Consolidated Financial Statements of

TRUE NORTH GEMS INC.

As at and for the years ended December 31, 2014 and 2013

Expressed in Canadian dollars

April 27, 2015

Independent Auditor's Report

To the Shareholders of True North Gems Inc.

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of True North Gems Inc. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which discloses conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about True North Gems Inc.'s ability to continue as a going concern.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

TRUE NORTH GEMS INC.
Consolidated Statements of Financial Position

Expressed in Canadian dollars

		December 31, 2014		December 31, 2013
Current assets				
Cash and cash equivalents	$	1,988,992	$	271,095
Restricted cash (note 5)		34,716		60,523
Investments (note 6)		283,950		379,228
Accounts receivable		35,316		18,248
Deposits and prepaid expenses		76,235		59,021
		2,419,209		788,115
Non-current assets				
Property, plant and equipment (note 7)		24,942,674		473,683
Restricted cash - reclamation (note 8)		1,662,973		-
Exploration and evaluation assets (note 9)		3,045,646		23,993,283
		29,651,293		24,466,966
Total assets	**$**	**32,070,502**	**$**	**25,255,081**
Current liabilities				
Accounts payable and accrued liabilities	$	632,879	$	905,201
Current portion of loans payable (note 10)		631,475		-
Current portion of provision for reclamation costs (note 11)		81,772		484,476
		1,346,126		1,389,677
Non-current liabilities				
Deferred income tax liability (note 14)		245,000		-
Loans payable (note 10)		876,977		894,091
Provision for reclamation costs (note 11)		282,975		218,500
		1,404,952		1,112,591
Total liabilities		2,751,078		2,502,268
Equity attributable to common shareholders				
Share capital (note 12(a)&(b))		46,705,857		41,962,189
Reserves (note 12(c))		9,193,969		7,447,311
Deficit		(28,409,206)		(26,802,191)
Accumulated other comprehensive income		60,030		147,030
		27,550,650		22,754,339
Non-controlling interest (note 13)		1,768,774		(1,526)
		29,319,424		22,752,813
Total liabilities and shareholders' equity	**$**	**32,070,502**	**$**	**25,255,081**

Nature of operations and going concern (note 1)
Subsequent events (note 20)

Approved on behalf of the Board:

(signed) David S. Parsons Director (signed) John Ryder Director

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

TRUE NORTH GEMS INC.
Consolidated Statements of Changes in Equity

Expressed in Canadian dollars

	Share capital		Reserves						
	Number of Shares	Amount	Warrants	Contributed surplus	Deficit	Accumulated other comprehensive income	Total common shareholders' equity	Non-controlling interest	Total equity
Balance - December 31, 2012	214,452,241	$ 39,310,384	$ 613,728	$ 6,184,423	$ (25,175,682)	$ -	$ 20,932,853	$ -	$ 20,932,853
Brokered private placement	32,688,493	2,941,964	-	-	-	-	2,941,964	-	2,941,964
Capital raising costs		(334,053)	-	-	-	-	(334,053)	-	(334,053)
Warrants issued		-	43,511	-	-	-	43,511	-	43,511
Warrants exercised	684,400	34,220	-	-	-	-	34,220	-	34,220
Reallocation of the fair value of warrants on conversion		9,674	(9,674)	-	-	-	-	-	-
Warrants expired		-	(604,054)	604,054	-	-	-	-	-
Share-based compensation		-	-	615,323	-	-	615,323	-	615,323
Net loss for year		-	-	-	(1,626,509)	-	(1,626,509)	(1,526)	(1,628,035)
Other comprehensive income for year		-	-	-	-	147,030	147,030	-	147,030
Balance - December 31, 2013	247,825,134	41,962,189	43,511	7,403,800	(26,802,191)	147,030	22,754,339	(1,526)	22,752,813
Shares issued to acquire assets	4,168,820	550,000	-	-	-	-	550,000	-	550,000
Non brokered private placement	45,238,095	4,500,000	-	-	-	-	4,500,000	-	4,500,000
Reallocation of the fair value of warrants issued		(264,959)	264,959	-	-	-	-	-	-
Capital raising costs		(41,373)	(2,113)	-	-	-	(43,486)	-	(43,486)
Share-based compensation		-	-	24,342	-	-	24,342	-	24,342
Net loss for year		-	-	-	(1,607,015)	-	(1,607,015)	(21,857)	(1,628,871)
Other comprehensive loss for year		-	-	-	-	(87,000)	(87,000)	-	(87,000)
Equity investment (note 13)		-	-	1,459,470	-	-	1,459,470	1,792,157	3,251,627
Balance - December 31, 2014	297,232,049	$ 46,705,857	$ 306,357	$ 8,887,612	$ (28,409,206)	$ 60,030	$ 27,550,650	$ 1,768,774	$ 29,319,424

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

TRUE NORTH GEMS INC.
Consolidated Statements of Loss

Expressed in Canadian dollars

	For the year ended December 31, 2014	2013
Operating expenses		
Audit and related services	$ 71,014	$ 49,488
Consulting fees	302,342	227,000
Corporate financial services fees	76,125	101,400
Corporate secretarial and accounting	166,986	147,491
Depreciation	6,243	5,251
Directors fees	54,000	54,000
Exploration and evaluation expenditures	(3,072)	12,759
Farmout receipts (note 9)	(14,500)	(22,500)
Foreign exchange loss (gain)	(70,505)	79,555
General and administrative	184,776	117,172
Investor relations	176,372	54,203
Legal fees	9,448	42,776
Loss on sale of exploration and evaluation assets	-	47,790
Reclamation (note 11)	-	440
Rent and occupancy costs	137,641	109,200
Share-based compensation	24,342	439,487
Transfer agent and filing fees	19,345	40,284
Travel	81,309	86,996
Operating loss	(1,221,866)	(1,592,792)
Other income (expenses)		
Interest income	2,716	6,991
Borrowing costs	(151,722)	(64,204)
Loss before income taxes	(1,370,872)	(1,650,005)
Income tax recovery (expense) (note 14)	(258,000)	21,970
Net loss for year	$ (1,628,872)	$ (1,628,035)
Loss attributable to :		
Shareholders	$ (1,607,015)	$ (1,626,509)
Non-controlling interest	(21,857)	(1,526)
	$ (1,628,872)	$ (1,628,035)
Loss per share - basic and fully diluted	$ (0.01)	$ (0.01)
Weighted average number of common shares - basic and fully diluted	272,401,394	233,741,154

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

TRUE NORTH GEMS INC.
Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars

	For the year ended December 31,	
	2014	**2013**
Net loss for year	$ (1,628,872)	$ (1,628,035)
Item that may be reclassified subsequently to net loss		
Unrealized gain (loss) on available-for-sale investments, net of income tax recovery $13,000 (2013 expense-$21,970)	(87,000)	147,030
Comprehensive loss for year	$ (1,715,872)	$ (1,481,005)
Comprehensive income attributable to:		
Shareholders	$ (1,694,015)	$ (1,479,479)
Non-controlling interest	(21,857)	(1,526)
	$ (1,715,872)	$ (1,481,005)

