

TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Transatlantic Mining Corp.

We have audited the accompanying consolidated financial statements of Transatlantic Mining Corp., which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit 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 Transatlantic Mining Corp. as at December 31, 2014, and its financial performance and its cash flows for the year 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 describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Transatlantic Mining Corp. for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2014.

A handwritten signature in black ink, appearing to read 'DMCL'.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 30, 2015

TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	December 31, 2014	December 31, 2013
	(\$)	(\$)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 11)	428	150,920
Receivables (Note 9)	542,006	69,645
Prepaid expenses	23,740	37,915
Advances made to a related party (Note 5)	-	522,280
Due from a related party (Notes 5 and 8)	-	110,668
Advances	-	50,000
	566,174	941,428
Non-Current Assets		
Exploration and evaluation assets (Note 4)	269,989	3,802,403
Total Assets	836,163	4,743,831
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	794,106	353,597
Total Liabilities	794,106	353,597
EQUITY (DEFICIT)		
Share capital (Note 6)	9,047,914	8,922,914
Shares to be issued (Note 6)	1,930,830	607,744
Share-based payment reserve (Note 6)	633,496	633,496
Deficit	(11,570,183)	(5,773,920)
Total Equity (Deficit)	42,057	4,390,234
Total Liabilities and Equity	836,163	4,743,831

Nature of operations and going concern (Note 1)
Events after the reporting period (Note 16)

“Bernie Sostak”, Director
Bernie Sostak

“Rob Tindall”, Director
Rob Tindall

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

TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	For the year ended December 31, 2014 (\$)	For the year ended December 31, 2013 (\$)
MINERAL PROPERTY EXPENSES (Notes 4 and 5)	179,582	857,696
ADMINISTRATION EXPENSES		
Administrative costs	7,008	34,956
Corporate communications	854	105,317
Consulting (Note 5)	981,781	136,870
Filing fees	53,711	100,944
Management fees (Note 5)	119,840	119,694
Office (Note 5)	24,570	101,090
Professional fees (Note 5)	222,835	605,535
Project investigation costs	215,034	225,823
Promotion	21,346	1,441
Share-based compensation (Note 5 and 6)	-	132,239
Travel	108,981	83,843
Total administration expenses	1,755,960	1,647,752
Loss before other items	1,935,542	2,505,448
OTHER ITEMS		
Gain on settlement of debt (Note 8)	-	(7,688)
USDA settlement (Note 4)	50,641	-
Loss on disposition of exploration and evaluation asset (Note 4)	3,191,290	-
Impairment of receivable (Notes 4 and 5)	582,670	-
Foreign exchange	36,120	190,649
	3,860,721	182,961
NET AND COMPREHENSIVE LOSS	5,796,263	2,688,409
Basic and diluted loss per common share	0.07	0.04
Weighted average number of common shares	78,755,801	72,494,569

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

TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013
(Expressed in Canadian dollars)

	Share Capital		Share-based payment reserve	Shares to be issued	Deficit	Total Equity
	Shares	Amount (\$)				
Balance, December 31, 2012	63,700,322	6,612,517	447,904	-	(3,085,511)	3,974,910
Shares issued for cash (Note 6)	10,000,000	2,000,000	-	-	-	2,000,000
Share issuance costs – cash (Note 6)	-	(150,750)	-	-	-	(150,750)
Share issuance costs – warrants (Note 6)	-	(68,549)	68,549	-	-	-
Shares to be issued (Note 6)	-	-	-	607,744	-	607,744
Options exercised (Note 6)	-	15,196	(15,196)	-	-	-
Shares issued for warrants and options (Note 6)	3,250,000	384,500	-	-	-	384,500
Shares issued for acquisition of exploration and evaluation asset (Notes 4 and 6)	1,000,000	130,000	-	-	-	130,000
Share-based payments (Note 6)	-	-	132,239	-	-	132,239
Net and comprehensive loss	-	-	-	-	(2,688,409)	(2,688,409)
Balance, December 31, 2013	77,950,322	8,922,914	633,496	607,744	(5,773,920)	4,390,234
Shares issued for acquisition of exploration and evaluation asset (Notes 4 and 6)	1,000,000	125,000	-	-	-	125,000
Shares to be issued (Note 6)	-	-	-	1,323,086	-	1,323,086
Net and comprehensive loss	-	-	-	-	(5,796,263)	(5,796,263)
Balance, December 31, 2014	78,950,322	9,047,914	633,496	1,930,830	(11,570,183)	42,057

