

**NORTHERN EMPIRE RESOURCES CORP.
(FORMERLY PROSPERITY GOLDFIELDS CORP.)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2015 and 2014
(EXPRESSED IN CANADIAN DOLLARS)**

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Northern Empire Resources Corp.
(formerly Prosperity Goldfields Corp.)

We have audited the accompanying consolidated financial statements of Northern Empire Resources Corp. (formerly Prosperity Goldfields Corp.), which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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.

Auditors' 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 auditors' 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, these consolidated financial statements present fairly, in all material respects, the financial position of Northern Empire Resources Corp. (formerly Prosperity Goldfields Corp.) as at March 31, 2015 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 conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Northern Empire Resources Corp. (formerly Prosperity Goldfields Corp.)'s ability to continue as a going concern.

Other Matters

The consolidated financial statements of Northern Empire Resources Corp. (formerly Prosperity Goldfields Corp.) for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on July 16, 2014.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

July 28, 2015

NORTHERN EMPIRE RESOURCES CORP. (FORMERLY PROSPERITY GOLDFIELDS CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

	March 31, 2015	March 31, 2014
ASSETS		
Current		
Cash	\$ 735,250	\$ 402,294
Receivables	44,770	6,393
Prepaid expenses (Note 8)	21,426	21,043
Total current assets	801,446	429,730
Property and equipment (Note 5)	-	542,933
Mineral property interests (Note 6)	994,498	599,104
Total assets	\$ 1,795,944	\$ 1,571,767
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 206,551	\$ 106,986
Restoration, rehabilitation and environmental obligations (Note 7)	616,808	600,366
Total liabilities	823,359	707,352
Shareholders' equity		
Capital stock (Note 9)	19,347,107	18,206,111
Reserves (Note 9)	3,923,476	3,708,976
Deficit	(22,297,998)	(21,050,672)
Total shareholders' equity	972,585	864,415
Total liabilities and shareholders' equity	\$ 1,795,944	\$ 1,571,767

Nature and continuance of operations (Note 1)
Commitments and contingencies (Notes 6 and 14)
Subsequent events (Note 16)

Approved on behalf of the Board:

_____, "Darryl Cardey", Director

_____, "Adrian Fleming", Director

See accompanying notes to the consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP. (FORMERLY PROSPERITY GOLDFIELDS CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED MARCH 31

	2015	2014
EXPENSES		
Consulting and management fees	\$ 173,750	\$ 160,350
Exploration and evaluation expenditures (Note 6)	436,641	1,916,798
Office, rent, salary and miscellaneous	53,768	88,862
Professional fees	89,177	72,733
Property investigation costs	35,551	-
Share-based compensation (Note 9)	-	37,041
Shareholder communications and promotion	14,638	109,889
Transfer agent and filing fees	30,437	39,797
Travel and accommodation	<u>-</u>	<u>5,768</u>
Operating loss	<u>(833,962)</u>	<u>(2,431,238)</u>
Accretion expense (Note 7)	(4,855)	(7,144)
Foreign exchange gain	520	107
Interest income	5,223	10,162
Loss on disposal of property and equipment (Note 5)	-	(1,526)
Recovery of flow-through share liability (Note 10)	-	207,139
Write-off of property and equipment (Note 5)	<u>(414,252)</u>	<u>-</u>
	<u>(413,364)</u>	<u>208,738</u>
Loss and comprehensive loss for the year	<u>\$ (1,247,326)</u>	<u>\$ (2,222,500)</u>
Basic and diluted net loss per common share	<u>\$ (0.14)</u>	<u>\$ (0.56)</u>
Weighted average number of common shares outstanding – basic and diluted	<u>8,869,743</u>	<u>3,963,190</u>

See accompanying notes to the consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP. (FORMERLY PROSPERITY GOLDFIELDS CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED MARCH 31

	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year	\$ (1,247,326)	\$ (2,222,500)
Items not affecting cash:		
Accretion expense	4,855	7,144
Amortization expense (Note 6)	140,268	429,643
Write-off of property and equipment	414,252	-
Recovery of flow-through share liability	-	(207,139)
Share based compensation	-	37,041
Loss on disposal of property and equipment	-	1,526
	(687,951)	(1,954,285)
Change in non-cash working capital items:		
Receivables	(38,377)	220,412
Prepaid expenses	(383)	121,887
Accounts payable and accrued liabilities	99,565	(683,641)
Net cash flows used in operating activities	(627,146)	(2,295,627)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	1,072,500	130,000
Share issue costs	(52,398)	(8,236)
Net cash flows from financing activities	1,020,102	121,764
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property interests	(60,000)	(60,000)
Change in cash	332,956	(2,233,863)
Cash, beginning of year	402,294	2,636,157
Cash, end of year	\$ 735,250	\$ 402,294

