlantic Gold Corporation

We have audited the accompanying consolidated financial statements of Atlantic Gold Corporation, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 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, 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 Atlantic Gold Corporation 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.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

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Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

		December 31, 2014		December 31, 2013
Assets				
Current assets				
Cash and cash equivalents	**$**	**18,266,882**	$	28,922,649
Prepaid expenses		**209,755**		43,634
Receivables (Note 7)		**577,338**		102,303
Due from related parties (Note 13)		**67,352**		74,287
Total Current Assets		**19,121,327**		29,142,873
Property, plant and equipment (Notes 5, 6, 8)		**4,462,689**		14,757
Mineral Properties (Notes 5, 6, 9)		**21,967,737**		-
Other non-current assets (Note 10)		**470,275**		-
TOTAL ASSETS	**$**	**46,022,028**	$	29,157,630
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**1,490,199**	$	61,545
Due to related parties (Note 13)		**58,115**		10,235
TOTAL LIABILITIES		**1,548,314**		71,780
Shareholders' equity				
Share capital (Note 11a)		**68,072,249**		53,258,507
Contributed surplus (Note 11b, 11c)		**12,539,141**		10,227,578
Deficit		**(36,137,676)**		(34,400,235)
Total Shareholders' Equity		**44,473,714**		29,085,850
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**46,022,028**	$	29,157,630

Commitments (Note 15)
Subsequent Event (Note 17)

Approved by the Board:

"Donald Siemens" Director

"Robert Atkinson" Director

The accompanying notes are an integral part of these financial statements

Atlantic Gold Corporation (formerly Spur Ventures Inc.)
Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

		Year Ended December 31, 2014		Year Ended December 31, 2013
Expenses				
Amortization	**$**	**21,573**	$	9,671
Corporate Development		**278,469**		527,098
Director fees		**72,917**		80,166
Management Fees, salaries and benefits		**662,352**		555,016
Office and general		**192,955**		67,825
Professional fees		**489,504**		98,750
Rent		**118,972**		97,491
Share-based payments (Note 11b)		**237,536**		183,737
Transfer agent and filing fees		**111,360**		34,562
Travel, meals and entertainment		**17,141**		9,302
Net loss from operations		**(2,202,779)**		(1,663,618)
Other income / (expense)				
Interest income		**465,338**		431,812
Net loss and other comprehensive loss for the year	**$**	**(1,737,441)**	$	(1,231,806)
Basic weighted average number of shares outstanding		**79,355,260**		60,407,187
Loss per share, basic	**$**	**(0.02)**	$	(0.02)
Diluted weighted average number of shares outstanding		**79,355,260**		60,707,187
Loss per share, diluted	**$**	**(0.02)**	$	(0.02)

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Changes in Equity (Expressed in Canadian Dollars)

	Share capital				
	Number of shares	Amount	Contributed surplus	Deficit	Total equity
Balance - January 1, 2014	**60,407,187**	**$ 53,258,507**	**$ 10,227,578**	**$ (34,400,235)**	**$ 29,085,850**
Share-based payments	-	-	237,536	-	237,536
Acquisition of Atlantic Gold NL	46,275,272	12,957,076	1,534,027	-	14,491,103
Acquisition of Acadian Mining Corporation	6,876,542	1,856,666	540,000	-	2,396,666
Net loss for the year	-	-	-	(1,737,441)	(1,737,441)
Balance - December 31, 2014	**113,559,001**	**$ 68,072,249**	**$ 12,539,141**	**$ (36,137,676)**	**$ 44,473,714**

	Share capital				
	Number of shares	Amount	Contributed surplus	Deficit	Total equity
Balance - January 1, 2013	**60,407,187**	**$ 53,258,507**	**$ 10,043,841**	**$ (33,168,429)**	**$ 30,133,919**
Share-based payments	-	-	183,737	-	183,737
Net loss for the year	-	-	-	(1,231,806)	(1,231,806)
Balance - December 31, 2013	**60,407,187**	**$ 53,258,507**	**$ 10,227,578**	**$ (34,400,235)**	**$ 29,085,850**