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

TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the year ended December 31, 2014 (\$)	For the year ended December 31, 2013 (\$)
OPERATING ACTIVITIES		
Net loss	(5,796,263)	(2,688,409)
Adjustment for non-cash items:		
Share-based payments	-	132,239
Loss on disposition of exploration and evaluation asset	3,191,290	-
Impairment of receivable	582,670	-
Net changes in non-cash working capital items:		
Receivables	(2,672)	(54,220)
Prepaid expenses	5,610	(14,838)
Advances made to a related party	(60,390)	(522,280)
Due from a related party	110,668	(81,526)
Advances	50,000	(16,189)
Accounts payable and accrued liabilities	440,509	274,120
Net operating cash flows	(1,478,578)	(2,971,103)
INVESTING ACTIVITIES		
Proceeds received on disposition of exploration and evaluation asset	5,000	-
Mineral property acquisition costs	-	(14,989)
Net investing cash flows	5,000	(14,989)
FINANCING ACTIVITIES		
Loan payable	-	(1,756)
Shares to be issued	1,323,086	607,744
Shares issued for cash	-	2,384,500
Share issuance costs	-	(150,750)
Net financing cash flows	1,323,086	2,839,738
Decrease in cash	(150,492)	(146,354)
Cash and cash equivalents, beginning	150,920	297,274
Cash and cash equivalents, ending	428	150,920

Supplemental non-cash transactions (Note 7)

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

**TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

1. NATURE OF OPERATIONS AND GOING CONCERN

Transatlantic Mining Corp. (formerly Archeon Star Resources Inc.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia). The Company is engaged in the acquisition and exploration of mineral property interests. The Company’s registered and head office is located at Suite 800 - 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5. The Company’s shares are listed on the TSX Venture Exchange (“TSXV”) under the symbol “TCO”.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company’s continued existence is dependent upon its ability to raise additional capital, the continuing support of its creditors, and ultimately the attainment of profitable operations and positive cash flows. Failure to obtain sufficient financing will have an adverse effect on the financial position of the Company and its ability to continue as a going concern. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to adjustments that might be necessary to the carrying values, classification of assets and liabilities, and the reported operating results should the Company be unable to continue as a going concern. For the year ended December 31, 2014 the Company incurred an operating loss of \$5,796,263 (2013 - \$2,688,409), and as at December 31, 2014 had a working capital deficit of \$227,932 (2013 – working capital surplus of \$587,831). Management’s plan includes continuing to pursue additional sources of financing through equity offerings, and where practical, reducing overhead costs.

2. BASIS OF PRESENTATION

These financial statements were approved for issue by the board of directors on April 30, 2015.

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standard (“IFRS”) as issued by International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”).

Consolidation

These consolidated financial statements include the records of the Company’s wholly owned Australian based subsidiary, Archeon Star Resources Australia Pty Ltd (“ASA”). All intercompany transactions, balances and any unrealized gains and losses from intercompany transactions are eliminated in preparing the consolidated financial statements.

Significant estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

**TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

2. BASIS OF PRESENTATION (CONTINUED)

Significant estimates and assumptions (continued)

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the determination of the functional currency of the parent company and its subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

The Company's principal accounting policies are outlined below:

(a) Foreign currency translation

The financial statements for the Company and its subsidiary are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is the Canadian dollar. The functional currency of the Company and its subsidiary is the Canadian dollar.

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of comprehensive loss.

(b) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of the mineral property when those obligations result from the acquisition, development or normal operations of the assets. The net present value of future rehabilitation cost estimates arising from decommissioning a site and other work is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are renewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to comprehensive loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provisions as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss and incurred.

(d) Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes: 1) researching and analysing historical exploration data 2) gathering exploration data through topographical, geochemical and geophysical studies 3) exploratory drilling, trenching and sampling 4) determining and examining the volume and grade of the resource 5) surveying transportation and infrastructure requirements 6) conducting market and finance studies.

Exploration and evaluation costs are charged to profit and loss as incurred except for expenditures associated with the acquisition of exploration and evaluation assets, which are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit and loss in the consolidated statements of comprehensive income or loss.

(e) Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income taxes (continued)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of outstanding shares in issue during the reporting period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In a loss reporting period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilute.