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP. (FORMERLY PROSPERITY GOLDFIELDS CORP.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Number of Shares	Capital Stock	Reserves		Deficit	Total
			Equity settled share-based payments reserve	Warrant reserve		
Balance, March 31, 2013	3,765,886	18,080,935	1,860,778	1,811,157	(18,828,172)	2,924,698
Shares issued pursuant to mineral properties acquisition	4,266	3,412	-	-	-	3,412
Shares issued pursuant to private placement	520,000	130,000	-	-	-	130,000
Share issue costs – cash	-	(8,236)	-	-	-	(8,236)
Share-based compensation	-	-	37,041	-	-	37,041
Net loss and comprehensive loss	-	-	-	-	(2,222,500)	(2,222,500)
Balance, March 31, 2014	4,290,152	\$ 18,206,111	\$ 1,897,819	\$ 1,811,157	\$ (21,050,672)	\$ 864,415
Shares issued pursuant to mineral properties acquisition	4,013,147	301,644	-	-	-	301,644
Shares issued as finder's fee pursuant to mineral property Acquisition	450,000	33,750	-	-	-	33,750
Shares issued pursuant to private placement	10,725,000	1,072,500	-	-	-	1,072,500
Fair value of warrants issued pursuant to private placement	-	(203,500)	-	203,500	-	-
Share issue costs – cash	-	(52,398)	-	-	-	(52,398)
Share issue costs – warrants	-	(11,000)	-	11,000	-	-
Net loss and comprehensive loss	-	-	-	-	(1,247,326)	(1,247,326)
Balance, March 31, 2015	19,478,299	\$ 19,347,107	\$ 1,897,819	\$ 2,025,657	\$ (22,297,998)	\$ 972,585

See accompanying notes to the consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Northern Empire Resources Corp., formerly Prosperity Goldfields Corp. (hereafter, the "Company" or "Northern Empire") was incorporated on September 10, 2010 under the Canada Business Corporations Act. On December 11, 2014 the Company changed its name from Prosperity Goldfields Corp. to Northern Empire Resources Corp. The Company's principal business is the acquisition and exploration of properties for the mining of precious and base metals. The Company's head office is located at 789 West Pender Street, Suite 800, Vancouver, British Columbia, V6C 1H2.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At March 31, 2015, the Company had not achieved profitable operations, had an accumulated deficit and a positive working capital. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale and financial assets at fair value through profit or loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting.

The accounting policies set out in Note 3 have been applied consistently by the Company during the years presented.

b) Approval of the Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 28, 2015.

c) Basis of Consolidation

The Company consolidates its subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies. All intercompany transactions and balances with the Company's subsidiary have been eliminated. These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Northern Empire de Mexico, S.A. de C.V., incorporated and located in Mexico.

2. BASIS OF PRESENTATION (Continued)

d) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. The functional currencies of the Company's subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

e) Share Consolidation

On December 11, 2014, the Company consolidated its issued and outstanding common shares, stock options and share purchase warrants on the basis of one new share for every five existing shares.

All references to share capital, stock options and share purchase warrants presented in these financial statements and notes thereto are on a post-consolidation basis.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash consist of amounts held in banks and demand deposits.

b) Financial instruments

The Company has classified its financial instruments as follows:

Cash and receivables	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial instruments (Continued)

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any financial assets as fair value through profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified at fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit or loss are expensed as incurred.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets at fair value through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial instruments (Continued)

Impairment of Financial Assets (Continued)

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

c) Property and equipment

Property and equipment is stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Company amortizes the cost less estimated residual values on a straight-line method over the estimated useful life of the asset. The estimated useful lives of the assets are as follows:

Buildings and other structures	2-3 years
Machinery and other equipment	2-3 years
Vehicles	2-3 years

An asset is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

d) Mineral property interests

i) Exploration and Evaluation

Staking costs, property option payments, and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs such as aircraft charters, assaying, camp and general expenditures, drilling, fuel costs, geological consulting, geophysics, helicopter charters, salaries and benefits and travel, meal and accommodation expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Mineral property interests (Continued)

i) Exploration and Evaluation (Continued)

Management reviews the carrying value of capitalized exploration costs at least annually. The review is based on the Company's intentions for development of the undeveloped property.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, costs associated with the project net of any impairment provisions are written off.