The accompanying notes are an integral part of these financial statements

Atlantic Gold Corporation (formerly Spur Ventures Inc.)
Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Year Ended December 31, 2014	Year Ended December 31, 2013
Cash used in operating activities		
Net loss for the year	**$ (1,737,441)**	$ (1,231,806)
Adjustments for:		
Amortization	**21,573**	9,671
Share-based payments	**237,536**	183,737
Interest income	**(465,338)**	(431,812)
Net changes in non-cash working capital:		
Receivables	**(125,265)**	(8,889)
Due from related parties	**6,936**	(12,389)
Prepaid expenses	**(32,616)**	(2,948)
Accounts payable and accrued liabilities	**(638,587)**	(19,752)
Due to related parties	**47,880**	(6,412)
Net cash used in operating activities	**(2,685,322)**	(1,520,600)
Investing activities		
Acquisition costs - Atlantic Gold NL	**(2,837,671)**	-
Acquisition costs - Acadian Mining	**(3,797,765)**	-
Purchase of property and equipment	**(3,980)**	-
Proceeds from sale of securities	**7,820**	-
Mineral property expenditures	**(1,764,938)**	-
Interest received	**426,091**	348,483
Net cash generated from (used in) investing activities	**(7,970,445)**	348,483
Change in cash and cash equivalents during the year	**(10,655,767)**	(1,172,117)
Cash and cash equivalents, beginning of year	**28,922,649**	30,094,766
Cash and cash equivalents, end of year	**$ 18,266,882**	$ 28,922,649
Supplemental cash flow information		
Interest paid	**$ -**	**$ -**
Income taxes paid	**$ -**	**$ -**

The accompanying notes are an integral part of these financial statements

1 Nature of Operations

Atlantic Gold Corporation (the "Company") is a company listed on the TSX Venture Exchange with a registered office at Suite 3083, Three Bentall Centre, 595 Burrard Street, Vancouver, B.C. Canada. At December 31, 2014 the Company was also listed on the Australian Stock Exchange (“ASX”). Subsequent to year end, the Company officially de-listed from the ASX.

On August 20, 2014, the Company completed its acquisition of all the fully paid and partly paid ordinary shares on issue in Atlantic Gold Pty Limited (formerly Atlantic Gold NL) (“Atlantic NL”) by way of a scheme of arrangement (“Scheme”) under Part 5.1 of the Australian Corporations Act 2001 (Cth) between Atlantic and its shareholders. Atlantic NL is the owner of several gold mineral claims located in Nova Scotia – including the Touquoy and Cochrane Hill Gold Projects. The Company changed its name from Spur Ventures Inc. to Atlantic Gold Corporation concurrently with the closing of the Scheme.

On September 19, 2014, the Company completed the acquisition of all of the issued share capital in Acadian Mining Corporation ("Acadian") pursuant to a share purchase agreement (the "Agreement"). Acadian owns a number of mining claims in proximity to the claims acquired through the Atlantic NL acquisition.

The Company is focusing on advancing the development of its Nova Scotia properties as well as continuing to actively review potential acquisitions and investment opportunities.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and under the historical cost convention. The accounting policies followed in these consolidated financial statements have been consistently applied in all periods presented.

These consolidated financial statements were approved by the board of directors on April 6, 2015.

3 Significant Accounting Policies, Judgments and Estimation Uncertainty

The significant accounting policies used to prepare these consolidated financial statements are outlined as follows:

<u>Consolidation</u>

The Company’s consolidated financial statements are prepared in accordance with IFRS, and include the accounts of the Company and its subsidiaries, which are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date that control commences until the date that control ceases.

December 31, 2014 (Expressed in Canadian Dollars)

3 Significant Accounting Policies, Judgments and Estimation Uncertainty (continued)

Consolidation (continued)

The principal subsidiaries of the Company, all of which are 100% owned, and their countries of incorporation are as follows:

Subsidiary	Location
Atlantic NL	Australia
Atlantic Gold Exploration Pty	Australia
DDV Gold Ltd.	Canada
Acadian	Canada
Annapolis Properties Corp.	Canada
6179053 Canada Inc.	Canada
6927629 Canada Corp.	Canada

All inter-company transactions and accounts have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, term deposits and short term highly liquid investments at Canadian financial institutions with the original term to maturity of 90 days or less, which are readily convertible to known amounts of cash at any time without penalty and which, in the opinion of management, are subject to an insignificant risk of changes in value. Such financial assets are stated at their respective fair values and subsequently at amortized cost. During the year ended December 31, 2014, cash and cash equivalents earned interest of up to 1.55% per annum (2013: 1.55% per annum). As at December 31, 2014 total cash on hand was $1,617,426 (2013: $9,602,682). The total cash equivalents balance was $16,649,456 (2013: $19,319,967).

Share-based payments

Share-based payments to employees and others providing similar services are measured at the fair value of the instruments issued and amortized over the vesting periods. Other share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus, the account used to record any share-based payments related to convertible securities of the Company.

