

PINECREST RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Funds)

YEARS ENDED DECEMBER 31, 2014 AND 2013



April 23, 2015

Independent Auditor's Report

To the Shareholders of Pinecrest Resources Ltd.

We have audited the accompanying consolidated financial statements of Pinecrest Resources Ltd. and its subsidiary, 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 shareholders' 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 Pinecrest Resources Ltd. and its subsidiary as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP

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

Pinecrest Resources Ltd.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Funds)
AS AT DECEMBER 31

	2014	2013
ASSETS		
Current assets		
Cash	\$ 2,570,474	\$ 90,802
Trade and other receivables	16,606	443
Prepaid expenses	44,209	-
	<u>2,631,288</u>	<u>91,245</u>
Non-current asset		
Property and equipment (<i>Note 4</i>)	55,691	-
Exploration and evaluation assets (<i>Note 5</i>)	8,808,642	-
	<u>8,864,333</u>	<u>-</u>
	\$ 11,495,622	\$ 91,245
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	\$ 113,457	\$ 19,183
Non-current liability		
Provision for bonus payment (<i>Note 5(a)</i>)	112,457	-
	<u>112,457</u>	<u>-</u>
	225,914	19,183
Shareholders' equity		
Share capital (<i>Note 7</i>)	10,054,159	951,429
Share-based payments reserve (<i>Note 7</i>)	367,230	214,562
Warrants reserve (<i>Note 7</i>)	2,201,261	296,353
Accumulated other comprehensive income (<i>Note 11</i>)	195,262	-
Accumulated deficit	(1,548,205)	(1,390,282)
	<u>11,269,708</u>	<u>72,062</u>
	\$ 11,495,622	\$ 91,245
Commitments (<i>Note 12</i>)		

On behalf of the Board of Directors:

"George Salamis" Director "Douglas Forster" Director

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

Pinecrest Resources Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Funds)
YEARS ENDED DECEMBER 31, 2014 AND 2013

	Common shares		Share-based payments reserve	Warrants reserves	Accumulated other comprehensive income	Accumulated deficit	Total
	Number	Amount					
Balance – January 1, 2014	5,750,000 ⁽¹⁾	\$ 951,429	\$ 214,562	\$ 296,353	\$ -	\$ (1,390,282)	\$ 72,062
Issued for cash (Note 7(a))	18,000,000	2,298,004	-	1,146,861	-	-	3,444,865
Issued as finder's fees (Note 7(a))	-	(45,829)	-	45,829	-	-	-
Issued to Red Back (Note 5(a))	10,200,000	2,244,000	-	712,218	-	-	2,956,218
Issued to Edgewater (Note 5(a))	20,938,887	4,606,555	-	-	-	-	4,606,555
Share-based compensation (Note 7(c))	-	-	152,668	-	-	-	152,668
Foreign currency translation (Note 11)	-	-	-	-	195,262	-	195,262
Net loss for the year	-	-	-	-	-	(157,923)	(157,923)
Balance – December 31, 2014	54,888,887	\$ 10,054,159	\$ 367,230	\$ 2,201,261	\$ 195,262	\$ (1,548,205)	\$ 11,269,708

	Common shares		Share-based payments reserve	Warrants reserves	Accumulated deficit	Total
	Number	Amount				
Balance – January 1, 2013	5,750,000 ⁽¹⁾	\$ 951,429	\$ 214,562	\$ 296,353	\$ (777,734)	\$ 684,610
Net loss for the year	-	-	-	-	(612,548)	(612,548)
Balance – December 31, 2013	5,750,000	\$ 951,429	\$ 214,562	\$ 296,353	\$ (1,390,282)	\$ 72,062

⁽¹⁾ On December 4, 2014, Pinecrest completed a consolidation of its share capital on a 4:1 basis, meaning four pre-consolidated shares for one post-consolidated share. Based on the 23,000,000 common shares of Pinecrest previously issued and outstanding, this resulted in an aggregate of 5,750,000 issued and outstanding shares on a post-consolidated basis. All share numbers presented in these consolidated financial statements including stock options and share purchase warrants are on post-consolidated basis.