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development costs are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

Mineral property interests are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

iii) Impairment

The carrying value of all categories of mineral property are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, 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 the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in other expenses. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risks uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Mineral property interests (Continued)

iii) Impairment (Continued)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

e) Provisions

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 amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense.

f) Restoration, rehabilitation and environmental obligations

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

g) Share-based payments

From time to time, the Company grants stock options to directors, officers, employees and non-employees to purchase common shares. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees become entitled to the award. The fair value of the stock options on the grant date is determined using the Black-Scholes pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Capital Stock

- i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as capital stock in the amount for which the option, warrant or share enabled the holder to purchase a common share in the Company.
- ii) Capital stock issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.
- iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and warrants. The fair value of common share purchase warrants is determined using the Black-Scholes option pricing model.
- iv) The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through common share into i) a flow-through common share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) capital stock. When the resource property expenditures are incurred, the Company derecognizes the liability and recognizes a deferred tax recovery.

All costs related to issuances of capital stock are charged against the proceeds received from the related capital stock.

i) Income taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Loss per share

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Diluted and basic loss per share are the same because the effects of potential issuances of common shares under stock options and warrants would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Comprehensive income or loss

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources, and comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

l) Critical accounting judgments and estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, 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. The most significant accounts that require estimates as the basis for determining the stated amounts include: impairment of mineral property; provision for environmental rehabilitation; inputs used in the valuation of share-based payments; and provision for deferred income tax, including the effects of flow-through shares.

Significant estimates that have the most significant effect on the amounts recognized in the financial statements are as follows:

Mineral property interests

The Company capitalizes mining property acquisition costs that are to be amortized when the property becomes a development asset or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

Provision for Environmental Rehabilitation

The Company assesses its provision for restoration, rehabilitation and environmental obligations on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning and restoration provisions requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. In addition, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact* the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future decommissioning and restoration provision. The actual future expenditures may differ from the amounts currently provided.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Critical accounting judgments and estimates (Continued)

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value stock options and of common share purchase warrants issued. The model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants. The assumptions and models used for estimating fair value of stock options and common share purchase warrants are disclosed in Note 9.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is included in the following notes:

Note 1 – going concern assessment

Note 2 – functional currency

Note 6 – impairment of mineral property interests

l) Recent accounting pronouncements

Recent Accounting Pronouncements not yet applied:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for future accounting periods. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 9 Financial Instruments ("IFRS 9") partially replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective on or after January 1, 2018.

IFRS 7 Financial Instruments - Disclosure ("IFRS 7") has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on or after January 1, 2015.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations ("IFRS 11") has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. IFRS is effective on or after January 1, 2016.

IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization ("IFRS 16 and IAS 38") have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption for intangible assets. IFRS 16 and IAS 38 are effective on or after January 1, 2016.

4. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued capital stock, reserves and deficit.

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4. CAPITAL MANAGEMENT (Continued)

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

5. PROPERTY AND EQUIPMENT

	Buildings and other structures	Machinery and other equipment	Vehicles	Total
Cost				
Balance, March 31, 2013	\$ 737,011	\$ 442,177	\$ 473,276	\$ 1,652,464
Acquisitions (disposals)	(2,059)	(915)	(1,601)	(4,575)
Write-off	-	-	(4,833)	(4,833)
Balance, March 31, 2014	734,952	441,262	466,842	1,643,056
Acquisitions (disposals)	5,214	2,317	4,056	11,587
Write-off	(740,166)	(443,579)	(470,898)	(1,654,643)
Balance, March 31, 2015	\$ -	\$ -	\$ -	\$ -
Accumulated amortization				
Balance, March 31, 2013	\$ 350,986	\$ 152,445	\$ 170,356	\$ 673,787
Amortization	233,314	119,858	76,471	429,643
Write-off	-	-	(3,307)	(3,307)
Balance, March 31, 2014	584,300	272,303	243,520	1,100,123
Amortization	72,723	37,327	30,218	140,268
Write-off	(657,023)	(309,630)	(273,738)	(1,240,391)
Balance, March 31, 2015	\$ -	\$ -	\$ -	\$ -
Carrying Value				
At March 31, 2014	\$ 150,652	\$ 168,959	\$ 223,322	\$ 542,933
At March 31, 2015	\$ -	\$ -	\$ -	\$ -

During the year ended March 31, 2015, the Company impaired property and equipment with a net book value of \$414,252.