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

TRUE NORTH GEMS INC.
Consolidated Statements of Cash Flows

Expressed in Canadian dollars

	For the year ended December 31, 2014	2013
Operating activities		
Net loss for year	$ (1,628,872)	$ (1,628,035)
Adjustments for:		
Borrowing costs	19,675	9,846
Depreciation	6,243	5,251
Farmout receipts	(4,500)	(7,500)
Income tax expense (recovery)	258,000	(21,970)
Loss on sale of exploration and evaluation assets	-	47,790
Reclamation	-	440
Share-based compensation	24,342	439,487
Unrealized foreign exchange loss (gain) - translation	(40,041)	83,262
	(1,365,153)	(1,071,429)
Changes in non-cash working capital items (note 15)	(180,901)	(134,300)
Reclamation expenditures (note 11)	(402,704)	(274,570)
Cash provided by (used in) operating activities	(1,948,758)	(1,480,299)
Investing activities		
Property, plant and equipment additions	(769,451)	(12,697)
Restricted cash - reclamation	(1,662,570)	-
Proceeds from sale of exploration and evaluation assets	-	50,000
Exploration and evaluation expenditures	(2,143,856)	(2,078,131)
Changes in working capital items relating to investing activities	(100,545)	306,590
Cash provided by (used in) investing activities	(4,676,422)	(1,734,238)
Financing activities		
Debt advances	642,397	852,170
Debt repayments	-	(58,500)
Shares and warrants issued for cash	4,500,000	2,941,964
Capital raising costs	(43,486)	(290,542)
Warrants exercised	-	34,220
Non-controlling interest - equity investment	3,251,626	-
Cash provided by (used in) financing activities	8,350,537	3,479,312
Increase (decrease) in cash and cash equivalents	1,725,357	264,775
Effect of exchange rate changes on cash and cash equivalents	(7,460)	2,163
Cash and cash equivalents - beginning of year	271,095	4,157
Cash and cash equivalents - end of year	**$ 1,988,992**	**$ 271,095**

Supplemental disclosure of cash flow information (note 15)

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

Expressed in Canadian dollars

1. Nature of operations and going concern

True North Gems Inc. (the "Company") was incorporated in the Yukon Territory under the Business Corporations Act on May 25, 2001. The Company's corporate office is located at Suite 700, 1055 West Georgia Street, Vancouver, BC V6E 3P3. The Company and its subsidiary (collectively referred to, as the "Company") are engaged in exploration and development of coloured gemstone deposits in Greenland and Canada.

The Aappaluttoq Ruby and Pink Sapphire Deposit located in SW Greenland for which the Company was awarded an exploitation (mining) licence in March of 2014. Additionally, the Company has a portfolio of exploration and evaluation assets in Greenland and in Canada that it is currently exploring.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2014, the Company had incurred a net loss attributable to shareholders totalling $1,607,015. The accumulated deficit at December 31, 2014 is $28,409,206.

Based on the Company's financial position at December 31, 2014, available funds are not considered adequate to meet requirements for fiscal 2015 based on budgeted and committed expenditures for operations, mine development and project exploration. To meet 2015 expenditure requirements, the Company will have to access financial resources through the issuance of securities or debt. These conditions cast significant doubt on the Company's ability to continue as a going concern.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Board of Directors on April 24, 2015.

3. Accounting policies

a) Basis of presentation

The consolidated financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4.

Expressed in Canadian dollars

3. Accounting policies

These consolidated financial statements are prepared in Canadian dollars. The functional currency of the Company and its subsidiary is the Canadian dollar, which is the presentation currency.

b) Basis of consolidation
These consolidated financial statements include the accounts of the Company and its subsidiary. All inter-entity balances and transactions have been eliminated.

A subsidiary is an entity controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has the rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. A subsidiary is fully consolidated from the date on which control is obtained by the Company and de-consolidated from the date that control ceases.

The following entity has been consolidated within the consolidated financial statements:

Subsidiary	**Jurisdiction of Incorporation & Domiciled**	**Functional Currency**
True North Gems Greenland A/S	Greenland	CAD

The change in ownership interest and voting control in the subsidiary is set out below:

	Parent Company's Holdings		
	Class A Shares	Ownership Interest	Voting Control
Balance – December 31, 2012	500	100%	100.00%
Sale of share (note 13)	(1)	(.02%)	(0.18%)
Balance – December 31, 2013	499	99.98%	99.82%
Shares issued (see below)	75,033,334	(7.00%)	(6.86%)
Balance – December 31, 2014	75,033,833	92.98%	92.96%

On October 3, 2014, True North Gems Greenland A/S ("TNGG") issued True North Gems Inc. 75,033,334 Class A shares in consideration for expenditures incurred on the Greenland Properties up to December 31, 2013.

c) Foreign currency transactions
Transactions in currencies other than the functional currency of the reporting entity are recorded at rates of exchange prevailing on the dates of such transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated.

Expressed in Canadian dollars

3. Accounting policies - continued

d) Cash and cash equivalents
Cash is cash on deposit with banks and cash equivalents are money market investments with maturities on date of acquisition of 90 days or less. Cash and cash equivalents are designated as loans and receivables.

e) Accounts receivable
Accounts receivable are stated at carrying value, which approximates fair value due to short terms to maturity, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due.

f) Property, plant and equipment
Property, plant and equipment are stated at cost of acquisition less accumulated depletion or depreciation and impairment losses, if any. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset. Depreciation is provided for on a declining balance and straight-line basis at rates calculated to write off the cost less estimated residual value of each asset over it expected useful life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life. Construction in progress is not depreciated; rather it is deferred until the asset is ready for use, at which point the deferred amount is transferred to the appropriate asset category and depreciated.

Depletion
Costs Mineral properties are not depleted until the properties to which they relate are put into commercial production at which time the costs will be depleted on a unit-of-production basis over the estimated resources and or ore reserves.

Depreciation
The depreciation rates applicable to each category of asset are as follows:

Computer equipment and software	30% declining balance
Laboratory and gem processing equipment	20% declining balance
Office furniture and equipment	20% declining balance
Plant and equipment	3 or 10 years straight line

g) Exploration and evaluation assets
Exploration and evaluation expenditures are capitalized once the legal right to explore a mineral property interest has been acquired. Exploration and evaluation expenditures are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, claim maintenance and exploration and evaluation of mineral property interests together with any incidental revenues are capitalized and deferred until the commercial viability of the asset is established, sold, abandoned or impaired. The depreciation of property and equipment assets in connection with exploring or evaluating a mineral property interest of this nature will be included in the cost of the intangible asset.