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

Pinecrest Resources Ltd.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE INCOME
(Expressed in Canadian Funds)
YEAR ENDED DECEMBER 31

	2014	2013
EXPENSES		
Accounting and audit fees	\$ 29,798	\$ 20,554
Amortization	614	-
Consultants	1,689	28,000
Foreign exchange	(28,380)	-
Insurance	958	-
Legal	40,342	11,149
Management fees	2,500	50,000
Office	6,068	564
Shareholder relations, marketing, and conferences	3,474	995
Share-based compensation	71,078	-
Transfer agent and regulatory fees	30,047	15,817
Write-off of exploration and evaluation assets (<i>Note 5(b)</i>)	-	486,197
	158,188	613,276
OTHER INCOME		
Interest income	(264)	(728)
Net loss for the year	\$ 157,923	\$ 612,548
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation (<i>Note 11</i>)	(195,262)	-
Comprehensive loss (income) for the year	\$ (37,339)	\$ 612,548
Loss per share – basic and diluted	\$ 0.02	\$ 0.11
Weighted average number of shares outstanding:		
Basic and fully diluted⁽¹⁾	9,384,931	5,750,000

⁽¹⁾On December 4, 2014, Pinecrest completed a consolidation of its share capital on a 4:1 basis, meaning four pre-consolidated shares for one post-consolidated share. Based on the 23,000,000 common shares of Pinecrest previously issued and outstanding, this resulted in an aggregate of 5,750,000 issued and outstanding shares on a post-consolidated basis. All share numbers presented in these consolidated financial statements including stock options and share purchase warrants are in post-consolidated basis.

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

Pinecrest Resources Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Funds)
YEAR ENDED DECEMBER 31

	2014	2013
CASH PROVIDED BY (USED IN):		
Cash flows from operating activities:		
Net loss for the year	\$ (157,923)	\$ (612,548)
Non-cash item:		
Amortization	614	-
Share-based compensation	71,078	-
Unrealized foreign exchange	839	-
Write-off of exploration and evaluation assets	-	486,197
Changes in non-cash working capital:		
Trade and other receivables	(16,163)	5,091
Prepaid expenses	(42,871)	
Trade and other payables	26,501	(18,099)
	<u>(117,925)</u>	<u>(139,358)</u>
Cash flows from investing activities:		
Cash acquired from acquisition of Cape Coast Resources Limited	16,817	-
Cash paid to acquire Enchi Gold Project	(665,984)	-
Exploration and evaluation costs	(197,211)	(35,380)
	<u>(846,378)</u>	<u>(35,380)</u>
Cash flows from financing activities:		
Proceeds from issuance of shares, net of share issuance costs	3,444,865	-
Effect of exchange rate on cash	(890)	-
	<u>2,479,672</u>	<u>(174,738)</u>
Increase (decrease) in cash	2,479,672	(174,738)
Cash – beginning of year	90,802	265,540
Cash – end of year	\$ 2,570,474	\$ 90,802
Supplemental disclosure on non-cash investing and financing activities:		
Fair value of shares issued to acquire Enchi Gold Project	\$ 6,850,555	\$ -
Fair value of broker warrants issued	\$ 45,829	\$ -
Provision for bonus payment	\$ 112,457	\$ -
Fair value of warrants issued to Red Back Mining Ghana Limited	\$ 712,218	\$ -

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

Pinecrest Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Funds)
YEARS ENDED DECEMBER 31, 2014 AND 2013

1. NATURE OF OPERATIONS

Pinecrest Resources Ltd. and its subsidiary (collectively, “Pinecrest or the “Company”) engage principally in the acquisition, advancement and development of precious mineral properties particularly its Enchi Gold Project in Ghana. Pinecrest Resources Ltd., the parent, was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia) on January 18, 2010. Pinecrest is a public company listed on the TSX Venture Exchange (the “Exchange”) (TSX-V: PCR) and its head office is located at Suite 1820 – 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2.