(g) Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in net assets that results from transactions and other events from non-owner sources and includes items that are not included in net profit (loss), such as unrealized gains and losses related to available for sale securities, gains and losses on certain derivative instruments and foreign currency and gains and losses resulting from the translation of self-sustaining foreign operations.

The Company has no items that are required to be reported in comprehensive income. Accordingly, net loss equals comprehensive loss.

**TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

TRANSATLANTIC MINING CORP.
(FORMERLY ARCHEAN STAR RESOURCES INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of non-financial assets

At each statement of financial position date, in accordance with IAS 36 "Impairment of Assets", the Company assesses whether there is any indication that any of those assets have suffered an impairment loss. If any indication exists, the Company estimates the asset's recoverable amount.

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the reporting period. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss for an individual asset or CGU shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

The recoverable amount is the greater of an asset's or CGU fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

(j) Warrants

The Company uses the residual method for accounting for warrants. Under this method warrants are assigned a value equal to the excess of the unit purchase price over the then prevailing market price of the Company's shares. When the units are priced at or below market there is no excess and the warrants are valued at nil.

(k) Segment reporting

A reportable segment, as defined by 'IFRS 8 Operating Segments', is a distinguishable business or geographical component of the Company, which are subject to risks and rewards that are different from those of other segments. The Company considers its primary reporting format to be business segments. The Company considers that it has only one reportable segment, being the mineral exploration segment. As the political risks, likelihood of positive results, assets, liabilities and cash flows of the mineral exploration segment are substantially the same to those of the consolidated Company; no separate analysis has been provided.

(l) Comparative figures

Certain comparative figures may have been reclassified to conform with current year's presentation.

TRANSATLANTIC MINING CORP.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Accounting Standards Issued But Not Yet Effective

IFRS 9, Financial Instruments, is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this revised standard and is currently assessing the impact that it will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

4. MINERAL PROPERTY

	Gnaweeda Gold Project (\$)	Monitor Project (\$)	Total for the year ended December 31, 2014 (\$)	Total for the year ended December 31, 2013 (\$)
Acquisition costs				
Balance, beginning	3,657,414	144,989	3,802,403	3,657,414
Additions		125,000	125,000	144,989
Disposition	(3,657,414)	-	(3,657,414)	-
Balance, ending	-	269,989	269,989	3,802,403

(a) Gnaweeda Gold Project

On November 4, 2009, the Company’s subsidiary ASA and Teck Australia Pty Ltd. (“Teck”) entered into an option agreement whereby the Company can earn 100% of Teck’s interest in Chalice Gold Mines Ltd.’s (“Chalice”) tenements (“Gnaweeda Gold Property”) located in Western Australia:

Upon Teck acquiring a 70% interest in the Gnaweeda Project, Chalice chose to become a joint venture participant with Teck. However, Chalice will not contribute to the exploration program and its interest in the joint venture will therefore dilute. Teck has earned an 87.07% interest in the tenements.

At any time after ASA exercises the option, Teck has the option to earn back a 75% interest provided that it delivers a notice to ASA and incurs aggregate expenditures of AUD\$7.5 million before the fourth anniversary of such notice. If Teck exercises its option, ASA and Teck will form a joint venture to further develop the tenements and share the expenditures (ASA -25% and Teck – 75%). Should Teck elect not to form such a joint venture, it will be entitled to a 10% net profits interest royalty on the tenements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

4. MINERAL PROPERTY (CONTINUED)

(a) Gnaweeda Gold Project (continued)

In order to earn the interest, the Company has to spend AUD\$3,200,000 over a four year period as follows:

- (i) AUD\$200,000 on or before March 31, 2010 (completed);
- (ii) AUD\$750,000 on or before the 1st anniversary, November 4, 2010 (completed);
- (iii) AUD\$750,000 on or before the 2nd anniversary, November 4, 2011 (completed);
- (iv) AUD\$750,000 on or before the 3rd anniversary, November 4, 2012 (completed); and
- (v) AUD\$750,000 on or before the 4th anniversary, November 4, 2013 (completed).

As at December 31, 2014, ASA spent AUD\$2,920,377 (December 31, 2013 - AUD\$2,856,878), before 12% charges on the expenditures for administrative services, on the Gnaweeda Gold Property. After the addition of the allowable 12% administration charges, ASA has spent AUD\$3,270,822 (December 31, 2013 – AUD\$3,199,703) and has completed the property expenditure requirement for the fourth anniversary payment.