Expressed in Canadian dollars

3. Accounting policies - continued

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, expenditures are reclassified to mine construction and development costs within property, plant and equipment and carried at cost until the properties to which they relate are placed into commercial production, sold, abandoned or determined by management to be impaired.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as:

- The extent to which mineral reserves or mineral resources, as defined in National Instrument 43-101, have been identified through a pre-feasibility study;
- Status of mining licences;
- Status of operating and environmental permits;
- Status of other agreements to allow mining operations; such as, Income Benefit Agreements; and,
- Status of construction financing.

Exploration and evaluation assets are assessed for impairment when reclassified to mine construction and development costs, or when facts and circumstances indicate impairment. An impairment loss is recognized for the amount by which the exploration and evaluation assets' carrying value exceeds it recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal or their value in use.

From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are recorded in the statement of loss.

Exploration and evaluation assets are assessed for impairment at each reporting date when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

h) Impairment on a non-financial asset

At each reporting date, the Company reviews its long-lived assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Expressed in Canadian dollars

3. Accounting policies - continued

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs of disposal ("FVLCD") and the asset's value in use. FVLCD is the amount that would be obtained from the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties less costs of disposal. For mineral assets, when a binding sale agreement is not readily available, FVLCD is often estimated using a discounted cash flow approach. In assessing value in use, the estimated future flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves or resources, future commodity prices and future operating, capital and reclamation costs. The discount rate applied to estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset. Determining the discount rate includes appropriate adjustments for the risk profile of the countries in which the individual CGU operates. If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the statement of income (loss).

Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment charge subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount but only so that the increased carrying amount does not exceed the carrying amount that would have been determine (net of depreciation, depletion or amortization) had no impairment loss been recognized for the asset in prior years. A reversal of impairment is recognized as a gain in the statement of income (loss).

i) Provisions for site restoration

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company.

On initial recognition, the estimated net present value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-financial asset or charged to statement of income (loss) if the property has been written off. Discount rates using a pre-tax rate that reflects the time value of money and the risk associated with the liability ae used to calculate the net present value. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation.

j) Income taxes

Income tax expenses or recovery comprises current and deferred tax. 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.

Expressed in Canadian dollars

3. Accounting policies - continued

Current tax expense is the expected payable on the taxable income for the period using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities, 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.

Deferred tax is provided on temporary differences arising between the carrying amounts of net assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the liability method. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable loss. Deferred tax is also not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable they will 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 rates enacted or substantively enacted at the financial position date.

k) Share-based payment transactions
The Company grants stock options to directors, officers, employers and service providers. Each tranche in an award is considered a separate award with its own vesting period and fair values. The Company applies the fair-value method of accounting for share-based payments. The fair value is calculated using the Black-Scholes option pricing model.

Share-based payments for employees and others providing similar services are determined based on the grant date fair value. Share-based payments for non-employees is determined based on the fair value of the goods or services received or option granted measured at the date on which the Company obtains the goods or services.

Compensation expense is recognized over each tranche’s vesting period, in the consolidated statement of loss or capitalized as appropriate, based on the number of awards that vest less the estimated forfeitures. The number of forfeitures likely to occur is estimated on the grant date. If stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

The Company may also issue common shares for the acquisition of exploration and evaluation assets. The shares will be recorded at the market price of the shares on the stock exchange where the Company’s shares are traded at date of issuance, which is usually the date of approval of the transaction by the stock exchange.

Expressed in Canadian dollars

3. Accounting policies - continued

l) Share capital

i. Proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised.
ii. Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value reduced by an estimate of transaction costs incurred when such shares are issued for cash.
iii. On a unit offering, the Company prorates the proceeds between the relative fair values of the shares issued and the Black-Scholes value of the warrants issued.

m) Financial assets

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

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Cash and cash equivalents, certain of the Company's investments and accounts receivable have been designated as loans and receivables and are initially recorded at fair value. After initial measurement, loans and receivable are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization period.

Available-for-sale – Non-derivative financial assets not included in loans and receivables are classified as available-for-sale. Certain of the investments have been designated as available-for sale and are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale asset constitutes objective evidence of impairment, the amount of the loss is removed from other comprehensive income (loss) and recognized in the statement of loss.

All financial assets are subject to review for impairment at each reporting date. The Company assesses at each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which is described above.

n) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

The Company classifies its financial liabilities as other financial liabilities. This category includes accounts payable and debt consisting of Class B shares in TNGG and loans payable, all of which are initially recognized at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest method.

Expressed in Canadian dollars

3. Accounting policies - continued

o) Loss per share
Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted and warrants outstanding.

When a loss is incurred during the reporting period, the exercise of options and warrants is considered anti-dilutive and the basic and diluted loss per share are the same.

p) Segment reporting
The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

q) Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

r) New accounting policies and accounting standards not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). The Standards that are applicable to the Company are as follows:

IFRIC 21-Levies
IFRIC 21 is an interpretation of IAS 37, Provisions, contingent liabilities and contingent assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to the liability to pay a levy is the activity described in relevant legislation that triggers the payment of the levy. IFRIC became effective the fiscal year beginning January 1, 2014. The adoption of this standard did not result in any change to the Company's consolidated financial statements.

IAS 36- Impairment of assets
IAS 36 addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments became effective for the fiscal year beginning January 1, 2014. The adoption of this standard did not result in any change to the Company's consolidated financial statements.

Expressed in Canadian dollars

3. Accounting policies - continued

Amendments to other standards issued but not yet adopted

IFRS 9 – Financial instruments - classification and measurement
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 fair value though profit and loss ("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 as 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.

4. Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

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 future periods affected.

The Company has identified the following accounting policies under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's statement of financial position within the next years. Actual results may differ from these estimates.

Commercial viability and technical feasibility – Aappaluttoq Ruby and Pink Sapphire Deposit
In making the reclassification decision, management assessed the technical feasibility and commercial viability of the project and concluded that the Aappaluttoq Ruby and Pink Sapphire Deposit can be developed to a point where it can extract resources disclosed in its 43-101 Report, prepared in accordance with the respective National Instrument. The Company was awarded the Exploitation Licence, all requisite operating permits, environmental and social impact agreements were in place and construction financing secured during 2014. Upon consideration of these factors, management concluded the Aappaluttoq Ruby and Pink Sapphire Deposit exploration and evaluation expenditures should be reclassified to mine construction and development costs within property, plant and equipment.

Expressed in Canadian dollars

4. Significant accounting estimates and judgments - continued

Immediately prior to the reclassification, an impairment test was performed by management on the above asset. The impairment test is based on comparing the carrying amount to the recoverable amount. The recoverable amount is the higher of the value in use and, which is based on discounted cash flows and fair value less costs of disposal (the amount obtainable from the sale of an asset or a cash-generating unit ("CGU") in an arm's length transaction between knowledgeable, willing parties, less costs of disposal). Where there is no binding sale agreement or active market, fair value less costs of disposal is based on the best available information available to estimate what after-tax rate of return a market participant might expect to achieve for an arm's length acquisition of the CGU, using estimated cash flows, which include capital expenditures.