The Board of Directors approved the consolidated annual financial statements for issue on April 23, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies followed in the preparation of these consolidated financial statements is as follows:

Statement of compliance

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

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary. The Company’s sole subsidiary is as follows:

Entity Name	Property	Location	Ownership
Cape Coast Resources Limited	Enchi Gold Project	Ghana	100%

A subsidiary is an entity over which the Company has control. The Company controls an entity when the group 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date which control is transferred to us until the date that control ceases.

All intercompany transactions and balances have been eliminated on consolidation.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of a subsidiary are consistent with the policies adopted by the Company.

Pinecrest Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Funds)
YEARS ENDED DECEMBER 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Cash

Cash includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates. Significant areas where management judgment is applied in these financial statements include the impairment of exploration and evaluation assets and the valuation of options and warrants (which are based upon expected useful lives and other relevant assumptions). By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

Exploration and evaluation assets

Once a license to explore an area has been secured or an option agreement is signed and binding, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets. 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. Management reviews the exploration and evaluation assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction-in-progress within property, plant and equipment. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project, net of any impairment provisions, are written off.

Impairment of non-current assets

Non-current assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

In calculating recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques

Pinecrest Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Share-based payments

The Company grants stock options to certain directors and employees of the Company. Each tranche in an award is considered a separate award with its own vesting year and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting by increasing share-based payments reserve based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. The Company records proceeds from the exercise of stock options and warrants as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value. The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein, the fair value of the common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

Resource estimates

The Company estimates its mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects* (NI 43-101). There are numerous uncertainties inherent in estimating ore resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Pinecrest Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Funds)
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. 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.

Financial instruments

Financial assets

Financial assets are classified into one of four categories:

- Fair value through profit or loss (“FVTPL”);
- Held-to-Maturity (“HTM”);
- Loans and receivables; and
- Available for sale (“AFS”).

Financial assets at fair value through profit or loss (“FVTPL”)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management strategy. Attributable transaction costs are recognized in the Statement of Comprehensive Income when incurred. FVTPL are measured at fair value, and changes are recognized in the Statement of Comprehensive Income.

Held to maturity (“HTM”)

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the Statement of Comprehensive Income.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company classified its financial assets which consisted of cash and trade and other receivables as loans and receivables.

Available for sale (“AFS”)

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the Statement of Comprehensive Income.

Pinecrest Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

Fair value through profit or loss

This category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with the changes in fair value recognized in the Statement of Comprehensive Income.

Other financial liabilities

This category includes trade and other payables and provision for bonus payment which are recognized at amortized cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

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

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the Statement of Loss and Comprehensive Income.

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

Pinecrest Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Funds)
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of Pinecrest Resources Ltd. (parent) and Cape Coast Resources Limited (subsidiary) is the Canadian dollar and US dollar respectively. The presentation currency of the consolidated financial statements is the Canadian dollar. The results and financial position of the subsidiary that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the period-end exchange rate;
- Income and expenses for each statement of income are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in Other Comprehensive Income as cumulative translation adjustment.

On consolidation, exchange differences arising from the translation of the net investment in the foreign entity are taken to Other Comprehensive Income as Foreign Currency Translation Reserve. When a foreign operation is sold or control is lost, such exchange differences are recognized in the Consolidated Statement of Operations as part of the gain or loss on sale.

Comprehensive income

Comprehensive income/loss is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as exchange differences arising from translation of foreign subsidiaries' financial statements into presentation currency. Certain gains and losses are recorded as part of net earnings to be presented in Other Comprehensive Income until it is considered appropriate to recognize into net earnings.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has adopted the new and revised standards and interpretations issued by the IASB listed below effective January 1, 2014. These changes were made in accordance with the transitional provisions outlined in the respective standards and interpretations.

Amendment to IAS 32, Financial Instruments: Presentation, on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company's financial statements.

Amendments to IAS 36, Impairment of Assets ("IAS 36"), on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13, Fair Value Measurement ("IFRS 13"). The amendments did not have a significant effect on the Company's financial statements.

IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37, Provisions. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Company is not currently subjected to levies so the interpretation had no impact on the Company's financial statements.

Pinecrest Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. RECENT ACCOUNTING PRONOUNCEMENTS (cont'd.)