By spending in excess of AUD\$3,200,000 in property expenditures, including the permitted 12% administration fee, on the Gnaweeda Gold Project within the time period as outlined in the option agreement, the Company has earned Teck's approximately 87.07% interest in Gnaweeda, subject to a 75% back in right by Teck, and the Company provided Teck with a notice of exercise of the option.

On July 4, 2014, the Company entered into an agreement with an arm's-length party to dispose of its Gnaweeda property, comprising interests in five tenements in Western Australia. As consideration for the property, the Company received a deposit of AUD \$5,000 and received a further AUD \$495,000 upon closing subsequent to December 31, 2014. The Company will receive a further AUD \$500,000 upon establishment of a Joint Ore Reserves Committee-compliant mineral resource of at least 150,000 ounces of gold, and AUD \$250,000 for every consecutive 50,000 ounces of poured gold sourced from the property, capped at 200,000 ounces of poured gold for a total of AUD\$1 million. At December 31, 2014, the Company recognized a receivable of \$516,818 (AUD \$495,000 plus GST of AUD \$50,000) for the payment received after December 31, 2014 (Note 9). The Company realized a loss on sale of the property of \$3,191,290, which includes write off of related receivables of \$23,480 (Note 9) and prepaid expenses of \$8,565.

On December 29, 2014 the Company filed a draft valuation of its Gnaweeda property with the TSXV with respect to the disposition of the property, and obtained TSXV approval on March 31, 2015.

(b) Monitor Property

On February 5, 2013, the Company entered into an option and joint venture agreement with American Cordillera Mining Corporation ("AMCOR"), and Northern Adventures LLC ("NALLC") whereby it has the right to earn 80% of AMCOR's 100% leasehold Interest in a Purchase Option Mining Lease Agreement between AMCOR and NALLC on the Monitor Property, located in Idaho, USA. In order for the Company to earn the 80% interest in the Monitor Property, subject to certain underlying royalties, the Company must:

- (i) pay US\$25,000 in cash (paid);
- (ii) incur property expenditures of US\$2.1 million over three years, of which the first US\$700,000 is a firm commitment; and

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4. MINERAL PROPERTY (CONTINUED)

(b) Monitor Property (continued)

- (iii) issue 3,000,000 common shares of the Company in stages, of which 1,000,000 common shares were issued upon TSXV acceptance (issued with a fair value of \$130,000) (Note 6), a further 1,000,000 common shares on the first anniversary (issued with a fair value of \$125,000) (Note 6), and the final 1,000,000 common shares on the second anniversary (issued subsequent to December 31, 2014) (Note 16).

On March 12, 2015, the Company signed an amended agreement which confirmed that the first US\$700,000 in expenditures has been satisfied, the second US\$700,000 in expenditures is extended to February 6, 2016, and the third US\$700,000 in expenditures is extended to February 5, 2017. In exchange for this extension, the Company must pay additional consideration of 1,500,000 common shares (issued) and \$25,000 cash (paid) within 20 days of execution of the amendment (Note 16).

The Company shall have the right to exercise a buyout clause and thereby purchase a 100% interest in the Property from NALLC, and thereby terminate the Purchase Option Mining Lease Agreement. Upon exercise of this buy-out option, AMCOR shall be obligated to contribute 20% of the cost of the acquisition of the property.

If the Company exercises the option AMCOR shall receive a 20% carried interest until such time as the earlier of:

- (a) a NI 43-101 compliant Feasibility Study is done; and
(b) The Company has notified AMCOR in writing of its decision to proceed with mining of the property.

At this time, a joint venture shall automatically be deemed to be formed between the Company and AMCOR, where AMCOR will hold a 20% joint venture interest and the Company will hold an 80% joint venture interest in the Monitor claims.

During the year ended December 31, 2014, the Company paid a fine of \$50,641 to the US Department of Agriculture ("USDA") to resolve the Forest Service's resource damage claim, which was recognized in comprehensive loss.

(c) Ansongo Manganese Project

On December 10, 2013, the Company signed a non-binding term sheet with Tassiga Ltd. ("Tassiga") pursuant to which the Company proposes to initially acquire a 30% ownership in the Ansongo manganese project ("Ansongo Project"), with a three-year option to acquire up to 70% of the project.