In making the assessment, management used the fair value less costs of disposal ("FVLCD") model to estimate fair value based on a discounted cash flow technique generated from a detailed life of mine financial model. The significant assumptions that, which affect the financial analysis include; exchange rate, capital expenditures, operating costs, gemstone selling price and mineral reserve estimates. These estimates are subject to certain risks and uncertainties that may affect the determination of the recoverability of the Aappaluttoq Ruby and Pink Sapphire Deposit. Upon completion of impairment test, management concluded there was no impairment.

Functional currency
The functional currency of the Company's subsidiary, TNGG, is the currency of the primary economic environment in which the entity operates. Management had determined the functional currency of TNGG is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment. Upon commencement of mine development of the Appalluttoq Ruby and Pink Sapphire Deposit in 2014, management reconsidered the following primary factors to determine the functional currency:

- the currency that mainly effects the prices at which the goods and services are sold
- the currency of the country whose regulations, market conditions and competitive forces mainly affect the pricing policy of the TNGG
- the currency that influences the costs and expenses of TNGG

Based on consideration of these factors, it was determined that functional currency effective December 31, 2014 is the US dollar.

Investment in subsidiary –True North Gems Greenland A/S ("TNGG")
TNGG is consolidated as a subsidiary. During the year ended December 31, 2014, the TSX Venture Exchange approved the Option Agreement dated August 7, 2013, as amended effective October 30, 2014, between the Company and LNS Greenland A/S ("LNSG") under which LNSG has been granted an option to earn a 20% interest of the issued and outstanding Class A shares of TNGG (note 13). On October 30, 2014, LNSG invested US $3,000,000 into TNGG and were issued 5,722,939 Class A shares of TNGG from treasury representing a 7% equity interest (note 13). Upon completion of earn-in, LNSG will own 27% of TNGG's Class A shares.

Expressed in Canadian dollars

4. Significant accounting estimates and judgments - continued

A subsidiary is an entity controlled by a company. Management reviewed the following criteria to determine whether the Company had control over TNGG:

a. the Company's power over TNGG;
b. the Company's exposure, or rights, to variable returns from its involvement with TNGG; and,
c. the Company's ability to use its power over TNGG to affect the amount of its return.

In reviewing the rights granted to the Company set out in the Shareholders' Agreement; it was concluded that the Company holds the substantive rights to direct the primary activities of TNGG, which affects the risks and reward from the Appalluttoq Ruby and Pink Sapphire Deposit thus controlling the entity.

Exploration and evaluation assets – impairment assessment
The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that the future economic benefits are probable either from future exploitation or sale or where activities have not reached a stage, which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after and expenditures is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of loss in the period when the new information becomes available.

Financial liability – put option (note 9(a))
The determination of the fair value of the financial liability relating to the put option involves significant judgment. On initial recognition, the fair value of the financial liability is based on the expected fair value of the resources given up in the future to settle the liability. Judgment was required by management in determining that the put option related to the Class B shares held by Greenland Venture A/S does not result in the transfer of risks and rewards of ownership and therefore, accounted for as a financial liability.

Going concern
These consolidated financial statements have been prepared on the assumption that the Company is able to continue as a going concern. Additional information relating to the going concern assumption is disclosed in note 1.

Site restoration and environmental provisions
The Company has accounted for site restoration and environmental provisions that existed as of the year end based on facts and circumstances that existed as at December 31, 2014. The Company reviews facts and circumstances surrounding its exploration program, existing laws, contracts and other policies. A material reclamation obligation involves a number of estimates relating to timing, type of costs and associated contract negotiations and a review of potential methods and technical advancements.

Expressed in Canadian dollars

5. Cash – restricted

During the year ended December 31, 2014, the Company redeemed $23,000 from the funds of $57,500 invested on June 1, 2011 in a variable rate GIC, as collateral for the credit limit extended by MasterCard. The funds are reinvested annually on the anniversary date and bear interest at the rate of 1.05% (2013 - 1.2%) per annum.

6. Investments

	2014			2013
	Cost	Accumulated unrealized holding gain (loss)	Carrying value	Carrying value
.8% Term deposit maturing July 9, 2015	$ 27,950	$ -	$ 27,950	$ 27,728
Endurance Gold Corporation (note 15)	175,000	75,000	250,000	350,000
Pacific Ridge Explorations Ltd. (note 9)	12,000	(6,000)	6,000	1,500
	$ 214,950	**$ 69,000**	**$ 283,950**	**$ 379,228**

7. Property, plant and equipment

	Mine construction and development costs	Plant and equipment - in construction	Computer equipment and software	Laboratory and gem processing equipment	Office furniture and equipment	Plant and equipment - exploration	Total
Cost							
Balance - December 31, 2012	$ -	$ -	$ 101,923	$ 6,061	$ 3,828	$ 1,193,193	$ 1,305,005
Additions	-	-	12,697	-	-	-	12,697
Balance - December 31, 2013	-	-	114,620	6,061	3,828	1,193,193	1,317,702
Reclassification from exploration and evaluation assets (note 9)	23,235,882	-	-	-	-	-	23,235,882
Additions	904,689	351,922	5,589	7,573	-	-	1,269,773
Capitalized interest	29,870	-	-	-	-	-	29,870
Provision for reclamation (note 11)	64,475	-	-	-	-	-	64,475
Balance - December 31, 2014	$ 24,234,916	$ 351,922	$ 120,208	$ 13,634	$ 3,828	$ 1,193,193	$ 25,917,703
Accumulated depreciation							
Balance - December 31, 2012	$ -	$ -	$ 84,139	$ 4,804	$ 671	$ 626,041	$ 715,655
Depreciation	-	-	5,969	251	631	121,513	128,364
Balance - December 31, 2013	-	-	90,108	5,055	1,302	747,554	844,019
Depreciation	-	-	7,892	1,098	506	121,514	131,010
Balance - December 31, 2014	$ -	$ -	$ 98,000	$ 6,153	1,808	$ 869,068	$ 975,029
Carrying amount - December 31, 2013	**$ -**	**$ -**	**$ 24,512**	**$ 1,006**	**$ 2,526**	**$ 445,639**	**$ 473,683**
Carrying amount - December 31, 2014	**$ 24,234,916**	**$ 351,922**	**$ 22,208**	**$ 7,481**	**$ 2,020**	**$ 324,125**	**$ 24,942,674**

Expressed in Canadian dollars

7. Property, plant and equipment - continued

Mine construction and development costs

Aappaluttoq Ruby and Pink Sapphire Project
The property is located in southwest Greenland approximately 150 kilometres south of the capital Nuuk and 20 kilometres southeast of the town of Qeqertarsuatsiaat. The site of the Aappaluttoq Ruby and Pink Sapphire Project is located on Exploitation Licence 2014/21, which is registered with the Government of Greenland to TNGG. This licence is a 30-year exclusive mining licence covering an area of approximately 20 square kilometres granted on March 14, 2014 and expiring on March 7, 2044 (note 9).