Annual Improvements 2010-2012 Cycle. In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning on January 1, 2014, and it clarifies in the basis for conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 had no impact on the Company's financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2014 are not material to the Company.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

IFRS 9, Financial Instruments ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and FVTPL. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at FVTPL. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has yet to assess the full impact of IFRS 9.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. This standard has no impact to the Company's financial statements as the Company is currently not revenue producing.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Pinecrest Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Funds)
YEARS ENDED DECEMBER 31, 2014 AND 2013

4. PROPERTY AND EQUIPMENT

	Office equipment		Computer hardware		Land		Total
Year ended December 31, 2014							
At Acquisition Date <i>(Note 5(a))</i>	\$ 8,896	\$	1,532	\$	44,609	\$	55,037
Additions	-		-		-		-
Amortization	(293)		(321)		-		(614)
Foreign exchange impact	-		-		-		1,268
At December 31, 2014	<u>\$ 8,603</u>	\$	<u>1,211</u>	\$	<u>44,609</u>	\$	<u>55,691</u>

5. EXPLORATION AND EVALUATION ASSETS

	2014		2013
Acquisition costs			
Balance, beginning of year	\$ -	\$	106,000
Shares and warrants issued to Red Back Mining Ghana Limited	2,956,218		-
Shares issued and cash paid to Edgewater Exploration Ltd.	4,772,268		-
Provision for bonus payment	112,457		-
Professional and regulatory fees	515,983		-
Balance, end of year	<u>\$ 8,356,926</u>	\$	<u>106,000</u>
Exploration and evaluation costs			
Balance, beginning of year	\$ -	\$	344,817
Camp costs	3,158		-
Concession fees, mining permits, and licenses	3,405		32,760
Geological	16,743		-
Management and administration	227		2,620
Resource estimate and studies	144,708		-
Salaries and wages	7,817		-
Share-based compensation	81,590		-
Travel and lodging	2,007		-
Balance, end of year	<u>\$ 259,654</u>	\$	<u>380,197</u>
Foreign exchange impact	192,062		-
Write-off of exploration and evaluation assets	-		(486,197)
Total exploration and evaluation assets	<u><u>\$ 8,808,642</u></u>	\$	<u><u>-</u></u>

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5. EXPLORATION AND EVALUATION ASSETS (cont'd.)

a) Enchi Gold Project, Ghana

On December 4, 2014, the Company completed the acquisition of the Enchi Gold Project (the "Project") located in southwest Ghana from Red Back Mining Ghana Limited ("Red Back"), a wholly-owned subsidiary of Kinross Gold Corporation ("Kinross") (TSX: K; NYSE: KGC) and Edgewater Exploration Ltd. ("Edgewater") (TSX-V: EDW), a company with directors and officers in common. The Project was previously the subject of a joint venture between Red Back (49% interest) and Edgewater (51% interest).

Transaction Terms with Red Back Mining Ghana Limited

Pinecrest signed a definitive agreement with Red Back to acquire Red Back's 49% interest in the Project. In consideration for Red Back's interest in the Project, the Company:

- Issued 10,200,000 common shares to Red Back. The common shares were valued at \$0.22 per share totaling \$2,244,000 which has been classified as acquisition costs of the Project;
- Issued to Red Back an aggregate of 5,000,000 share purchase warrants, which entitles Red Back to purchase up to 5,000,000 common shares of Pinecrest at a purchase price of \$0.30 per share at any time prior to December 4, 2019. The fair value of the warrants issued was \$712,218 which has been classified as acquisition costs of the Project. The fair value of the warrants was determined using the Black-Scholes pricing model with a risk free rate of 1.43%, a volatility factor of 90%, dividend of nil, and an expected life of five years;
- Agreed to pay Red Back a 2% net smelter returns royalty (the "NSR") on production from the Project, with an option for Pinecrest to acquire 1% of the NSR at any time for US\$3.5 million ("Royalty Buyback Right"). This Royalty Buyback Right was indirectly assigned to Sandstorm Gold Ltd. (*Note 6*);
- Agreed to pay Red Back US\$10 for each newly defined ounce of gold contained in any new NI 43-101 measured and indicated mineral resource estimate payable within 120 days from the date Red Back receives notice from Pinecrest of the completion by Pinecrest of a Feasibility Study or any ounce of gold mined, whichever occurs first ("Bonus Payment"). Such amount shall be payable in cash or at Pinecrest's option, in common shares of Pinecrest provided that such issuance would not result in Red Back holding more than 20% of the issued and outstanding shares of Pinecrest. A fair value of \$112,457 was assigned to the Bonus Payment as at the reporting date, which is classified as provision for bonus payment. This value was derived from management's estimate of future cash flows using the preliminary economic assessment report prepared by WSP Canada Inc.;
- Agreed to pay an arm's length party a 2% royalty, up to a maximum amount of USD\$500,000, on future production from one of the Enchi Project licenses; and
- Granted Red Back a right of first refusal to process ore from the Project at Red Back's Chirano Mill, if toll processing is considered by Pinecrest.