On July 4, 2014, the Company entered into a letter agreement with respect to the acquisition of an interest in the Ansongo Project in Mali, West Africa, which replaces the term sheet of December 10, 2013. Under the new letter agreement, the Company can acquire, by outright purchase and the exercise of options, up to a 58.31% indirect interest in the Ansongo Project by acquiring issued shares of Ansongo Ltd. ("Ansongo"), which owns an indirect 70.419% interest in the project through various subsidiary companies, as follows:

- The Company has agreed to purchase 3,335 Ansongo shares representing an indirect 4.70% interest in the Ansongo project for \$1,000,000;

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4. MINERAL PROPERTY (CONTINUED)

(c) Ansongo Manganese Project (continued)

- The Company has the option to purchase a further 18,259 Ansongo shares representing an indirect 25.72% interest in the Ansongo project by:
 - Incurring a minimum of \$3,000,000 in exploration and development expenditures on or before June 30, 2016, of which \$500,000 is to be incurred within 90 days of TSXV acceptance and a further \$500,000 is to be incurred by June 12, 2015; and
 - Issuing to the vendor 30,000,000 common shares of the Company on or before June 30, 2016.
- The Company has the option to purchase a further 19,806 Ansongo shares representing an indirect 27.89% interest in the Ansongo project by :
 - Issuing 2,000,000 common shares of the Company, provided the market price for the Company's shares at the time is at least \$0.20 per share. If the market price is not at least \$0.20 per share, the payment may be made in cash with the agreement of the parties at the rate of \$400,000 or the market price at the date of exercise multiplied by 2,000,000, whichever is the greater.

In addition to the foregoing, if after the exercise of the first option and prior to July 30, 2016, the market price for the Company's shares is \$0.50 per share or greater, the Company is required to issue to the vendor an additional 5,000,000 common shares of the Company.

The vendor of the Ansongo Project is a private company in which Gregor Theiser, a previous director of the Company, is a shareholder. Accordingly, the transaction is not an arm's-length transaction under TSXV policy.

On December 29, 2014, The Company received a notice of termination with respect to its agreement to acquire an interest in the Ansongo Project. Under the terms of the agreement, the amount paid of \$582,670 and expenses incurred of \$417,330, for a total of \$1,000,000 plus 10% interest is to be returned to the Company. The Company is currently assessing its position with respect to the purported termination. As the recovery of the funds is uncertain, the receivable was written off resulting in an impairment charge of \$582,670.

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4. MINERAL PROPERTY (CONTINUED)

Mineral property expenses are as follows:

	For the Year Ended December 31, 2014		
	Gnaweeda	Monitor	Total
	Gold Project	Property	
	(\$)	(\$)	(\$)
Administrative	-	1,107	1,107
Assays and analysis	-	7,248	7,248
Field costs	23	1,069	1,092
Geologists, geophysical contractors, geotechnical	8,897	36,767	45,664
Holding costs	59,162	15,931	75,093
Insurance	1,485	-	1,485
Other rentals	10,461	-	10,461
Shipping	-	5,674	5,674
Travel, accommodation and fuel	638	31,120	31,758
Total	80,666	98,916	179,582

	For the Year Ended December 31, 2013		
	Gnaweeda	Monitor	Total
	Gold Project	Property	
	(\$)	(\$)	(\$)
Assays and analysis	32,093	16,970	49,063
Drilling contractor	112,741	-	112,741
Field costs	64,297	148,912	213,209
Geologists, geophysical contractors geotechnical	78,876	186,931	265,807
Holding costs	35,327	24,345	59,672
Insurance	11,882	-	11,882
Mobilization	598	23,633	24,231
Other rentals	20,186	-	20,186
Shipping	2,725	-	2,725
Supplies	4,076	2,399	6,475
Travel, accommodation and fuel	14,205	77,500	91,705
Total	377,006	480,690	857,696

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5. RELATED PARTY TRANSACTIONS

The following table summarizes services provided by related parties:

	Year Ended December 31, 2014 (\$)	Year Ended December 31, 2013 (\$)
Office (a)	-	29,250
Management (b)	119,840	119,694
Professional fees (c)	48,436	80,130
Mineral property expenses (d)	-	59,582
Consulting (e,g)	630,497	50,767
Share issue costs (f)	-	140,000
	798,773	479,423

(a) The Company paid rent of \$Nil (2013 - \$29,250) to Highcard Exploration Inc. ("Highcard"), a company controlled by the previous president of the Company.