8. Restricted cash – reclamation

Pursuant to the terms of the Escrow and Pledge Agreement dated September 22, 2014 between TNGG, the Government of Greenland and the Bank of Greenland, TNGG is required to place DKK 22,505,500 (approximately CAD $4,242,286) into an escrow account based on the 10 stages of the construction activity. The funds are being held at the Bank of Greenland, as security for the fulfillment of any abandonment (closure) obligations. As at December 31, 2014, DKK 8,822,137 (CAD $1,662,973) is being held in the escrow.

9. Exploration and evaluation assets

Greenland Property
The property consists of the following:

Licences	**Licence Renewal Date**	**2015 Exploration Obligation**		**Surplus Expenditures - December 31, 2014**	
Exploration Licences		DKK	CAD	DKK	CAD
Fiskenaesset - Licence 2008/46	December 31, 2015	3,714,750	$ 700,230	21,910,959	$ 4,130,216
Qaqqatsiaq - Licence 2008/01	December 31, 2017	1,238,540	$ 233,465	951,970	$ 179,446
Manitsoq - Licence 2014/47	December 31, 2018	270,100	$ 50,914	364,609	$ 68,729

Surplus expenditures on the exploration licences may be carried forward and credited against the calculated exploration commitment in future years, which is subject to confirmation by the Mineral Licencing and Safety Authority (“MLSA”).

Expressed in Canadian dollars

9. Exploration and evaluation assets – continued

Fiskenaesset – Licence 2008/46 was obtained by the Company satisfying all the terms of an option agreement with Brereton Engineering and Developments Ltd. ("Brereton"). The Company was required to make a one time cash payment of $500,000 (paid November 1, 2014), which was charged to mine construction and development costs, and issue $500,000 worth of shares from treasury (3,703,704 shares issued March 13, 2014), which was charged to exploration and evaluation assets, to Brereton when Licence 2014/21 was granted (note 7). The Qaqqatsiaq - Licence 2008/01 and Maniitsoq - Licence 2014/47 are not subject to any agreements, royalties or encumbrances.

Additionally, the Company holds a non-exclusive prospecting licence, Licence 2011/07, for West Greenland that expires December 31, 2015, which has no minimum expenditure levels over the licence term to maintain in good standing.

Baffin Island Property
The property is located on southeastern Baffin Island, Nunuvut, near the town of Kimmirut. The Company holds a 100% interest in 10 claims of which 2 claims are subject to a 2% Net Smelter Returns royalty and a 2% Gross Overriding royalty.

Other Yukon Properties

a) Straw Property
During the year ended December 31, 2013, the Company entered into an Option Agreement with Pacific Ridge Exploration Ltd. ("Pacific") whereby Pacific has the right to acquire a 100% interest in 43 claims located in the Finlayson District, Yukon Territory by making an initial cash payment of $15,000 (paid February 4, 2013) and issue of 250,000 shares on closing (fair value at date of issue $7,500 (note 6)). An additional cash payment of $10,000 and 150,000 shares (fair value at date of issue $4,500 (note 6) of Pacific were received January 9, 2014 and the agreement was completed.

b) Tsa da Glisza Property
Pursuant to an agreement dated March 7, 2002 with Expatriate Resources Ltd., the Company acquired 100% of the Tsa da Glisza Property. The property consists of 93 claims located in the Watson Lake Mining District, Yukon Territory. There has been no recent exploration activity on this property. Currently, the Company is incurring costs with respect to reclamation of the property.

c) True Blue Property
The property consists of 301 claims located 55 kilometres south of Ross River, Yukon.

Expressed in Canadian dollars

9. Exploration and evaluation assets – continued

The following table details the expenditures on exploration and evaluation assets by area of interest:

Areas of Interest	**Greenland Property**	**Baffin Island Property**	**Other Yukon Properties**	**Total**
Balance - December 31, 2013	$ 23,089,657	$ 903,625	$ 1	$ 23,993,283
Total acquisition costs for year	895,576	-	-	895,576
Exploration expenditure				
Camp construction and operation	254,568	-	-	254,568
Licence and application fees	283,012	-	-	283,012
Other	111,517	-	-	111,517
Permitting	35,288	-	-	35,288
Plant and equipment - depreciation	94,388	-	-	94,388
Technical services	439,161	-	-	439,161
Travel	117,244	-	-	117,244
Total exploration for year	1,335,177	-	-	1,335,177
Total expenditures before the following	25,320,410	903,625	1	26,224,036
Gemstone test marketing study	57,492	-	-	57,492
Reclassification to mine construction and development costs (note 7)	(23,235,882)	-	-	(23,235,882)
Balance - December 31, 2014	**$ 2,142,020**	**$ 903,625**	**$ 1**	**$ 3,045,646**

Expressed in Canadian dollars

9. Exploration and evaluation assets – continued

The following table details the expenditures on exploration and evaluation assets by area of interest:

Areas of Interest	Greenland Property	Baffin Island Property	Other Yukon Properties	Total
Balance - December 31, 2012	$ 20,658,687	$ 903,625	$ 322,781	$ 21,885,093
Total acquisition costs for year	220,426	-	-	220,426
Exploration expenditure				
Advances	67,776	-	-	67,776
Aviation	48,192	-	-	48,192
Camp construction and operation	121,906	-	-	121,906
Engineering	309,906	-	-	309,906
Gemstone processing	26,069	-	-	26,069
Licence and application fees	149,541	-	-	149,541
Other	86,320	-	10	86,330
Permitting	335,676	-	-	335,676
Plant and equipment - depreciation	123,113	-	-	123,113
Reclamation (note 11)	3,900	-	-	3,900
Share-based compensation	129,784	-	-	129,784
Technical services	563,946	-	-	563,946
Travel	128,277	-	-	128,277
Total exploration for year	2,094,406	-	10	2,094,416
Total expenditures before the following	22,973,519	903,625	322,791	24,199,935
Farmout receipts	-	-	(50,000)	(50,000)
Gemstone test marketing study	116,138	-	-	116,138
Sale of exploration and evaluation assets	-	-	(272,790)	(272,790)
Balance - December 31, 2013	**$ 23,089,657**	**$ 903,625**	**$ 1**	**$ 23,993,283**

10. Debt

	2014	2013
Current debt (a)	$ 631,475	$ -
Non-current debt (b)		
Equity investment – Class B shares	$ 122,977	$ 108,491
Term loan	754,000	785,600
Non-current debt	$ 876,977	$ 894,091

Expressed in Canadian dollars

10. Debt - continued

a) TNGG has a credit facility of up to DKK 3,300,000 (approximately CAD $622,050) from Greenland Venture A/S ("Greenland Venture") with repayment guaranteed by the Company. The loan bears interest at the rate of 12% per annum. The loan principal and accrued interest thereon was due on November 5, 2014 (Ministerial approval of the Exploitation and Abandonment Plan under Sections 19 and 43 of Mineral Resources Act and Articles 12 and 13 of Exclusive Licence No. 2014/21 was received on August 5, 2014, which represented the final authorization required to commence mine development of the Aappaluttoq Ruby and Pink Sapphire Deposit). As a result of the nonpayment by the due date, the interest rate increased to 18% per annum. In the event that the loan is not repaid in full within six months of the due date, Greenland Venture's may deem the loan to be in default and enforce the guarantee (note 1).