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5. EXPLORATION AND EVALUATION ASSETS (cont'd.)

Transaction Terms with Edgewater Exploration Ltd.

Pinecrest signed a definitive agreement with Edgewater to acquire Edgewater's 51% interest in the Project, through the purchase of all of the shares of Edgewater's Ghanaian subsidiary, Cape Coast Resources Limited ("CCRL"), which holds the interest in the Project. In consideration for Edgewater's interest in the Project, the Company:

- Issued 20,938,887 common shares to Edgewater (the "Acquisition Shares"). The common shares were valued at \$0.22 per share totaling \$4,606,555 which has been classified as acquisition costs of the Project;
- All shares issued to Edgewater are subject to resale restrictions of up to 12 months with 25% of the shares to be free trading on June 4, 2015, a further 25% on September 4, 2015, and the balance of 50% on December 4, 2015; and
- Paid to Edgewater a cash payment of \$150,000. The cash payment was recorded as acquisition cost of the Project.

The Company accounted for its acquisition of CCRL as a purchase of assets. In accordance with IFRS 3, Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that are capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination as the Project is an exploration stage property with no defined mineral reserves and did not contain any processes. Consequently, this transaction has been recorded as an acquisition of an asset. As at December 4, 2014 (the "Acquisition Date"), the fair values of CCRL are as follows:

Fair values allocation for CCRL:

Assets acquired:

Cash	\$	16,817
Prepaid expenses		1,338
Exploration and evaluation assets		4,741,453
Property and equipment		55,037

Liabilities assumed:

Trade and other payables		(42,377)
Net assets acquired	\$	4,772,268
Consideration paid to Edgewater	\$	4,772,268

The consolidated financial statements of the Company include the accounts of CCRL from the Acquisition Date to December 31, 2014. The net income of CCRL from the Acquisition Date to December 31, 2014 is \$26,953 which has been consolidated into the Company's consolidated Statement of Comprehensive Income for the year. The Company capitalized \$515,983 in professional and regulatory fees associated with the acquisition of the Project. These costs have been classified acquisition costs of the Project as at December 31, 2014.

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5. EXPLORATION AND EVALUATION ASSETS (cont'd.)

Government of Ghana's participation in mining lease

Where a mineral right is for mining or exploitation, the Government of Ghana shall acquire a 10% free carried interest in the rights and obligations of the mineral operations in respect of which financial contribution shall not be paid by the Government of Ghana. The Company presently holds prospecting licenses.

b) Espiritu Property, Mexico

On July 13, 2011, the Company entered into its option agreement with Kootenay Gold Inc. ("Kootenay"), pursuant to which Kootenay granted to the Company an option to acquire up to an undivided 50 percent interest in the two mineral concessions comprising the Espiritu property located in Sahuaripa, Sonora Mexico. The Company was the operator of the project during the term of the option. On April 15, 2013, the Company terminated its option agreement with Kootenay on the Espiritu project. During the year ended December 31, 2013, the Company wrote off all capitalized costs associated with the Espiritu project which amounted to \$486,197.