(b) The Company paid management fees of \$Nil (2013 - \$90,000) to Highcard.

The Company paid management fees of \$29,840 (2013 - \$29,694) to AN Consulting Ltd., a company controlled by the previous Chief Executive Officer.

The Company paid management fees of \$90,000 (2013 - \$nil) to Robert Tindall, the Chief Executive Officer.

(c) The Company paid accounting fees totalling \$Nil (2013 - \$60,130) to Regan Accounting Ltd. ("Regan"), a company controlled by the previous Chief Financial Officer.

The Company paid accounting fees of \$48,436 (2013 - \$20,000) to Bridgemark Financial Corp. ("Bridgemark"), a company controlled by the previous Chief Financial Officer.

(d) The Company paid to Gaeaorama Inc., a company controlled by a previous director of the Company, mineral property expenses consisting of geological consulting fees of \$Nil (2013 - \$59,582).

(e) The Company incurred consulting fees of \$Nil (2013 - \$28,488) to AN Consulting Ltd. and \$Nil (2013 - \$22,279) to Element Capital Partners Ltd ("Element").

The Company paid consulting fees of \$149,103 (2013 - \$Nil) to Bernie Sostak, a director.

(f) During the year ended December 31, 2013, the Company paid share-issue costs of \$140,000 in cash and issued warrants with a fair value of \$68,549 to Element.

(g) The Company paid consulting fees of \$481,394 (2013 - \$Nil) to Gregor Theiser, a former director.

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5. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company has identified certain directors and certain senior officers as its key management personnel. The compensation costs for key management personal for the years ended December 31, 2014 and 2013 are as follows:

	December 31, 2014 (\$)	December 31, 2013 (\$)
Management fees	90,000	119,694
Consulting fees	-	28,488
Share-based compensation	-	132,239
Total	90,000	280,421

At December 31, 2014, the Company wrote off \$582,670 receivable (December 31, 2013 - \$522,280) receivable from Tassiga, which is related to Gregor Theiser, a former director (Note 4).

As of December 31, 2014, \$352,354 (2013 - \$28,722) is due to related parties for the services above, which is included in accounts payable and accrued liabilities (Note 10).

As of December 31, 2013, \$110,668 was receivable from Kent Exploration Inc. (now Bayhorse Silver Inc.), a company controlled by the Company's previous President, Graeme O'Neill, and \$14,733 was receivable from the previous President (Notes 8 and 9).

Amounts due to/from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. ISSUED CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Share Capital Transactions

Year ended December 31, 2014

On March 12, 2014, the Company issued 1,000,000 common shares with a fair value of \$125,000 pursuant to the Monitor Property agreement (Note 4).

The Company received \$1,323,086 (2013 - \$607,744) in share subscriptions toward a private placement to issue up to 40,000,000 common shares at a price of \$0.10 per share for gross proceeds of up to \$4,000,000. As at December 31, 2014, the private placement had not closed.

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6. ISSUED CAPITAL (CONTINUED)

Year ended December 31, 2013

Warrants were exercised for purchase of 2,975,000 common shares, which were issued at \$0.12 for gross proceeds of \$357,000.

A private placement of 10,000,000 common shares was completed at \$0.20 for gross proceeds of \$2,000,000. Share issuance costs incurred related to this private placement were \$150,750. The Company granted 700,000 finders' warrants with a fair value of \$68,549 determined using the Black-Scholes Option Pricing Model. Assumptions used included a discount rate of 1.03%, an expected volatility of 145.03%, expected life 2 years and a dividend yield of Nil.

1,000,000 common shares were issued with a fair value of \$130,000 pursuant to the Monitor Property agreement (Note 4).

275,000 common shares were issued upon the exercise of 275,000 stock options at \$0.10 per unit for gross proceeds of \$27,500. On exercise of such options, \$15,196 has been reclassified to share capital from share-based payment reserve.

The Company received \$607,744 in share subscriptions toward a private placement announced in February 2014 to issue up to 20,000,000 common shares at a price of \$0.20 per share for gross proceeds of up to \$4,000,000. As at December 31, 2014, the private placement had not closed.