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6. MINERAL PROPERTY INTERESTS

Mineral Properties Acquisition Costs

Details of the cumulative acquisition expenditures incurred as at March 31, 2015 and 2014 are as follows:

	Kiyuk Lake Property	Eric Lake and Noomut River Properties	Richardson Property	Total
Balance – March 31, 2013	\$ 535,692	\$ -	\$ -	\$ 535,692
Acquisition - cash	60,000	-	-	60,000
Acquisition - shares	3,412	-	-	3,412
Balance – March 31, 2014	\$ 599,104	\$ -	\$ -	\$ 599,104
Acquisition - cash	60,000	-	-	60,000
Acquisition - shares	1,644	225,000	75,000	301,644
Finders' fee- shares	-	25,313	8,437	33,750
Balance – March 31, 2015	\$ 660,748	\$ 250,313	\$ 83,437	\$ 994,498

No acquisition costs were incurred on the Hilltop Gold and El Reventon Silver Projects during the year ended March 31, 2015.

Kiyuk Lake Property, Nunavut

On October 26, 2010, the Company entered into an agreement with its then parent, Evolving Gold Corp. ("Evolving"), to acquire 100% of Evolving's interest in the Option Agreement dated August 1, 2009, on the Kiyuk Property near Nueltin Lake in Nunavut. As a result of the transfer, the Company assumed all the obligations and commitments under the Option Agreement. As the shareholders of Evolving ultimately continued to hold their respective interests in the Kiyuk Property, there was no resulting change of control. Consequently, the acquisition was accounted for using continuity-of-interest accounting. No fair value adjustments were made for the assets acquired by Northern Empire. The Kiyuk Property was reflected in the Company's records at Evolving's carrying value.

The original Option Agreement dated August 1, 2009, had a five year term of which four years were remaining at the time of the transfer. Under the terms of the Option Agreement, \$60,000 was to be paid and 40,000 Evolving shares were to be issued in each of the four remaining years. The Optionor retains a 2% net smelter return royalty ("NSR") on the property which can be reduced by the payment of US\$2,000,000 for each 1% reduction in the NSR.

On October 28, 2010, the Company entered into an Amending Letter Agreement which revised the August 1, 2009 Option Agreement to reflect the transfer of the interest in the Kiyuk Property to Northern Empire and to revise certain financial terms. Under the terms of the Amending Letter Agreement, the Optionor will receive \$60,000 cash, 20,000 Evolving common shares and 3,000 Northern Empire common shares each year for the remaining four years of the Option Agreement. The Company will issue to Evolving, that number of the Company's common shares with an equivalent market value to the market value of the Evolving shares issued.

In September 2011, the second year anniversary payment was made. In October 2011, the Company issued 3,000 common shares valued at \$71,400 to the Optionor and issued 420 common shares valued at \$10,000 to Evolving as reimbursement for the 20,000 shares of Evolving issued to the Kiyuk Optionor.

In September 2012, the Company issued 3,000 common shares valued at \$13,200 to the Optionor and issued 1,262 common shares valued at \$5,555 to Evolving as reimbursement for the 20,000 shares of Evolving issued to the Kiyuk Optionor.

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6. MINERAL PROPERTY INTERESTS (Continued)

Kiyuk Lake Property, Nunavut (Continued)

In September 2013, the Company issued 3,000 common shares valued at \$2,400 to the Optionor and issued 1,266 common shares valued at \$1,012 to Evolving as reimbursement for the 20,000 shares of Evolving issued to the Kiyuk Optionor.

In October 2014, the Company paid \$60,000 in option payment, issued 12,000 common shares valued at \$1,500 to Kiyuk Optionor and issued 1,147 common shares valued at \$144 to Evolving as reimbursement for the 20,000 shares of Evolving issued to the Kiyuk Optionor.

The following is a summary of the option payments:

	Cash Option Payments	Issuance of common shares of Evolving*	Issuance of common shares of the Company
On or before October 8, 2010*	\$ 60,000	40,000	-
On or before October 8, 2011**	60,000	20,000	3,000
On or before October 8, 2012**	60,000	20,000	3,000
On or before October 8, 2013**	60,000	20,000	3,000
On or before October 8, 2014**	60,000	20,000	12,000
Total	\$ 300,000	120,000	21,000

* Completed by Evolving

** Completed by the Company

Eric Lake and Noomut River Properties, Nunavut

On October 30, 2014, the Company entered into an agreement to acquire 100% interest in two gold mineral exploration properties located in Nunavut, the Eric Lake and Noomut River properties.

Under the terms of Agreement, the Company is required to issue 3,000,000 common shares (issued at a value of \$225,000) and grant or pay:

For the Eric Lake Property:

- Grant a 2% NSR on future mineral production;
- Grant a 2% gross overriding royalty ("GOR") on future diamond production; and
- Pay \$50,000 each year as advance royalty payments commencing September 1, 2015.

For the Noomut River Property:

- Grant a 2% NSR on future mineral production;
- Grant a 2% gross overriding royalty ("GOR") on future diamond production; and
- Pay \$25,000 each year as advance royalty payments for three years ending in 2015.