6. STRATEGIC ALLIANCE WITH SANDSTORM GOLD LTD.

The Company signed a definitive agreement with Sandstorm Gold Ltd. ("Sandstorm"), which sets out the terms and conditions of an intended strategic alliance. Terms of the strategic alliance are as follows:

- Sandstorm subscribed to 10,000,000 units in the non-brokered private placement completed by Pinecrest (*Note 7(a)*). Sandstorm will hold approximately 18% of the common shares of Pinecrest on completion of the private placement;
- Pinecrest indirectly assigned to Sandstorm all of its rights, title and interest and obligations in the Royalty Buyback Right with Red Back (*Note 5(a)*). No value has been assigned to the Royalty Buyback Right as at the reporting date; and
- Pinecrest granted Sandstorm a right of first refusal for a defined period of time to provide metal stream financing sought by Pinecrest with respect to gold produced from the Project, upon industry-standard terms for such financings.

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7. SHARE CAPITAL

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(a) Private Placement

On December 4, 2014, the Company completed a non-brokered private placement for gross proceeds of \$3,600,000 through the issuance of 18 million units at a purchase price of \$0.20 per unit (the "Private Placement"). Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share for \$0.30 until December 4, 2016.

The Company allocated \$1,146,861 of the net proceeds to the fair value of the warrants issued in connection with this financing, with the remaining \$2,298,004 recorded to share capital. The fair value of the warrants was determined using the Black-Scholes pricing model with a risk free rate of 1.01%, a volatility factor of 105.62%, dividends of nil, and an expected life of the warrants of two years.

The Company paid to arm's-length parties a cash finder's fee of \$81,246 and issued 406,230 broker warrants with an exercise price of \$0.20 exercisable until December 4, 2016. The fair value of the broker warrants issued as finder's fees was \$45,829 which was determined using the Black-Scholes pricing model with a risk free rate of 1.01%, a volatility factor of 105.62%, and an expected life of the warrants of two years. The fair value of the broker warrants was charged to share capital as share issue costs. Total share issue cost in connection with the Private Placement amounted to \$200,964. All securities issued in connection with the Private Placement are subject to a statutory hold period until April 5, 2015.

(b) Share Consolidation

On December 4, 2014, Pinecrest completed a consolidation of its share capital on a 4:1 basis, meaning four pre-consolidated shares for one post-consolidated share. Based on the 23,000,000 common shares of Pinecrest previously issued and outstanding as at December 31, 2013, this resulted in an aggregate of 5,750,000 issued and outstanding shares on a post-consolidated basis. All share numbers presented in these consolidated financial statements including stock options and share purchase warrants are on a post-consolidated basis.

(c) Stock Options

The maximum number of stock options that the Company may grant under its current Stock Option Plan is 10,000,000. As at December 31, 2014, the Company has 6,207,500 stock options available for grant. All stock options granted are subject to the following vesting schedule: 25% at grant date and 25% every six months thereafter.

On December 4, 2014, the Company granted 3,050,000 stock options to directors, officers, consultants, and employees of Pinecrest at \$0.22 per share with an expiry of five years. The total fair value of share-based compensation that vested during the year was \$152,668 of which \$71,078 was expensed and \$81,590 was capitalized into exploration and evaluation assets. The fair value of the warrants was determined using the Black-Scholes pricing model with a risk free rate of 1.43%, a volatility factor of 90%, dividends of nil, and an expected life of five years.

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7. SHARE CAPITAL (cont'd.)

A summary of the Company's stock options as at December 31, 2014 is as follows:

Exercise price	Opening	Granted	Ending	Expiry date	Remaining contractual life in years	Number of options vested
\$0.20	370,000	-	370,000	June 23, 2015	0.48	370,000
\$0.60	95,000	-	95,000	July 12, 2016	1.53	95,000
\$0.76	150,000	-	150,000	September 8, 2016	1.69	150,000
\$0.48	127,500	-	127,500	October 29, 2017	2.83	127,500
\$0.22	-	3,050,000	3,050,000	December 4, 2019	4.93	762,500
	742,500	3,050,000	3,792,500			1,505,000
	\$0.41	\$0.22	\$0.26	Weighted average exercise price		

A summary of the Company's stock options as at December 31, 2013 is as follows:

Exercise price	Opening	Ending	Expiry date	Remaining contractual life in years	Number of options vested
\$0.20	370,000	370,000	June 23, 2015	1.48	370,000
\$0.60	95,000	95,000	July 12, 2016	2.53	95,000
\$0.76	150,000	150,000	September 8, 2016	2.69	150,000
\$0.48	127,500	127,500	October 29, 2017	3.83	127,500
	742,500	742,500			742,500
	\$0.41	\$0.41	Weighted average exercise price		

(d) Warrants

A summary of the Company's share purchase warrants as at December 31, 2014 is as follows:

Exercise price	Opening	Issued	Expired	Ending	Expiry date	Remaining contractual life in years
\$0.60	1,750,000	-	(1,750,000)	-	July 12, 2014	-
\$0.30	-	5,000,000	-	5,000,000	December 4, 2019	4.93
\$0.30	-	18,000,000	-	18,000,000	December 4, 2016	1.93
\$0.20	-	406,230	-	406,230	December 4, 2016	1.93
	1,750,000	23,406,230	(1,750,000)	23,406,230		
	\$0.60	\$0.30	\$0.60	\$0.30	Weighted average exercise price	

A summary of the Company's share purchase warrants as at December 31, 2013 is as follows:

Exercise price	Opening	Ending	Expiry date	Remaining contractual life in years
\$0.60	1,750,000	1,750,000	July 12, 2014	0.53

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8. RELATED PARTY TRANSACTIONS

(a) Trading transactions

The Company's related parties consist of companies owned by management and directors. The Company had a payable balance of \$1,256 as at December 31, 2014 (2013 - \$Nil). All related party transactions were recorded at the amount agreed upon by the related parties.

(b) Compensation of key management personnel

Remuneration of key management personnel during the year was as follows:

	2014		2013	
Short-term benefits	\$	2,500	\$	78,000
Share-based payments		110,118		-
Total	\$	112,618	\$	78,000

Key management includes the Company's senior management and members of the Board of Directors.

	2014		2013	
Management fees	\$	2,500	\$	50,000
Consulting		110,118		28,000
Total	\$	112,618	\$	78,000
Expensed in:				
General and administrative	\$	73,575	\$	78,000
Capitalized in:				
Exploration and evaluation assets	\$	39,043	\$	-
Total	\$	112,618	\$	78,000

9. CAPITAL MANAGEMENT

The Company's objectives in managing its capital resources are to safeguard the entity's ability to continue as a going concern and maximize returns to shareholders in the context of the market. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing equity issues, as necessary, based on the prevailing economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. The Company's principal source of capital is from the issuance of common shares. To meet the objectives, management monitors the Company's ongoing capital requirements against net working capital and assesses additional capital requirements on a case-by-case basis. The Company is not subject to any externally imposed capital requirements. The capital structure of the Company consists of equity attributable to common shareholders comprising of issued capital, warrants reserve, share-based payments reserve, accumulated other comprehensive income, and accumulated deficit.

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10. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial Instruments by Category

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Cash is measured at fair value. Trade and other receivables and trade and other payables are the same as or approximately equal to their respective fair values due to their short-term maturity or capacity of prompt liquidation.

The following provides the carrying amount and fair values of each classification of financial instrument as at December 31, 2014:

	Carrying amount	Fair value
Financial assets		
<i>Loans and receivables</i>		
Cash	\$ 2,570,474	\$ 2,570,474
Trade and other receivables	\$ 16,606	\$ 16,606
Financial liabilities		
<i>Other financial liabilities</i>		
Trade and other payables	\$ 113,457	\$ 113,457
Provision for bonus payment	\$ 112,457	\$ 112,457

The following provides the carrying amount and fair values of each classification of financial instrument as at December 31, 2013:

	Carrying amount	Fair value
Financial assets		
<i>Loans and receivables</i>		
Cash	\$ 90,802	\$ 90,802
Trade and other receivables	\$ 443	\$ 443
Financial liabilities		
<i>Other financial liabilities</i>		
Trade and other payables	\$ 19,183	\$ 19,183

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient capital to meet short-term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of the Company's assets, liabilities, and cash flows. The Company's cash are held as cash deposits which are available on demand to fund the Company's short-term financial obligations.