Share-based payments (continued)

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus amount is transferred to share capital.

3 Significant Accounting Policies, Judgments and Estimation Uncertainty (continued)

Earnings (Loss) per common share

The basic earnings (loss) per share is computed by dividing the earning (loss) by the weighted average number of common shares outstanding during the year. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if exercised. For this purpose, the "treasury stock method" is used whereby the assumed proceeds upon the exercise of stock options and warrants are used to purchase common shares at the average market price during the year.

Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred tax assets or liabilities are calculated using the tax rates enacted or substantially enacted for the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities at fair value through profit and loss are considered to be held for trading. A financial asset or liability classified in this category has been acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

Financial assets and liabilities carried at fair value through profit and loss are initially recognized at fair value and are subsequently re-measured to their fair value at each statement of financial position date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of income in the period in which they arise.

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or not classified in any of the other categories. Available-for-sale assets are initially recorded at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of non-monetary assets classified as available-for-sale are recognized in other comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

3 Significant Accounting Policies, Judgments and Estimation Uncertainty (continued)

Financial Instruments (continued)

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognized in the statement of income over the period to maturity using the effective interest method.

Use of Estimates and Judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Areas of judgment include the assessment of an acquisition of a business as an asset acquisition versus a business combination and the mineral property impairment indicator assessment. Areas of estimates include measurement of net assets acquired in the acquisitions of Atlantic NL and Acadian as well as the fair value calculations of the consideration paid in respect of the above acquisitions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the financial statements where applicable.

4. New Accounting Policies Adopted

Reporting in Canadian dollars and foreign currency translations

i. Functional and presentation currency

Effective January 1, 2014, the Company changed its presentation currency from the U.S. dollar to the Canadian dollar. The change in presentation currency was effected to reflect the reporting currency based on the functional currency of the Company. The functional currency for the Company and each of its subsidiaries is the Canadian dollar, and is the currency of the primary economic environment in which the entity operates.

The change in presentation currency represents a change in accounting policy and thus it has been applied retrospectively from January 1, 2010, the transition date to IFRS, onwards. As the Company no longer had any subsidiaries at the effective date and its functional currency is the Canadian dollar, there are no longer any exchange differences due to the translation of foreign currency balances and transactions and as such, the Company no longer presents a balance in accumulated other comprehensive income (loss).

ii. Transactions and balances

Monetary assets and liabilities are translated at period-end exchange rates and items included on the statements of income (loss) and comprehensive income (loss) and cash flows are translated at rates in effect at the time of the transaction. Non-monetary assets and liabilities are translated at historical rates. The gain or loss on translation is charged to the statement of operations.

4. New Accounting Policies Adopted (continued)

Property, Plant and Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Land is not depreciated. Depreciation is calculated at the following annual rates:

Plant and equipment	straight-line 20% - 50%
Leasehold improvements	over the term of the lease

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Mineral Properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment, or becomes impaired. If a property is put into production, the cost of acquisition will be depleted over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be offset against the carrying value of the property. If a property is abandoned, the acquisition costs will be written off to operations. Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs may be subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts. Although the Company has taken steps that it considers adequate to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title.

Once the rights to explore an area have been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation and classified as a component of mineral properties. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. Once the technical feasibility and commercial viability of extracting a mineral resource for a particular property are demonstrable, the related acquisition and exploration expenditures are reclassified into property, plant and equipment.

4. New Accounting Policies Adopted

Impairment of Mineral Properties

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is calculated as the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities, the impact of government legislation and political stability in the region, and the impact of current and expected future gold prices on potential reserves.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Asset Retirement Obligations

Asset retirement obligations will be recognized for estimated obligations related to the retirement of long-lived tangible assets that arise from the acquisition, exploration, construction, development or normal operation of such assets. A liability for an asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future obligation. The Company had no asset retirement obligations at December 31, 2014 and 2013.

New and revised International Financial Reporting Standards

As of January 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below. Several other amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Company.

4. New Accounting Policies Adopted (continued)

New and revised International Financial Reporting Standards (continued)

IFRIC 21, Levies ("IFRIC 21")

The Company adopted IFRIC 21 on January 1, 2014 with retrospective application. IFRIC 21 provides guidance on the accounting for a liability to pay a levy, if that liability is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Levies are imposed by governments in accordance with legislation and do not include income taxes, which are accounted for under IAS 12, Income Taxes or fines or other penalties imposed for breaches of legislation.