The Company issued 337,500 common shares valued at \$25,313 as finder's fee shares in connection with the acquisitions.

6. MINERAL PROPERTY INTERESTS (Continued)

Eric Lake and Noomut River Properties, Nunavut (Continued)

Thunderstruck Agreement - Eric Lake Property

The Eric Lake Property was subject to the Thunderstruck Option Agreement, dated January 27, 2014, whereby Thunderstruck Resources Ltd. ("Thunderstruck") had an option to earn an undivided 60% interest in the Eric Lake Property by paying \$100,000 to the Company, issuing 600,000 common shares to the Company, incurring expenditures of \$6,000,000 on the property and paying all advance royalty payments. On January 19, 2015 the agreement was terminated.

Twford Agreement - Noomut River Property

The Noomut River Property is subject to the Twford Option Agreement, dated January 24, 2012 and amended on April 9, 2013, whereby Twford Ventures Inc. ("Twford") has an option to earn an undivided 60% interest in the Noomut River Property. In order to acquire a 60% interest in the Noomut River Property, Twford shall incur the following exploration expenditures:

On or before December 16, 2015	\$	100,000
On or before December 16, 2016		100,000
On or before December 16, 2017		1,500,000
Total	\$	1,700,000

Twford may accelerate the payments and thereby exercise the option early.

Twford assumes the Company's obligations under the agreement.

Richardson Property, Alaska

On October 30, 2014, the Company entered into a property acquisition agreement with Northern Empire Minerals Inc., a company considered to be a related party by way of a common director, to purchase 100% beneficial right, interest and title to the Richardson Property located in Alaska. Under the terms of agreement, the Company will complete the following:

- Issue 1,000,000 common shares (issued at a value of \$75,000);
- Grant a 3% NSR; and
- Make advanced royalty payments of US\$4,000 per month commencing November 2016.

The Company issued 112,500 common shares valued at \$8,437 as finder's fee shares in connection with the property acquisition.

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6. MINERAL PROPERTY INTERESTS (Continued)

Hilltop Gold Project, Alaska

On March 9, 2015, the Company signed a letter of intent (“LOI”) with Sonoro Metals Corp. (“Sonoro”) to which Sonoro has been granted the option to acquire 60% interest in the Hilltop Gold Project in Alaska. The Hilltop Gold Project is contiguous with the Richardson Property and consists of claims acquired from the Richardson Property and claims that were staked by the Company.

To exercise the option and earn 60% interest in the Hilltop Gold Project, Sonoro must pay \$3,000,000 to the Company to be spent on exploration activities and issue 1,000,000 common shares of Sonoro as per the following schedule:

	Cash payments	Issuance of common shares
Within 60 days of the execution of the LOI	\$ 250,000*	250,000*
By December 31, 2017	500,000	250,000
By December 31, 2018	750,000	250,000
By December 31, 2019	1,500,000	250,000
Total	\$ 3,000,000	1,000,000

*Completed subsequent to March 31, 2015 (Note 16)

During the term of the option, the Company will be the operator of the project.

El Reventon Silver Project, Mexico

On December 19, 2014, and amended January 31, 2015, the Company entered into an assignment agreement with Northair Silver Corp. (“Northair”) to acquire 100% interest in three mineral claims in the Mexican State of Durango, referred to as the El Reventon Silver Project. In consideration of the assignment, the Company has agreed to pay Northair the sum of \$10,000 (paid subsequent to March 31, 2015), issue 200,000 common shares (issued subsequent to March 31, 2015) of the Company and grant Northair a 1% NSR (granted subsequent to March 31, 2015). The Company will be entitled at any time to buy-back the full NSR by paying Northair \$1,000,000. The closing of the acquisition was approved by the TSX Venture Exchange on March 31, 2015.

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6. MINERAL PROPERTY INTERESTS (Continued)

Exploration and evaluation expenditures

Details of exploration expenditures incurred for the years ended March 31, 2015 and 2014 are as follows:

	Year Ended March 31, 2015					Year Ended March 31, 2014 *
	Kiyuk Lake Property	Eric Lake and Noomut River Properties	Richardson Property	Hilltop Gold Property	Total	Total
Exploration and evaluation costs:						
Aircraft	\$ -	\$ -	\$ -	\$ -	\$ -	142,308
Amortization	140,268	-	-	-	140,268	429,643
Assays	2,406	-	-	-	2,406	74,144
Camp and general	18,180	533	157,720	41,542	217,975	146,338
Community relations	-	-	-	-	-	3,058
Computer hardware and software	-	-	-	-	-	3,118
Courier, freight, transportation and shipping	55	-	-	-	55	14,237
Drilling	-	-	-	-	-	300,727
Field equipment and supplies	11,860	-	-	6,134	17,994	36,273
Fuel	-	-	-	-	-	92,913
Geological consulting and other labour	2,475	375	86,175	5,038	94,063	106,199
Geophysics	-	-	-	-	-	360
Helicopter charter	-	-	-	12,243	12,243	111,812
Maps, orthophotos and reports	450	-	-	-	450	3,522
Office	-	-	315	2,308	2,623	26,075
Permits, claims and licenses	-	-	-	-	-	11,396
Rent	-	-	-	-	-	33,667
Royalty payments	-	-	5,003	-	5,003	-
Salaries and benefits	-	-	-	-	-	333,095
Travel, meals and accommodation	-	-	5,481	88	5,569	47,913
Exploration and evaluation costs	175,694	908	254,694	67,353	498,649	1,916,798
Recoveries received	-	-	-	(62,008)	(62,008)	-
Net exploration and evaluation costs	\$ 175,694	\$ 908	\$ 254,694	\$ 5,345	\$ 436,641	\$ 1,916,798

*Exploration and evaluation costs for the year ended March 31, 2014 were spent only on the Kiyuk Lake Property.

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7. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS

As at March 31, 2015, the Company's restoration, rehabilitation and environmental obligations are estimated to be \$616,808 (March 31, 2014: \$600,366) and they relate to the dismantling and removal of its exploration camp and equipment at the Company's Kiyuk Lake property. The obligation was calculated using an inflation rate of 2% and a discount rate of approximately 0.64% with the assumption that the obligation will be settled in mid-2018.

Summary of transactions impacting the restoration, rehabilitation and environmental obligations is as follows:

Balance - March 31, 2013	\$	597,797
Decrease in liabilities		(4,575)
Accretion expense		7,144
Balance – March 31, 2014		600,366
Increase in liabilities		11,587
Accretion expense		4,855
Balance – March 31, 2015	\$	616,808

The Company's estimate of its ultimate restoration, rehabilitation and environmental obligations could change due to possible changes in laws and regulations, changes in cost estimates and discount rates.

8. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

Compensation of Key Management Personnel

Key management personnel consist of current and former directors and senior management including the President, Chief Executive Officer and former Chief Financial Officer. Key management personnel compensation includes:

	2015	2014
Consulting and management fees	\$ 106,000	\$ 105,000
Exploration and evaluation expenditures	-	99,000
Office, rent, salary and miscellaneous	36,000	28,833
Professional fees	37,500	36,000
Share-based compensation	-	19,129
	\$ 179,500	\$ 287,962

The accounts payable and accrued liabilities of the Company include the following amounts due to related parties:

	2015	2014
Key management personnel	\$ 9,000	\$ 2,500

As at March 31, 2015, the Company paid \$12,000 (March 31, 2014: \$12,000) as a rent deposit to a company partially controlled by a director, which is included in prepaid expenses.

9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital Stock

The Company has authorized an unlimited number of common shares without par value. As at March 31, 2015, the Company had 19,478,299 (2014: 4,290,152) common shares outstanding.

On December 11, 2014, the Company consolidated its issued and outstanding common shares, stock options and share purchase warrants on the basis of one new share for every five existing shares. All share and per share amounts have been restated to reflect the share consolidation.

On September 30, 2013, pursuant to the amending letter agreement for the Kiyuk Lake Property dated October 28, 2010, the Company paid \$60,000 and issued 3,000 common shares valued at \$2,400 to the Optionor. In addition, Evolving issued 20,000 common shares to the Optionor. The Company issued 1,266 shares valued at \$1,012 to Evolving as reimbursement. The value of the common shares was based on the market price of the shares at the time of issuance.

On November 14, 2013, the Company completed a non-brokered private placement of 520,000 common shares at \$0.25 per share for gross proceeds of \$130,000. The Company incurred costs of \$8,236 relating to the private placement.

On October 7, 2014, pursuant to the amending letter agreement for the Kiyuk Lake Property dated October 28, 2010, the Company paid \$60,000 and issued 12,000 common shares valued at \$1,500 to the Optionor. In addition, Evolving issued 20,000 common shares to the Optionor. The Company issued 1,147 shares valued at \$144 to Evolving as reimbursement. The value of the common shares was based on the market price of the shares at the time of issuance.

On December 11, 2014, the Company completed a non-brokered private placement of 10,725,000 units at a price of \$0.10 per unit for gross proceeds of \$1,072,500. Each unit consists of one common share and one-half warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.20 per share for a period of 3 years from December 11, 2014. Gross proceeds from this financing were allocated \$869,000 to capital stock and \$203,500 to warrant reserves based on their relative fair values.