b) During the year ended December 31, 2013, a financial agreement was entered into with Greenland Venture whereby Greenland Venture contributed DKK 4,500,000 in TNGG by the following:
   i. 500 Class B shares with a par value of DKK 1,000 per share representing a 50% ownership stake in TNGG. The Class B shares entitle the holder to 9.1% of the votes and have preferential right to dividends of 10% per annum calculated on the basis of their nominal value, meaning that the B-shares shall receive its preferential dividends before any dividends are paid to the A-shares. The preferential right is cumulative and is transferred to later years if no dividends are declared. The DKK 500,000 equity component is considered a financial liability for accounting purposes based on features of the put option granted to Greenland Venture's exercisable on or after fifth anniversary date of the funding of the final draw (June 14, 2013). The expected settlement amount of the obligation is anticipated to be DKK 750,000 and the premium of DKK 250,000 is being accreted over the term as a borrowing cost and the 10% annual cumulative dividend is being accrued as a borrowing cost; and,
   ii. DKK 4,000,000 term loan bears interest at the rate of 10% per annum payable annually in arrears. The principal balance of DKK 4,000,000 and any accrued interest thereon are repayable on the fifth anniversary date of the funding of the final draw (June 14, 2013) on the credit facility (the "Maturity Date") with repayment guaranteed by the Company. TNGG is entitled to repay the loan in full or in part including accrued payable interest thereon as at the date of repayment and including an early payout premium of 5% of the outstanding loan at any time before the Maturity Date.

Expressed in Canadian dollars

11. Provision for reclamation

The Company has an obligation under various agreements to reclaim and restore the lands disturbed by its exploration and mine development activities. Changes to the provision are as follows:

	Greenland Property	Baffin Island Property	Tsa da Glizsa	Total
Balance - December 31, 2012	$ 186,100	$ 28,060	$ 759,045	$ 973,205
Revision in estimates	3,900	440	-	4,340
Expenditures	-	-	(274,569)	(274,569)
Balance - December 31, 2013	190,000	28,500	484,476	702,976
Revision in estimates	64,475	-	-	64,475
Expenditures	-	-	(402,704)	(402,704)
Balance - December 31, 2014	$ 254,475	$ 28,500	$ 81,772	$ 364,747

The Company's asset retirement obligation recorded in 2014 relates to the decommissioning and closure of the Aappaluttoq Ruby and Pink Sapphire Deposit that is currently being developed into a mine. The expected timing of the cash flows in respect of the provision is based on the life of the mining operations. The provision is calculated as the present value of future net cash outflows based on an inflation rate of 1.90% and discount rate of 0.84%. The discount rate is a risk-free rate determined based on the Denmark 10 year bond yield. The inflation rate used in determining the present value of the future cash outflows is based on the Denmark inflation rate as the majority of the expenditures are expected to be incurred in Danish krone.

12. Equity

a) Authorized – Unlimited number of common shares without par value

b) Private placements
   i. The Company completed a brokered private placement of 32,688,493 units at a price of $0.09 per unit in two tranches that closed on April 5 and June 14, 2013 respectively. The gross proceeds of the unit placement totalled $2,941,964. Finder's fees of $147,098 were paid and 980,656 finder's warrants were issued, convertible into one common share at a price of $0.09 for a period of three years.
   ii. The Company completed a non-brokered private placement of 16,667,667 units at a price of $0.09 that closed on January 8, 2014. The gross proceeds of the unit placement totalled $1,500,000. Each unit comprised of one common share and one-half share purchase warrant, each whole share purchase warrant entitling the holder to acquire one common share for a period of two years at a price of $0.12 per share.
   iii. The Company completed a non-brokered private placement of 28,571,428 shares at a price of $0.105 that closed on October 30, 2014. The gross proceeds of the placement totalled $3,000,000.

Expressed in Canadian dollars

12. Equity - continued

c) Reserves

Reserves consist of share purchase warrants and the accumulated fair value of common share stock options recognized as share-based compensation.

Warrants

	2014			2013		
	Number of warrants		**Amount**	**Number of warrants**		**Amount**
Opening balance	980,656	$	43,511	31,654,900	$	613,728
Warrants issued	8,333,334		262,846	980,656		43,511
Warrants exercised	-		-	(684,400)		(9,674)
Warrants expired	-		-	(30,970,500)		(604,054)
Closing balance	**9,313,990**	**$**	**306,357**	**980,656**	**$**	**43,511**

The fair value of the 8,333,334 warrants issued in connection with the unit private placement completed during the year ended December 31, 2014 totalled $262,846. The warrants were valued using the Black-Scholes valuation model, using the following assumptions:

Warrant term	Volatility	Dividend yield	Risk-free interest rate	Warrants Issued		Fair value		Warrant issue costs		Net
2 years	89.10%	0%	1.12%	8333,334	$	264,959	$	2,113	$	262,846

The fair value of the 980,656 broker warrants issued in connection with the unit private placement completed during the year ended December 31, 2013 totalled $43,511. The warrants were valued using the Black-Scholes valuation model, using the following assumptions:

Warrant term	Volatility	Dividend yield	Risk-free interest rate	Warrants Issued		Fair value		Warrant issue costs		Net
2 years	131.85%	0%	2.41%	166,667	$	8,437	$	-	$	8,437
2 years	135.44%	0%	2.67%	813,989		35,074		-		35,074
				980,656	$	43,511	$	-	$	43,511

Expressed in Canadian dollars

12. Equity - continued

At December 31, 2014, the following share purchase warrants are outstanding:

Number of warrants outstanding	Exercise price	Expiry date
166,667	$0.09	04 Apr 2016
813,989	$0.09	13 Jun 2016
8,333,334	$0.12	07 Jan 2016
9,313,990		

Stock options

On June 26, 2014, the shareholders approved the Stock Option Plan (the "Plan"), for which up to 10% of the issued share capital can be reserved for issuance to executive officers, directors, employees and consultants. The exercise price of the options is set at the Company's closing share price on the day before the grant date less the applicable discount permitted under the TSX Venture Exchange policies. The options have a maximum term of five years and vest at date of grant. At December 31, 2014, 11,023,205 options are available for future grant under the Plan.