The interpretation was issued to address diversity in practice around when the liability to pay a levy is recognized. An example of a common levy is property taxes. IFRIC 21 defines an obligating event as the activity that triggers the payment of the levy, as identified by legislation. A liability to pay a levy is recognized at the date of the obligating event, which may be at a point in time or over a period of time. The fact that an entity is economically compelled to continue to operate in the future, or prepares its financial statements on a going concern basis, does not create an obligation to pay a levy that will arise in a future period as a result of continuing to operate.

The adoption of IFRIC 21 did not affect the Company's financial statements or disclosures as the Company's analysis determined that no changes were required to existing accounting treatment of levies.

Standards not yet effective

IFRS 9 – Financial instruments

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The required adoption date for IFRS 9 has been deferred from the original adoption date of January 1, 2015 to all annual periods beginning on or after January 1, 2018. The Company has yet to commence assessing the impact of this new standard.

December 31, 2014 (Expressed in Canadian Dollars)

5. Acquisition of Atlantic NL

On August 20, 2014 (the “Implementation Date”), the Company completed the acquisition of all the fully paid and partly paid ordinary shares on issue of Atlantic NL.

Under the terms of the Scheme, Atlantic NL shareholders holding fully paid ordinary shares received 0.05564 of a common share of the Company (each whole share, a “Common Share”) and 0.02782 of a share purchase warrant (each whole warrant a “Warrant”) for each fully paid ordinary share of Atlantic NL held. Each Warrant is exercisable to acquire one Common Share of the Company for a period of four years following the Implementation Date at a price of $0.60 per Common Share. Atlantic NL shareholders holding partly paid ordinary shares received 10% of the consideration otherwise payable to a holder of fully paid ordinary shares for each fully paid share held. As a result, a total of 46,275,272 Common Shares and 23,137,361 Warrants were issued to Atlantic NL shareholders.

In consideration for the cancellation of each outstanding option to purchase an ordinary share of Atlantic NL (each, an “Atlantic NL Option”) the Company granted 0.05564 of an option to purchase a Common Share, with an exercise price of $0.50 per full Common Share with an expiry date of August 28, 2017 (the “Option Cancellation Deed”). Options to purchase up to 973,700 Common Shares were granted to former holders of Atlantic NL Options as at the Implementation Date.

The acquisition of Atlantic NL by the Company has been accounted for as an asset acquisition.

The fair value of the assets and liabilities acquired was determined by the Company and is based on the best information management had available. The allocation of the consideration to the assets and liabilities acquired is as follows:

Current Assets	$	665,560
Property, Plant & Equipment		3,695,015
Mineral properties		13,307,069
Other long term assets		478,094
Current Liabilities		(1,899,846)
	$	**16,245,892**

Consideration		
Common Shares issued on acquisition	$	12,957,076
Share Purchase Warrants on acquisition		1,476,639
Options granted under *Option Cancellation Deeds*		57,388
Transaction costs		1,754,789
	$	**16,245,892**

December 31, 2014 (Expressed in Canadian Dollars)

5. Acquisition of Atlantic NL (continued)

The estimated fair value of the Common Shares and Warrants issued and the Options granted under the Option Cancellation Deeds is based on:

Description	Number of Atlantic NL securities	Exchange Ratio	Number of the Company's securities ssued	Estimated fair value per common share / warrant on the Implementation Date	Estimated fair value
Common Shares issued for Atlantic Fully Paid Shares	828,671,993	0.05564	46,106,759	$ 0.28	**$ 12,909,892**
Common Shares issued for Atlantic Partly Paid Shares	30,286,342	0.005564	168,513	0.28	**47,184**
Share Purchase Warrants issued for Atlantic NL Fully Paid Shares	828,671,993	0.02782	23,053,105	0.064	**1,471,262**
Share Purchase Warrants issued for Atlantic NL Partly Paid Shares	30,286,342	0.002782	84,256	0.064	**5,377**
Options issued under *Option Cancellation Deeds* in place of Atlantic NL Options outstanding	17,500,000	0.05564	973,700	0.059	**57,388**
					$ 14,491,103

The Warrants and Options were valued as at the Implementation Date using the Black-Scholes model based on the following assumptions:

	Warrants	Stock Options
Risk-free interest rate	1.50%	1.50%
Expected life	4 years	3 years
Annualized volatility	55%	55%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

Prior to the acquisition by the Company, Atlantic NL was an Australian Stock Exchange (“ASX”) listed company focused on the exploration and development of the Touquoy project, which is at an advanced stage and has all major permits in place, and the Cochrane Hill project, both of which are located within the Meguma Terrane in the province of Nova Scotia.