The Company paid \$52,398 of share issue costs related to the private placement which was offset against capital stock. The Company issued 394,500 finder's fee warrants related to the private placement. Each warrant entitles the holder to purchase one additional common share at a price of \$0.20 per share for a period of 2 years from December 11, 2014. The fair value of warrants is \$11,000 based on Black-Scholes option pricing model and was recorded to warrant reserves and offset against capital stock.

On December 11, 2014, the Company issued 3,000,000 common shares valued at \$225,000, for the acquisition of the Eric Lake and Noomut River properties and issued 337,500 common shares, valued at \$25,313, as finder's fee in connection with the acquisitions.

On December 11, 2014, the Company issued 1,000,000 common shares, valued at \$75,000, for the acquisition of the Richardson Property and issued 112,500 common shares, valued at \$8,437, as finder's fee in connection with the acquisition.

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9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Share purchase warrants

The following is a summary of the warrant transactions for the years ended March 31, 2015 and 2014:

March 31, 2014	Issued	Expired	March 31, 2015	Exercise Price	Expiry Date
403,125	-	(403,125)	-	\$5.60	May 19, 2014
-	394,500	-	394,500	\$0.20	December 11, 2016
-	5,362,500	-	5,362,500	\$0.20	December 11, 2017
403,125	5,757,000	(403,125)	5,757,000	\$0.20	

March 31, 2013	Issued	Expired	March 31, 2014	Exercise Price	Expiry Date
370,090	-	(370,090)	-	\$ 9.00	April 6, 2013
125,000	-	(125,000)	-	\$17.00	August 15, 2013
250,000	-	(250,000)	-	\$ 5.00	November 5, 2013
403,125	-	-	403,125	\$ 5.60	May 19, 2014
1,148,215	-	(745,090)	403,125	\$ 5.60	

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants granted during the year ended March 31, 2015 (2014: Nil):

Risk-free interest rate	1.08%
Expected life of options	2.93 years
Expected annualized volatility	107.59%
Expected dividend rate	0%

Stock options

The Company may grant stock options pursuant to a stock option plan which was established in accordance with the policies of the TSX Venture Exchange. The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants and advisors. The options can be granted for a maximum of ten years. Vesting is determined by the Board of Directors.

The following is a summary of the options transactions for the years ended March 31, 2015 and 2014:

March 31, 2014	Issued	Expired	Forfeited	March 31, 2015	Exercise Price	Expiry Date
56,435	-	(56,435)	-	-	\$ 4.00	May 19, 2014
67,500	-	-	-	67,500	\$ 5.00	March 4, 2016
37,683	-	-	(37,683)	-	\$10.00	April 4, 2016
65,000	-	-	-	65,000	\$10.00	July 25, 2016
7,500	-	-	(7,500)	-	\$17.00	August 12, 2016
9,398	-	-	(9,398)	-	\$10.00	September 12, 2016
53,250	-	-	(53,250)	-	\$10.20	April 24, 2017
296,766	-	(56,435)	(107,831)	132,500	\$ 7.45	

All of the stock options outstanding as at March 31, 2015 are exercisable.

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9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Stock options (Continued)

March 31, 2013	Issued	Expired	March 31, 2014	Exercise Price	Expiry Date
20,000	-	(20,000)	-	\$25.60	April 4, 2013
56,435	-	-	56,435	\$ 4.00	May 19, 2014
67,500	-	-	67,500	\$ 5.00	March 4, 2016
37,683	-	-	37,683	\$10.00	April 4, 2016
65,000	-	-	65,000	\$10.00	July 25, 2016
7,500	-	-	7,500	\$17.00	August 12, 2016
9,398	-	-	9,398	\$10.00	September 12, 2016
53,250	-	-	53,250	\$10.20	April 24, 2017
316,766	-	(20,000)	296,766	\$ 7.93	

Share based compensation

Share-based compensation expense for the year ended March 31, 2015 related to stock options granted in the previous periods was \$Nil (2014: \$37,041).

10. FLOW-THROUGH SHARES LIABILITY

On November 19, 2012, the Company issued 772,500 flow-through units at a price of \$4.00 per flow-through unit for gross flow through proceeds of \$3,090,000. The flow-through share liability was determined to be \$463,500. During the year ended March 31, 2013, the Company spent \$1,709,146 of the flow-through funds. Accordingly, \$256,361 of the flow-through shares liability was recognized leaving \$207,139 flow-through shares liability balance as of March 31, 2013. During the year ended March 31, 2014, the Company spent the remaining \$1,380,854 of the flow-through funds and accordingly, \$207,139 of the flow-through shares liability has been recovered during the year ended March 31, 2014.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the year ended March 31, 2015 consisted of:

- Reduction of restoration, rehabilitation and environmental obligations of \$11,587 charged against property and equipment.
- Issued 4,013,147 common shares at a fair value of \$301,644 for mineral property acquisitions.
- Issued 450,000 common shares at a fair value of \$33,750 for finders' fee in association with the mineral properties acquired during the year.
- Fair value of warrants allocated from share capital on private placement of \$203,500.
- Issued warrants valued at \$11,000 as finders' fees on a private placement.