(c) Stock options

The Company may from time to time, in its discretion, and in accordance with the TSXV requirements, grant to directors, officers, employees and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Options will be exercisable for a period of up to 10 years from the date of grant. The option price shall be not less than the discounted market price on the grant date, and the expiry date shall be set by the board at the time of grant of the option.

On March 27, 2013, the Company issued 800,000 options, with an exercise price of \$0.18 and life of 5 years, to its former Chief Executive Officer of the Company.

	Options	Weighted average exercise price (\$)
Balance, December 31, 2012	4,936,000	0.10
Granted	800,000	0.18
Expired/cancelled	(2,175,000)	0.11
Exercised	(275,000)	0.10
Balance, December 31, 2013	3,286,000	0.12
Expired/cancelled	(1,000,000)	0.16
Balance, December 31, 2014	2,286,000	0.10

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6. ISSUED CAPITAL (CONTINUED)

(c) Stock options (continued)

As at December 31, 2014, the following stock options were outstanding and exercisable:

Number	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (in years)
1,786,000	0.10	April 9, 2017	2.27
500,000	0.10	December 14, 2017	2.96
2,286,000	0.10		2.42

These options entitle the holder thereof the right to acquire one common share for each option held. The fair value of each option is estimated on the grant date using the Black-Scholes Option Pricing Model assuming no expected dividends. The range of assumptions used in calculating fair value is as follows.

	December 31, 2013
Risk free interest rate	1.29%
Expected life (in years)	5.00
Expected volatility	154.37%
Expected dividend yield	0%

For the year ended December 31, 2014, the Company recognized \$nil (2013 - \$132,239) in compensation expense.

(d) Warrants

	Warrants	Weighted average exercise price (\$)
Balance December 31, 2012	32,778,664	0.12
Expired	(8,406,999)	0.12
Granted	700,000	0.20
Exercised	(2,975,000)	0.12
Balance December 31, 2013	22,096,665	0.12
Expired	(583,333)	0.12
Balance December 31, 2014	21,513,332	0.12

As at December 31, 2014, the following warrants were outstanding and exercisable:

Number	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (in years)
12,479,999*	0.12	November 22, 2015*	0.89
8,333,333**	0.12	December 14, 2015**	0.95
700,000	0.20	May 22, 2015	0.39
21,513,332	0.12		0.90

*On October 29, 2013, the expiry date was extended from November 22, 2013 to November 22, 2015.

**On December 12, 2014, the expiry date was extended from December 14, 2014 to December 14, 2015.

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6. ISSUED CAPITAL (CONTINUED)

(e) Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

7. NON-CASH TRANSACTIONS

During the year ended December 31, 2014:

a) The Company issued 1,000,000 common shares with a fair value of \$125,000 pursuant to the Monitor Property agreement (Note 4).

During the year ended December 31, 2013:

a) The Company issued 1,000,000 common shares with a fair value of \$130,000 pursuant to the Monitor Property agreement (Note 4).

b) The Company issued 700,000 finders' fee warrants with a fair value of \$68,549 pursuant to private placements (Note 6).

8. SETTLEMENT WITH PREVIOUS MANAGEMENT

During the year ended December 31, 2013, the Company entered into a settlement with previous management whereby the previous management agreed to sell, to a third party, common shares of the Company and to repay the Company for amounts borrowed and owed. The difference between money received of \$125,401 (Note 5) and net owed of \$133,089 has been recorded as a net \$7,688 gain from settlement.

9. RECEIVABLES

	December 31, 2014 (\$)	December 31, 2013 (\$)
Drilling grant receivable	-	22,379
Due from previous management (Notes 5 and 8)	-	14,733
Sales tax receivable	25,188	32,533
Receivable for disposition of Gwaneeda Property (Notes 4 and 16)	516,818	-
Total	542,006	69,645

During the year ended December 31, 2014, the Company wrote off \$23,480 in drilling grant receivable as it related to the disposition of the Gwaneeda Property (Note 4).