Atlantic NL has an effective ownership interest of 63.5% in the Touquoy project and is the operator and manager of the project, responsible for funding all capital and operating expenditures. Under the Touquoy joint venture agreement, on commencement of production at the Touquoy project, Atlantic will receive 100% of the Touquoy cash flow until all capital and operating expenditures, in addition to interest expenditures, have been recouped. A private net smelter return royalty of 3% is also payable in respect of the Touquoy project, two-thirds of which can be purchased for $2.5 million.

Atlantic NL has a 100% ownership interest in the Cochrane Hill project. A private net smelter return royalty of 3% is also payable in respect of the Cochrane Hill project, two-thirds of which can be purchased for $1.5 million.

December 31, 2014 (Expressed in Canadian Dollars)

6. Acquisition of Acadian

On September 19, 2014, the Company completed the acquisition of all of the issued share capital of Acadian in exchange for 8,876,542 common shares (the "Consideration Shares") of the Company and $3,610,740 in cash, comprising the cash consideration of $4,260,740 less a net liability adjustment of $650,000, pursuant to the Sale and Purchase Agreement (the “Agreement”) with LionGold Mining Canada Inc. (the "Vendor"), and LionGold Corp Ltd as guarantor.

Under the terms of the Agreement, a total of 2,000,000 Consideration Shares (“Contingent Common Shares”) were held back from issuance to the Vendor pending the completion of certain post-closing deliverables.

The acquisition of Acadian by the Company has been accounted for as an asset acquisition.

The fair value of the assets and liabilities acquired outlined below was determined by the Company and is based on the best information management had available. The allocation of the consideration to the assets and liabilities acquired is as follows:

Current Assets	$	91,915
Property, Plant & Equipment		270,512
Exploration and evaluation assets - intangibles		6,463,721
Current Liabilities		(630,299)
	$	**6,195,849**

Consideration		
Cash paid on acquisition	$	3,610,740
Common Shares issued on acquisition		1,856,666
Contingent Common Shares issuable		540,000
Transaction costs		188,443
	$	**6,195,849**

The fair value of the Common Shares issued and Contingent Common Shares issuable is based on the Company’s share price as at the closing date of the Agreement, being $0.27. The value of the Contingent Common Shares issuable to Acadian have been recognized in contributed surplus and will be converted to share capital once the post-closing deliverables have been delivered by Acadian. The Company considered discounting the value of the Contingent Common Shares issuable to Acadian based on the probability of delivery of the post-closing deliverables, but concluded that the likelihood of non-performance by Acadian is negligible.

The assets of Acadian consist of the Beaver Dam and Fifteen Mile Stream gold projects, which are located in proximity to the Company’s Touquoy and Cochrane Hill Projects, plus an extensive portfolio of exploration properties in the Meguma Terrane of Nova Scotia, Canada. Acadian also holds existing royalty interests on the Goldenville (1% NSR), Dufferin (2% NSR) and Tangier (1% NSR) properties located in Nova Scotia.

December 31, 2014 (Expressed in Canadian Dollars)

7. Receivables

		December 31, 2014		December 31, 2013
Input tax credits	$	268,285	$	10,417
Nova Scotia Department of Natural Resources security for settlement of expropriated properties	$	206,698	$	-
Interest and other receivables		102,355		91,887
	$	**577,338**	**$**	**102,303**

The receivable from the Nova Scotia Department of Natural Resources ("NSDNR") relates to $206,698 in security held by the NSDNR in respect of certain expropriated properties. The security will be refunded once payment for the expropriated lands by the Company has been settled. The Company remains in discussions with the previous land owners in respect of a negotiated settlement payment. The Company has estimated and accrued an amount it believes it will settle within accounts payable and accrued liabilities on the statement of financial position.

8. Property, plant and equipment

	Equipment	**Land**		**Total**
At December 31, 2013				
Cost	89,381	-	$	89,381
Accumulated depreciation	(74,624)	-		(74,624)
Net book Value	**14,757**	**-**	**$**	**14,757**
Period ended December 31, 2014				
At January 1, 2014	14,757	-	$	14,757
Additions	179,699	4,289,805		4,469,504
Depreciation for the period	(21,572)	-		(21,572)
Closing net book value	**172,884**	**4,289,805**	**$**	**4,462,689**
At December 31, 2014				
Cost	269,080	4,289,805	$	4,558,885
Accumulated depreciation	(96,196)	-		(96,196)
Net book Value	**172,884**	**4,289,805**	**$**	**4,462,689**