Stock option transactions for the years ended December 31, 2014 and 2013 and the number of stock options outstanding and exercisable are summarized for the respective financial year ends as follows:

	2014		2013	
	Number of options	Weighted Average Exercise Price of Options Exercisable	Number of options	Weighted Average Exercise Price of Options Exercisable
Opening balance	24,000,000	$0.13	18,725,000	$0.15
Options granted	300,000	$0.12	7,350,000	$0.12
Options expired	(4,950,000)	$0.15	(950,000)	$0.38
Options forfeited	(650,000)	$0.14	(1,125,000)	$0.16
Closing balance	18,700,000	$0.13	24,000,000	$0.13

The fair value of the 300,000 options granted during the year ended December 31, 2014 resulted in a compensation expense of $24,342 that was charged to operations. The options were valued using the Black-Scholes valuation model with the following assumptions:

Expected life	Volatility	Dividend yield	Risk-free interest rate	Options Granted	Fair value
5 years	85.81%	0%	1.62%	300,000	$ 24,342

Expressed in Canadian dollars

12. Equity - continued

The fair value of the 7,350,000 options granted during the year ended December 31, 2013 resulted in a compensation expense of $615,323 ($439,487 was charged to operations and $175,836 was charged to exploration and evaluation expenditures). The options were valued using the Black-Scholes valuation model with the following assumptions:

Expected life	Volatility	Dividend yield	Risk-free interest rate	Options Granted		Fair value
5 years	89.91%	0%	1.62%	7,050,000	$	590,307
5 years	89.06%	0%	1.82%	300,000		25,016
				7,350,000	$	615,323

At December 31, 2014, stock options outstanding are as follows:

Number of options outstanding and exercisable	Range of exercise prices	Weighted Average Exercise Price of Options Exercisable	Weighted Average Remaining Contractual Life
7,300,000	$0.15	$0.15	0.89
3,750,000	$0.10	$0.10	2.98
7,650,000	$0.12	$0.12	3.89
18,700,000	$0.13	$0.13	2.53

13. Non-controlling interest

In August 2013, LNSG acquired from the Company 1 Class A share with a par value of DKK 1,000 representing a 0.02% ownership stake in TNGG (note 3). On October 30, 2014, LNSG acquired a 7% equity interest in TNGG by investing US$3,000,000 (CAD $3,251,627) and were issued 5,722,939 Class A shares from treasury. At December 31, 2014, LNSG's stake holdings in TNGG entitle them to 7.04% of the votes (note 3). As a result of the issue of additional shares by TNGG, there was dilution of the Company's ownership interest. The effect of this transaction on the equity attributable to the owners is as follows:

Consideration received from non-controlling interest ("NCI")	$	3,251,627
Equity attributable to NCI		(1,792,157)
Dilution gain	$	1,459,470

Expressed in Canadian dollars

13. Non-controlling interest - continued

In addition to the above arrangement, the Company and LNSG entered into an Option Agreement dated August 7, 2013, as amended effective October 30, 2014, whereby LNSG has been granted the option to earn 20% of the issued and outstanding Class A shares of TNGG. To earn in, LNSG is contributing all infrastructure and engineering costs together with construction to operational status for the Aappaluttoq Ruby and Pink Sapphire mine. The earn-in will occur as certain milestones of the project are achieved. In addition, the relationship between the Company and LNSG are governed by four additional agreements, which will be effective upon earn in, the TNGG Shareholders Agreement, the Lease and Purchase Agreement, the Management Agreement and the Pledge Agreement (whereby the Company has pledged the Class A TNGG shares, which may be earned by LNSG as security for LNSG's earn-in expenditures). The Shareholders' Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively formalize the procedural protocols for management of TNGG and grant certain rights to LNSG with respect to directing the relevant activities of TNGG. The Lease and Purchase Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively, is a nine year lease for the ore storage facility, two port facilities, mine operations camp, workshop, site roads, power plant and the fuel and explosive storage facility at the project. The lease fee is DKK 998,985 (approximately $188,300) per month for the first twelve months and escalates by 2.5% per annum thereafter. The Company has the right to acquire all of the leased assets at any time during the lease term for DKK 94,650,000 (approximately $17,842,000) of which all of the lease payments to date of exercise will be credited to the purchase price. After the lease term the Company may acquire all of the assets for DKK 8,000,000 (approximately $1,508,000). Additionally, the Company has the option to acquire only the primary crusher and processing facility assets at any time during the lease term for DKK 29,650,000 (approximately $5,589,000) of which the proportionate amount of lease payments to date of exercise for these assets will be credited to the purchase price. After the lease term the Company may acquire these assets for DKK 3,300,000 (approximately $622,000). The Management Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively governs all parties' cooperation, division of duties and each participant's obligations in respect of exploration, marketing and mining activities.

Expressed in Canadian dollars

13. Non-controlling interest - continued

Set out below is summary financial information for TNGG that is material to the group. The amounts disclosed for TNGG are based on those amounts included in consolidated financial statements before intercompany eliminations.

Summary of statements of financial position

		2014		2013
NCI percentage		**7.04%**		**0.18%**
Current assets	$	1,154,683	$	983,160
Less - current liabilities		(2,544,402)		(57,629)
		(1,389,718)		925,532
Non - current assets		27,669,231		-
Less - non-current liabilities		(1,376,452)		894,091
		26,292,779		894,091
Net assets	$	24,903,060	$	1,819,622
Accumulated NCI	$	1,768,774	$	(1,526)

Summary of statements of loss and comprehensive loss

		For the year ended December 31, 2014		2013
Net loss and comprehensive loss for year	$	(462,957)	$	(76,309)
Loss allocated to NCI	$	(21,857)	$	(1,526)

Summary of statements of cash flows

		For the year ended December 31, 2014		2013
Cash flows from operating activites	$	(287,158)	$	68,740
Cash flows from investing activites	$	(1,516,441)	$	-
Cash flows from financing activites	$	2,921,441	$	(67,580)

Expressed in Canadian dollars

14. Income taxes

The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates as a result of the following:

		2014		**2013**
Statutory rates		26.00%		25.75%
Income tax recovery computed at statutory rates	$	332,976	$	419,219
Other permanent differences		(8,706)		(4,084)
Permanent differences on share-based compensation		(6,329)		(158,446)
Rate differences		949,006		2,264
Deferred tax benefits not recognized		(1,524,947)		(236,983)
Income tax recovery (expense)	**$**	**(258,000)**	**$**	**21,970**

At December 31, 2014 and 2013, the deferred tax assets are not recognized on the following temporary differences as it is not likely that sufficient future taxable profits will be available to utilize such differences:

		2014		**2013**
Deferred tax assets				
Exploration and evaluation assets	$	54,845	$	-
Financing costs		73,720		111,409
Non-capital loss carry forwards		10,445,116		3,408,736
Other		24,557		24,557
Property, plant and equipment		-		375,553
Unrealized gain on available-for-sale investments		17,940		38,228
Total gross deferred income tax assets		10,616,178		3,958,483
Deferred tax assets not recognized		(4,102,018)		(3,905,975)
		6,514,160		52,508
Deferred tax liabilities				
Exploration and evaluation expenditures		-		(52,508)
Property, plant and equipment		(6,759,160)		
	$	**(245,000)**	**$**	**-**

Expressed in Canadian dollars

14. Income taxes - continued

At December 31, 2014, the Company has Greenlandic and Canadian, which may be carried forward to apply against future year's income for Canadian income tax purposes, subject to final determination by taxation authorities, expiring as follows:

	Greenland	Canada
2015	$ -	$ 1,084,454
2026	-	1,371,187
2027	-	1,812,507
2028	-	2,104,451
2029	-	1,273,826
2030	-	997,877
2031	-	1,217,064
2032	-	852,910
2033	-	1,331,821
2034	-	610,033
Indefinitely	23,848,402	-
	$ 23,848,402	**$** 12,656,138

The Company has cumulative resource pools of $3,562,878, which can be carried forward indefinitely to offset future taxable income in Canada. The Company's unamortized share issue costs for tax purposes, which are available to reduce taxable income of years 2015-2018 amounts to $283,539. TNGG's unamortized acquisition costs for exploitation and exploration licences for tax purposes, which are available to reduce taxable income of years 2015-2017 amounts to $1,190,508 (DKK 6,315,690).