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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014 (\$)	December 31, 2013 (\$)
Accounts payable	421,752	297,875
Accrued liabilities	20,000	27,000
Due to related parties (Note 5)	352,354	28,722
Total	794,106	353,597

11. CASH AND CASH EQUIVALENTS

	December 31, 2014 (\$)	December 31, 2013 (\$)
Cash at bank	428	127,920
Bank term deposits	-	23,000
Total	428	150,920

12. INCOME TAXES

	December 31, 2014 (\$)	December 31, 2013 (\$)
Net loss	(5,796,263)	(2,688,409)
Statutory tax rate	26%	25.75%
Expected income tax recovery	(1,507,028)	(692,265)
Non-deductible items	16,765	(42,589)
Effect of differences in tax rates	(151,152)	(50,251)
Change in unrecognized deferred tax assets	1,641,415	785,105
Deferred income tax recovery	-	-

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2014 (\$)	December 31, 2013 (\$)
Non-capital losses	2,006,409	1,359,267
Capital losses	947,774	-
Share issuance costs	63,980	86,156
Exploration and evaluation assets	193,655	124,980
Less: Valuation allowance	(3,211,818)	(1,570,403)
Net deferred income tax asset	-	-

The Company has non-capital losses of approximately \$4,037,000 (2013 - \$2,232,000) available to offset deferred income for income tax purposes which commence expiring in 2031 and \$3,189,000 (2013 - \$2,597,000) of non-capital losses with no expiry date. Due to the uncertainty of realization of these loss carry-forwards, the benefit is not reflected in the financial statements as the Company has provided a full valuation allowance for the potential deferred tax assets resulting from these loss carry-forwards.

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13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, advances to related parties, due from related parties, and accounts payable. Cash and cash equivalents, receivables, advances to related parties are classified as loans and receivables, which are measured at amortized cost. Accounts payable is designated as other financial liabilities, which are measured at amortized cost.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

14. MANAGEMENT OF CAPITAL AND FINANCIAL RISK

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk: Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and its receivables. This risk is managed through the use of a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's receivables relate to sales taxes from the Governments of Canada and Australia and a receivable for the disposition of the Gnaweeda property. The risk associated with its receivables is minimal.

Liquidity risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

Currency risk: Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the Canadian dollar. The Company is exposed to currency exchange rate risk to the extent of its activities in Australia. Management believes the foreign exchange risk derived from currency conversions from the Australian operations is not significant and does not hedge its foreign exchange risk.

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14. MANAGEMENT OF CAPITAL AND FINANCIAL RISK (CONTINUED)

Currency risk (continued)

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Australian dollars:

	December 31, 2014 (\$)	December 31, 2013 (\$)
Cash and cash equivalents	11	20,398
Receivables	516,818	25,157
Advance to a related party	-	522,280
Accounts payables	(122,197)	(122,431)
	394,632	445,404

Based on the above net exposures, as at December 31, 2014, a 5% change in the Australian dollar to Canadian dollar exchange rate would impact the Company's net loss by \$19,731.

Industry risk: The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Interest rate risk: Interest rate 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. Interest rate risk is not significant as the Company's assets and liabilities do not bear any interest.

Capital management: The Company manages its capital structure based on the funds available to the Company, in order to fund its general and administration expenses, support acquisition, maintenance, exploration, and development of mineral properties. The capital structure of the Company consists of equity and debt obligations, net of cash and cash equivalents. The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed. The Company is not subject to any externally imposed restrictions on capital. There were no changes in the Company's approach to capital management during the year.

15. SEGMENTED INFORMATION

Operating segments

The Company had one reportable operating segment, being the acquisition, exploration, and disposition of interests in mineral properties located in two geographical segments, Australia and USA.

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15. SEGMENTED INFORMATION (CONTINUED)

Geographic segments

The following non-current assets, which consist of exploration and evaluation assets, are located in the following countries:

	December 31, 2014	December 31, 2013
	(\$)	(\$)
Australia	-	3,657,414
USA	269,989	144,989
Total	269,989	3,802,403

16. EVENTS AFTER THE REPORTING PERIOD

- a) On March 12, 2015, the Company signed an amended option agreement for the Monitor Property. In exchange for this extension, in April 2015 the Company issued an additional 1,500,000 common shares and paid cash of \$25,000 (Note 4).
- b) On March 24, 2015, the Company received A\$545,000 pursuant to the disposition of the Gnaweeda Property (Notes 4 and 9).
- c) On March 30, 2015, the Company issued 1,000,000 common shares pursuant to the Monitor Property (Note 4).
- d) The Company received \$245,508 in share subscriptions toward a private placement for the issuance of up to 40,000,000 common shares at \$0.10 per share for gross proceeds of up to \$4,000,000.