December 31, 2014 (Expressed in Canadian Dollars)

9. Mineral Properties – Nova Scotia

Year ended December 31, 2014

	Beaver Dam	Touquoy	Cochrane Hill	Other	Total
Cumulative exploration costs - Beginning of period	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Additions - Acquisition Costs	$ 1,134,791	$ 10,035,517	$ 2,278,597	$ 6,321,884	$ 19,770,789
Additions - Exploration Costs					
Permitting & claims	104	16,844	13,720	68,545	99,213
Drilling	619,783	49,578	-	-	669,361
Environmental & Geology	96,784	22,529	94,590	3,375	217,278
Salaries	335,151	17,528	3,056	51,589	407,324
Consulting	464,034	42,437	11,675	12,074	530,220
Assays & Metallurgy	37,485	-	1,820	7,935	47,240
Equipment & Supplies	14,260	225	12	5,700	20,197
Travel & Accomodation	116,117	10,041	561	5,954	132,673
Other	67,677	1,018	157	4,590	73,442
Exploration expenditures for the period	1,751,395	160,200	125,591	159,762	2,196,948
Grand Total - Mineral Properties	**$ 2,886,186**	**$ 10,195,717**	**$ 2,404,188**	**$ 6,481,646**	**$ 21,967,737**

As at December 31, 2013, the mineral properties balance was nil.

10. Other non-current assets

	December 31, 2014	December 31, 2013
Reclamation bonds	$ 200,000	$ -
Available for sale financial assets	$ 248,077	$ -
Other	22,198	-
	$ 470,275	**$ -**

The reclamation bonds are held by the NSDNR over various mining tenements and will be refundable to the Company once mining is completed and the land has been restored to its economically usable state. The available for sale financial asset represents the Company's wholly owned subsidiary DDV Gold Limited's minority interest in Moose River Resources Inc., a privately held company, which is recorded at cost as the fair value is not reliably measureable as the shares are privately traded and there is a wide potential range of volatility.

December 31, 2014 (Expressed in Canadian Dollars)

11. Equity

a) Authorized share capital

Unlimited common shares without par value

Unlimited number of preferred shares without par value, issuable in series and with special rights and restrictions to be determined on issuance

b) Stock options

The Company values the stock options granted using the indirect method because it cannot reliably estimate the value of the services received for the options granted. The Company uses the Black Scholes option pricing model to determine the fair value of options granted.

The vesting period for options is 12.5% immediately with 12.5% each quarter over the following seven quarters.

A summary of the changes in stock options is as follows:

	Options		Weighted average exercise price
Options outstanding - January 1, 2013	5,230,000	$	0.46
Granted	50,000		0.40
Expired	(630,000)		0.90
Options outstanding - December 31, 2013	**4,650,000**	**$**	**0.38**
Granted	3,023,700		0.38
Expired	(300,000)		0.28
Options outstanding - December 31, 2014	**7,373,700**	**$**	**0.38**
Options exercisable - December 31, 2014	**6,079,950**	**$**	**0.40**

During the year ended December 31, 2014, the Company granted 2,050,000 stock options to officers, directors, employees and consultants at an exercise price of $0.32 expiring on June 13, 2019 (2013: 50,000 stock options granted with an exercise price of $0.40 expiring on July 26, 2018). The Company also granted a total of 973,700 stock options to former holders of stock options in Atlantic NL in conjunction with the closing of the Scheme with an exercise price of $0.50 expiring on August 28, 2017.

The weighted average fair value of the options granted for the year ended December 31, 2014 was $0.11 per option (2013: $0.15). The exercise price for all stock option grants during the year ended December 31, 2014 was equal to the market price at the time of grant with the exception of the 973,700 options granted to former holders of options in Atlantic NL where the exercise price and the market price at the grant date were $0.50 and $0.28 respectively.

On July 28, 2014, a total of 300,000 stock options with an exercise price of $0.28 expired.

December 31, 2014 (Expressed in Canadian Dollars)

11. Equity (continued)

b) Stock options (continued)

During the year ended December 31, 2014, share-based payments of $237,536 was recognized (2013: $183,737).

The following assumptions were used in the valuation of the stock options granted during the year ended December 31, 2014:

Risk-free interest rate	1.50% to 1.58%
Expected life	3 to 5 years
Annualized volatility	55%
Dividend rate	0.00%
Forfeiture rate	0.00%

The risk-free rate for periods within the contractual term of the option is based on the Bank of Canada administered interest rates in effect at the time of the grant. The expected life of the options granted represents the period of time that the options granted are expected to be outstanding. Expected volatilities are based on historical volatilities of stock prices of comparable companies given the limited life of the Company as an exploration company. Expected forfeiture rates are based on historical forfeitures of unvested stock options of the Company.