(c) Credit Risk and Concentration Risk

The Company's credit risk is primarily attributable to its cash and trade and other receivables. The risk exposure is limited to their carrying values at the balance sheet date. Cash is held as cash deposits with counterparties that carry investment grade ratings as assessed by external rating agencies. The Company does not invest in asset-backed deposits or investments. Trade and other receivables consist of input tax credits reimbursable to the Company. Concentration risk exists in cash because significant balances are maintained with one financial institution. The risk is mitigated because cash is maintained with a large Canadian financial institution.

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10. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd.)

(d) Market Risks

The significant market risk to which the Company is exposed is interest rate risk. The Company's interest rate risk arises primarily from the interest earned on cash. Deposits are invested on a short-term basis to enable adequate liquidity for payment of operational and capital expenditures. The Company's other financial assets and liabilities are not subject to interest rate risk since they do not bear interest.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

The functional currency of the parent company, Pinecrest Resources Ltd., is the Canadian dollar. The functional currency of its Ghanaian subsidiary is the US dollar – the currency in which most of its expenditures are denominated in. During the year ending December 31, 2014, the Company recognized a foreign currency translation income of \$195,262 (2013 - \$Nil). This income resulted from the translation of the Ghanaian subsidiary's financial statements, which is denominated in US dollars, into the presentation currency, the Canadian dollar.

12. COMMITMENTS

The Company signed an agreement with WSP Canada Inc. to prepare a NI 43-101 compliant Preliminary Economic Assessment ("PEA") report on its Enchi Gold Project in Ghana. The PEA report is budgeted at \$250,000 (excluding expenses and travel costs) of which \$144,707 has been billed and paid by the Company as at December 31, 2014.

13. SEGMENTED INFORMATION

The Company's business is the acquisition, exploration, evaluation, and development of mineral resource properties, which is currently conducted principally in Ghana. The Company is in the exploration stage and accordingly, has no reportable segment revenues for any of the years presented in these consolidated financial statements.

	2014	2013
Assets by geographic segment, at cost		
<i>Canada</i>		
Total assets	\$ 2,572,383	\$ 91,245
Total liabilities	\$ 71,022	\$ 19,183
Net loss for the year	\$ 184,877	\$ 126,351
<i>Mexico</i>		
Net loss for the year	\$ -	\$ 486,197
Write-off of exploration and evaluation assets	\$ -	\$ 486,197
<i>Ghana</i>		
Total assets	\$ 8,923,239	\$ -
Total liabilities	\$ 154,892	\$ -
Net income for the year	\$ 26,953	\$ -

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14. INCOME TAXES

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision for the years ended December 31 is as follows:

	2014	2013
Loss for the year before income taxes	\$ (157,923)	\$ (612,548)
Effective statutory rate	25%	25%
Expected income tax recovery	\$ (39,481)	\$ (153,137)
Non-deductible expenses	17,770	-
Share issue costs	(14,196)	-
Fair value of expired warrants	36,669	-
Deductions not previously recognized	(2,511,282)	-
Other items	(22,472)	-
Write-off of exploration and evaluation assets	-	121,549
Change in unrecognized tax benefit	2,532,992	31,588
	<u>\$ -</u>	<u>\$ -</u>

Deferred income tax assets and liabilities reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred income tax assets and liabilities as at December 31 are as follows:

	2014	2013
Deferred income tax assets not recognized:		
Non-capital loss carry forwards	\$ 2,705,967	\$ 197,562
Undeducted share issue costs	31,605	7,018
	<u>\$ 2,737,572</u>	<u>\$ 204,580</u>

The Company has non-capital losses in Canada of \$778,741 (2013 - \$790,246), which can be used to reduce taxable income in future years. These non-capital loss carry-forwards are subject to expire on 2034. As at December 31, 2014, the Company's Ghanaian subsidiary has carry-forward exploration costs of GHS 19,849,015 (equivalent to \$7,175,090) that can be used to reduce taxable income in future years. These exploration costs are amortized over a three-year period from the time the Company commences commercial production.