15. Supplementary disclosure of cash flow information

	2014	**2013**
Changes in non-cash working capital items		
Restricted cash	$ 25,807	$ (1,166)
Accounts receivable	(17,068)	10,764
Deposits and prepaid expenses	(17,214)	(42,293)
Accounts payable and accrued charges	(172,426)	(101,605)
	$ (180,901)	$ (134,300)

Expressed in Canadian dollars

15. Supplementary disclosure of cash flow information - continued

		2014		2013
Non-cash investing and financing activities				
Shares received on farm out of exploration and evaluation assets	$	-	$	7,500
Shares received on sale of exploration and evaluation assets (note 6)	$	-	$	175,000
Shares issued- mine construction and development costs	$	500,000	$	-
Property, plant and equipment - depreciation	$	30,378	$	-
Property, plant and equipment - reclamation	$	64,475	$	-
Exploration and evaluation assets				
Shares issued- acquisition of exploration and evaluation assets	$	50,000	$	-
Plant and equipment - depreciation	$	94,388	$	123,113
Reclamation - Greenland	$	-	$	3,900
Stocks options granted to project management - exploration expenditure	$	-	$	129,784
Stocks options granted to project management - gemstone test marketing	$	-	$	46,052
Warrants issued to agents	$	24,342	$	43,511

		2014		2013
Interest income received	$	3,691	$	5,578
Interest paid	$	92,952	$	-

16. Related party transactions

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

At December 31, 2012, there was a loan balance of $3,000 outstanding to key management personnel. During the year ended December 31, 2013, the Company was loaned $44,000 from key management personnel. The outstanding loan balance of $47,000 was repaid during the year.

Details of key management personnel compensation are as follows:

		2014		2013
Services provided:				
Consulting fees	$	412,407	$	507,272
Directors fees		54,000		54,000
Share-based compensation		-		351,672
Key management personnel compensation	$	466,407	$	912,944

Expressed in Canadian dollars

16. Related party transactions – continued

		2014		2013
Balances payable to key management personnel for compensation	$	96,000	$	134,815

Balances payable are included in accounts payable and accrued liabilities.

17. Segmented information

The Company's operations comprise one reportable segment, exploration and development of mineral properties. The Company carries on business in Canada and Greenland. The carrying value of the Company's non-current assets on a geographical basis is as follows:

	2014			2013		
	Canada	Greenland	Total	Canada	Greenland	Total
Property, plant and equipment	$ 18,510	$ 24,924,165	$ 24,942,674	$ 15,095	$ 458,588	$ 473,683
Restricted cash - reclamation	-	1,662,973	1,662,973	-	-	-
Exploration and evaluation assets	903,626	2,142,020	3,045,646	903,626	23,089,657	23,993,283
Total	$ 922,136	$ 28,729,158	$ 29,651,293	$ 918,721	$ 23,548,245	$ 24,466,966

18. Management of capital risk

The Company's objectives when managing its capital is to maintain the ability to continue as a going concern in order to pursue the development of its mineral properties for the benefits of its stakeholders and to maintain flexible capital structure, which optimizes the costs of capital at an acceptable risk level.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company monitors actual expenses to budget for exploration and mine development projects and overheads to manage costs, commitments and exploration and mine development activities.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

Expressed in Canadian dollars

18. Management of capital risk - continued

The Company's investment policy is generally to invest its cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. Periodically, the Company will invest in interest bearing investments with maturities exceeding 90 days, if it is for a specific purpose.

The Company will be required to access financial resources through equity placements in the junior resource market in the current year to sustain operations of the Company. Further information related to management of capital risk and liquidity is set out in note 1.

19. Financial instruments

a) Fair values

The Company's financial assets and liabilities consist of cash and cash equivalents, restricted cash, accounts receivable, investments, accounts payable and debt.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:
Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices; and,
Level 3 – inputs for the asset or liability that are not based on observable market data.

At December 31, 2014, the Company's financial assets that are measured and recognized at fair value on a recurring basis are categorized as follows:

			2014		**2013**
Investments	Level 1	$	256,000	$	351,500

The carrying value of the Company's cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair value at December 31, 2014 and 2013 due to their short term nature. The fair value of accounts payable and debt may be less than the carrying value as a result of the Company's credit and liquidity risk.

Expressed in Canadian dollars

19. Financial instruments - continued

b) Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk.

i. Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Greenland and a portion of its expenses are incurred in US dollars and Danish krones. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and Danish krone could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2014, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Danish krones:

	2014		**2013**	
	USD	**DKK**	**USD**	**DKK**
Cash	575	5,936,356	9	281,133
Accounts payable and accrued liabilities	-	(1,068,295)	(889)	(2,010,964)
Borrowing costs	-	(461,421)	-	-
Loans payable	-	(7,346,110)	-	(4,000,000)
Net liability position	575	(2,939,470)	(880)	(5,729,831)

Based on the above net exposure as at December 31, 2014 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and the Danish krone would result in an increase/decrease of $55,342 (2013 - $112,534) in the Company's net loss.

ii. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's term deposits included in short-term investments are held through large Canadian financial institutions. Term deposits are composed of financial instruments issued by Canadian banks with high investment-grade ratings. The term deposit matures annually.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in notes 1 and 19.

Accounts payable and accrued liabilities are due within the current operating period.

Expressed in Canadian dollars

19. Financial instruments – continued

iv. Interest risk

Interest risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its current and non-current loans.

20. Subsequent events

From January 1, 2015 to April 24, 2015:

a) The Company granted options to directors, officers, employees and consultants entitling them to acquire 7,100,000 common shares at a price of $0.16 per share up to January 29, 2020.

b) Options entitling the holders to acquire 900,000 common shares at a price of $0.15 per share expired unexercised.

c) Options entitling the holder to acquire 100,000 common shares at a price of $0.12 per common share were converted and 100,000 common shares were issued.

d) TNGG entered into an operating lease for office premises on March 1, 2015 for a period of 22 months renewable annually thereafter. The lease obligation over the term is $299,258 (DKK 1,587,575). The monthly lease payment of $13,603 (DKK 72,162.50) includes base rent and operating costs.