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

Number of Options	Exercise Price CAD	Expiry Date	Number Exercisable
1,950,000	0.37	August 12, 2016	1,950,000
1,000,000	0.40	April 10, 2017	1,000,000
100,000	0.37	May 10, 2017	100,000
1,250,000	0.40	November 1, 2017	1,250,000
50,000	0.40	July 26, 2018	37,500
2,050,000	0.32	June 13, 2019	768,750
973,700	0.50	August 28, 2017	973,700
7,373,700			6,079,950

c) Share purchase warrants

At December 31, 2014, the Company had outstanding share purchase warrants exercisable to acquire 23,137,361 shares as follows:

	Number		Weighted average exercise price	Expiry date
Balance - January 1, 2014 and 2013	-	$	-	-
Issued	23,137,361		0.60	August 20, 2018
Balance - December 31, 2014	**23,137,361**	**$**	**0.60**	

December 31, 2014 (Expressed in Canadian Dollars)

12. Income taxes

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax rate expenses is as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Loss before income taxes	**$ (1,737,441)**	$ (1,231,806)
Federal and provincial income tax rates	**26.00%**	25.75%
Income tax recovery based on the above rates	**(451,735)**	(317,190)
Increase (decrease) due to:		
Non-deductible expenses and other items	**62,677**	48,245
Effects of different statuatory rates on earnings of subsidiaries	**(6,668)**	-
Losses and temporary differences not recognized	**395,726**	268,945
Income tax expense (recovery)	**$ -**	$ -

The combined federal and provincial income tax rates increased due a legislated tax increase in Canada applicable to the fiscal year.

Recognized deferred income tax assets (liabilities)

	For the year ended December 31, 2014	For the year ended December 31, 2013
Non-capital losses	**$ 94,779**	$ -
Mineral Properties	**(94,779)**	-
	$ -	$ -

Unrecognized deferred income tax assets

	For the year ended December 31, 2014	For the year ended December 31, 2013
Non capital loss carryforward and other amounts	**$ 9,549,967**	$ 3,053,564
Capital losses	**1,772,737**	1,772,737
Property, plant and equipment	**34,823**	32,841
Mineral Properties	**671,629**	730,341
	$ 12,029,157	$ 5,589,483

Deductible temporary differences

At December 31, 2014 the Company had deductible temporary differences for which deferred tax assets of $706,452 (2013 - $763,182) have not been recognized because it is not probable that future taxable profits will be available against which the Company can utilize these benefits. Substantially all the deductible temporary differences do not expire.

December 31, 2014 (Expressed in Canadian Dollars)

12. Income taxes (continued)

Unrecognized tax losses

At December 31, 2014 the Company had Canadian tax losses with a tax benefit of $9,549,967 (2013 - $3,053,564) which are not recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. The gross amount of the Canadian tax losses for which a benefit has not been recorded expire as follows:

2015	1,101,622
2023	1,135,263
2024	2,234,450
2025	3,409,450
2026	4,916,023
2027	4,113,717
2028	3,163,263
2029	2,449,391
2030	2,602,474
2031	2,352,400
2032	1,869,706
2033	2,175,026
2034	1,247,924
	32,770,709

13. Related party transactions and key management compensation

a) Key management compensation

Key management includes the Company's directors, President and Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management is presented in the table below:

	Year Ended December 31, 2014	Year Ended December 31, 2013
Salaries and benefits	**$ 332,900**	$ 244,000
Director fees	**75,000**	80,167
Share-based payments	**222,558**	172,291
	$ 630,458	$ 496,458

b) Payments for services by related parties

During the year ended December 31, 2014, the Company incurred corporate consulting fees of $197,775 (2013: $85,680) to Sirocco Advisory Services Ltd. ("Sirocco"), a company controlled by a director and officer of the Company. As at December 31, 2014, the Company owed $11,397 to Sirocco (December 31, 2013: $4,452).

During the year ended December 31, 2014, the Company incurred corporate consulting fees of $136,526 (2013: $61,200) to Shariff Advisory Services Ltd. ("Shariff"), a company controlled by a former officer of the Company. As at December 31, 2014, the Company owed $1,280 to Shariff (December 31, 2013: $533)

13. Related party transactions and key management compensation (continued)

b) Payments for services by related parties (continued)

During the year ended December 31, 2014, the Company incurred geological consulting fees of $55,000 (2013: $20,000) to Metallica Consulting Co. (“Metallica”), a company controlled by a director of the Company. As at December 31, 2014, the Company owed $10,500 to Metallica (December 31, 2013: $5,250).