Significant non-cash investing and financing transactions for the year ended March 31, 2014 consisted of:

- Reduction of restoration, rehabilitation and environmental obligations of \$4,575 charged against property and equipment.
- Issued 21,328 common shares at a fair value of \$3,412 pursuant to the Amending Letter Agreement for the Kiyuk property.

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12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2015	2014
	\$	\$
Loss for the year	(1,247,326)	(2,222,500)
Expected income tax (recovery)	(324,000)	(578,000)
Share issue cost	(14,000)	(44,000)
Adjustment to prior years provision versus statutory and other	(417,000)	(131,000)
Change in unrecognized deductible temporary differences	755,000	753,000
Total income tax expense (recovery)	-	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2015	2014
	\$	\$
Deferred Tax Assets:		
Mineral property interests	4,105,000	3,597,000
Property and equipment	337,000	195,000
Canadian eligible capital (CEC)	50,000	50,000
Share issue costs	55,000	71,000
Restoration, rehabilitation and environmental obligation	160,000	156,000
Non-capital losses available for future period	1,028,000	911,000
	5,735,000	4,980,000
Non-capital losses carried forward	(5,375,000)	(4,980,000)
Net deferred tax assets	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2015	Expiry Date
	\$	Range
Temporary Differences:		
Mineral property interests	13,816,000	No expiry date
Property and equipment	1,297,000	No expiry date
Canadian eligible capital (CEC)	190,000	No expiry date
Share issue costs	212,000	2036 to 2039
Restoration, rehabilitation and environmental obligation	616,000	No expiry date
Non-capital losses available for future period	3,952,000	2016 to 2035

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13. SEGMENTED INFORMATION

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada, United States and Mexico.

The Company's geographic information for year ended March 31, 2015 is as follows:

As at March 31, 2015	Canada		United States		Total
<u>Assets</u>					
Mineral property interests	\$	911,061	\$	83,437	\$ 994,498
Other assets		801,446		-	801,446
Total	\$	1,712,507	\$	83,437	\$ 1,795,944

The Company's operations as at March 31, 2014 were only in Canada.

14. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

15. FINANCIAL INSTRUMENTS

a) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash, amounts receivable, and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity. Cash is measured using level one of the fair value hierarchy.

b) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration

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15. FINANCIAL INSTRUMENTS (Continued)

c) Credit Risk (Continued)

of credit risk consist primarily of cash and amounts receivable. Cash is held with a major Canadian financial institution and the receivables are from Government entities. Management is of the view that all amounts are fully collectible.

d) Interest Rate Risk

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rates. The effect of a 1% change in the interest rate is \$6,800.

e) Political Risk

The Company has a subsidiary in Mexico. This operation is potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

f) Foreign Currency Fluctuation Risk

The Company has vendors in Canada, the United States, and Mexico; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions. The Company's exposure to foreign currency fluctuations is minimal.

16. SUBSEQUENT EVENTS

- a) On May 22, 2015, the Company paid \$10,000 and issued 200,000 common shares to Northair pursuant to the assignment agreement for the El Reventon Silver Project (Note 6).
- b) On June 12, 2015, a Definitive Agreement relating to the Hilltop Gold Property was signed between the Company and Sonoro on the same terms as the LOI (Note 6). As part of the agreement, Sonoro issued 250,000 of its shares and paid \$250,000 to the Company to be spent on exploration on the Hilltop Property.
- c) On June 23, 2015, the Company entered into a Letter Agreement with an individual to acquire 100% interest in the Manson Creek Property. To earn 100% interest in the Property, the Company must pay \$225,000 and issue 500,000 common shares as per the following schedule:

	Cash payments	Issuance of common shares
July 8, 2015	\$ 15,000 (paid)	100,000 (issued)
July 8, 2016	25,000	100,000
July 8, 2017	35,000	100,000
July 8, 2018	50,000	100,000
July 8, 2019	100,000	100,000
Total	\$ 225,000	500,000

The Property is subject to a 2% NSR, of which 1% can be purchased for \$1 million within the first 5 years and \$2 million thereafter. After the cash and shares have been paid out, an advance royalty payment in aggregate of \$25,000 is due annually, on or before the 5th anniversary of signing the Agreement.