During the year ended December 31, 2014, the Company incurred geological consulting fees of $99,628 (2013: nil) to Wally Bucknell, a director of the Company. As at December 31, 2014, the Company owed $25,809 (2013: nil) to a director of the Company.

During the year ended December 31, 2014, the Company incurred corporate consulting fees of $nil (2013: $57,948) to Keppoch Advisory Services Ltd. (“Keppoch”), a company controlled by a former director and officer of the Company.

As at December 31, 2014 the Company owed $9,129 (December 31, 2013: $nil) to key management personnel with respect to accrued benefits. Amounts due to and from related parties are unsecured, non-interest bearing and due on demand.

c) Services provided to related parties

The Company charged office lease and administrative expenditures to Oceanic Iron Ore Corp. (“Oceanic”), a Company with an officer and a director in common. During the year ended December 31, 2014, office lease and administrative expenditures billed to Oceanic amounted to $115,843 (2013: $136,199). As at December 31, 2014, the Company was owed $36,731 from Oceanic (December 31, 2013: $35,676).

The Company charged office lease and administrative expenditures to Cassius Ventures Ltd. (“Cassius”), a Company with an officer and a director in common. During the year ended December 31, 2014, office lease and administrative expenditures billed to Cassius amounted to $7,451 (2013: $17,887). As at December 31, 2014, the Company was owed $30,621 from Cassius (December 31, 2013: $28,214).

14. Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s financial instruments consist of cash and cash equivalents, receivables, due from related parties, deposits, available for sale financial assets, accounts payable, and due to related parties.

Cash and cash equivalents, receivables, due from related parties and deposits are designated as loans and receivables and are measured at amortized cost.

All financial instruments for which fair value is recognised or disclosed are categorized within a fair value hierarchy based on the lowest level input that is significant to the fair value measurement as whole. The Company’s available for sale financial asset held is categorized as Level 3 on the fair value hierarchy.

14. Financial risk management (continued)

Accounts payable and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and cash equivalents and receivables. The Company has concentration of risk with respect to cash being held with two large Canadian financial institutions. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the carrying value of the financial assets noted above.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and our cash needs over the short term. Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2014 and 2013 comprise accounts payable, accrued liabilities, and due to related parties as presented on the Consolidated Balance Sheets and are due in less than 1 year.

Market Risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in its cash and cash equivalents and available for sale financial asset. The Company manages market risk by investing funds with reputable financial institutions that provide competitive rates of return.

The Company's financial instruments are not subject to significant fluctuation due to changes in equity prices of investments included in marketable securities, commodity prices or foreign exchange rates.

The Company's interest rate risk mainly arises from the interest rate impact on its interest income derived from Canadian Dollar cash and deposits. The Company invests surplus cash in fixed rate term deposits. It is the Company's policy to reduce interest rate risk over future cash flows through the use of instruments with a history of returns. A 1% change in interest rates would have a $166,495 impact on net loss and comprehensive loss.

December 31, 2014 (Expressed in Canadian Dollars)

14. Financial risk management (continued)

Fair Value

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The carrying values of cash and cash equivalents, receivables, deposits due from related parties, accounts payable, accrued liabilities and due from related parties approximate their fair values due to their short term nature.

15. Commitments

As disclosed in note 13(c), the Company has a long-term office lease and shares office space and related costs with two other companies. A summary of the Company's commitments is set out below:

2015	$	401,838
2016		254,153
2017		130,643
2018 and thereafter		359,401
	$	1,146,035

Exploration Tenement Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to incur expenditures of approximately $360,043 (2013: $Nil) in respect of claim renewal fees and minimum work requirements.

16. Management of Capital

Capital includes all components of shareholders' equity. The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern, to maintain a flexible capital structure which optimizes cost of capital at acceptable risk, and to provide reasonable returns to shareholders.

The Company invests its funds in deposits and GICs with major financial institutions and monitors capital by gauging cash available for use. The Company manages the capital structure and makes adjustments in light of changes in economic conditions, foreign exchange rates and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to improve working capital.

The Company has no externally imposed capital requirements.

17. Subsequent Events

Subsequent to year end a total of 3,790,000 stock options with an exercise price of $0.255 were granted to directors, officers, employees, and consultants of the Company. The options expire on December 6, 2021.